

Metinvest/SCM restructuring

Three technical deals on PFTS

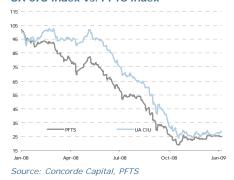
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UA CIU index vs. PFTS index



Key market data

Performance

UA CIU Index (as of Jan 13) 64.7 chg YTD/1m/1y 7%/ 6%/-72% PFTS Index (as of Jan 12) 295.2 chg YTD/1m/1y -2%/ 7%/-75% MSCI EM Index (as of Jan 12) 553.2 chg YTD/1m/1y -0.1%/-0.3%/-55%

Capitalization

Investable Universe MCap USD 15.6 bln Investable Universe FF USD 1.5 bln

Avg daily trading, last 6M

PFTS USD 6.5 mln
Ukr stocks listed on LSE USD 18.6 mln
Ukr stocks listed on WSE USD 1.0 mln
Ukr DRs listed on FSE USD 0.1 mln

Source: PFTS, LSE, FSE, WSE, Concorde Capital

Today three trades, accounting for 99.7% of the total turnover on the PFTS – were conducted at prices way above the market:

Trade 1. Avdiyivka Coke (AVDK: BUY, TP: USD 5.37). Volume – UAH 341 mln / USD 44 mln (48.7 mln shares; 25% of total shares outstanding)

Trade 2. Azovstal (AZST: BUY, TP: USD 0.35). Volume – UAH 193 mln / USD 25 mln (148.8 mln shares; 4% of total shares outstanding)

Trade 3. ZaporizhCoke (ZACO: HOLD, TP: USD 1.46). Volume – UAH 119 mln / USD 15 mln (29.8 mln shares; 25% of total shares outstanding)

All three companies are related to SCM, the largest Ukrainian business group. Avdiyivka Coke (90.9% stake) and Azovstal (97.7% stake) are part of Metinvest, SCM's metals & mining wing. SCM also owns a 40.3% stake in ZaporizhCoke.

Though there has been no official response from SCM or Metinvest yet, we think the deals are part of internal restructuring to consolidate assets. This scheme was used by Metinvest before. In December 2008, Metinvest conducted a technical deal in Khartsyzk Pipe (volume - UAH 442.8 mln / USD 58 mln; 206 mln shares; 0.8% of total shares outstanding).



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