



CONCORDE CAPITAL

Ukraine / Metals & Mining

**Metinvest**

**Acquisition of United Coal**

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**Metinvest Group agreed to acquire United Coal, the leading coking coal producer in the US, for USD ~2.5 bln, *mergermarket* reported yesterday, citing sources familiar with the situation. The deal was agreed to several weeks ago, but has yet to be formally announced.**

**Azovstal: another argument for hefty dividend**

The United Coal acquisition is in line with our belief that Metinvest will be active in acquiring new metals & mining assets. More importantly, the acquisition underpins our belief that Azovstal (AZST: BUY) will pay a sizable dividend, with Metinvest receiving roughly 98% of the amount in proportion to its stake to fund the deal (see our flash note of October 13). Azovstal's shareholders will vote on the allocation of the company's retained earnings of USD 1.1 bln at their AGM on October 25.

**Avdiyivka Coke: coal supplies secured**

Following the acquisition of United Coal, Metinvest would become self-sufficient in coking coal, increasing its production by 80% to 17 mln mt p.a. As a result, the group's core coke asset, Avdiyivka Coke (AVDK: BUY), would secure supplies of high grade coking coal as early as the beginning of 2009. Moreover, following the modernization of the Metinvest-owned Black Sea Avlita port, currently underway, Avdiyivka will benefit from Metinvest's ability to import coking coal via large bulk freighters. We expect the upgraded seaport to be suitable for receiving international coal shipments in 2010.

FLASH NOTE

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