



CONCORDE CAPITAL

Ukraine / Metals & Mining

# Metinvest/SCM restructuring

## Three technical deals on PFTS

January 14, 2009

**Eugene Cherviachenko**  
ec@concorde.com.ua

**Oleksandr Klymchuk**  
ok@concorde.com.ua

+380 44 391 5577

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)

### UA CIU index vs. PFTS index



Source: Concorde Capital, PFTS

### 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

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).

TRADING ALERT

TRADING ALERT

TRADING ALERT

**Concorde Capital, Head office**

2 Mechnikova Street, 21st Floor  
Parus Business Centre  
Kyiv 01601, Ukraine  
Tel.: +380 44 391 5577  
Fax: +380 44 391 5571

www.concorde.ua

**Concorde Capital**

4 Fourth Lesnoy Pereulok, 5th Floor  
Capital Plaza  
Moscow 125047, Russia  
Tel.: +7 495 642 87 15  
Fax: +7 495 225 85 00

office@concorde.com.ua

**CEO**

Igor Mazepa

im@concorde.com.ua

**RESEARCH**

**Head of Sales & Trading**

Roman Nasirov

rn@concorde.com.ua

**Strategy**

Konstantin Fisun  
Oleksandr Klymchuk

kf@concorde.com.ua  
ok@concorde.com.ua

**International Sales & Trading**

Anastasiya Nazarenko  
Marina Martirosyan  
Andriy Supranonok

an@concorde.com.ua  
mm@concorde.com.ua  
sap@concorde.com.ua

**Metals & Mining**

Eugene Cherviachenko  
Andriy Gerus

ec@concorde.com.ua  
ga@concorde.com.ua

**Domestic Sales & Trading**

Yuriy Pilipenko  
Alisa Tikhomirova

up@concorde.com.ua  
at@concorde.com.ua

**Utilities (Telecom, Energy)**

Alexander Paraschiy

ap@concorde.com.ua

**Oil & Gas, Chemicals,  
Pharmaceuticals**

Vladimir Nesterenko

vn@concorde.com.ua

**Director of Research**

Konstantin Fisun, CFA

kf@concorde.com.ua

**Real Estate/Construction**

Andriy Gostik, CFA  
Alexander Romanov

ag@concorde.com.ua  
ar@concorde.com.ua

**Consumer-related**

Anna Dudchenko

ad@concorde.com.ua

**Machinery**

Alexander Paraschiy  
Alexander Romanov  
Eugene Cherviachenko

ap@concorde.com.ua  
ar@concorde.com.ua  
ec@concorde.com.ua

**Financial Services, Retail**

Alexander Viktorov

av@concorde.com.ua

**Economics**

Andrii Parkhomenko

pav@concorde.com.ua

**Fixed Income**

Oleksandr Klymchuk

ok@concorde.com.ua

**Editor**

Brad Wells

bw@concorde.com.ua

**Disclaimer**

THIS REPORT HAS BEEN PREPARED BY CONCORDE CAPITAL INVESTMENT BANK INDEPENDENTLY OF THE RESPECTIVE COMPANIES MENTIONED HEREIN FOR INFORMATIONAL PURPOSES ONLY. CONCORDE CAPITAL DOES AND SEEKS TO DO BUSINESS WITH COMPANIES COVERED IN ITS RESEARCH REPORTS. AS A RESULT, INVESTORS SHOULD BE AWARE THAT CONCORDE CAPITAL MIGHT HAVE A CONFLICT OF INTEREST THAT COULD AFFECT THE OBJECTIVITY OF THIS REPORT.

THE INFORMATION GIVEN AND OPINIONS EXPRESSED IN THIS DOCUMENT ARE SOLELY THOSE OF CONCORDE CAPITAL AS PART OF ITS INTERNAL RESEARCH COVERAGE. THIS DOCUMENT DOES NOT CONSTITUTE OR CONTAIN AN OFFER OF OR AN INVITATION TO SUBSCRIBE FOR OR ACQUIRE ANY SECURITIES. THIS DOCUMENT IS CONFIDENTIAL TO CLIENTS OF CONCORDE CAPITAL AND IS NOT TO BE REPRODUCED OR DISTRIBUTED OR GIVEN TO ANY OTHER PERSON.

CONCORDE CAPITAL, ITS DIRECTORS AND EMPLOYEES OR CLIENTS MIGHT HAVE OR HAVE HAD INTERESTS OR LONG/SHORT POSITIONS IN THE SECURITIES REFERRED TO HEREIN, AND MIGHT AT ANY TIME MAKE PURCHASES AND/OR SALES IN THEM AS A PRINCIPAL OR AN AGENT. CONCORDE CAPITAL MIGHT ACT OR HAS ACTED AS A MARKET-MAKER IN THE SECURITIES DISCUSSED IN THIS REPORT. THE RESEARCH ANALYSTS AND/OR CORPORATE BANKING ASSOCIATES PRINCIPALLY RESPONSIBLE FOR THE PREPARATION OF THIS REPORT RECEIVE COMPENSATION BASED UPON VARIOUS FACTORS, INCLUDING QUALITY OF RESEARCH, INVESTOR/CLIENT FEEDBACK, STOCK PICKING, COMPETITIVE FACTORS, FIRM REVENUES AND INVESTMENT BANKING REVENUES.

PRICES OF LISTED SECURITIES REFERRED TO IN THIS REPORT ARE DENOTED IN THE CURRENCY OF THE RESPECTIVE EXCHANGES. INVESTORS IN FINANCIAL INSTRUMENTS SUCH AS DEPOSITORY RECEIPTS, THE VALUES OR PRICES OF WHICH ARE INFLUENCED BY CURRENCY VOLATILITY, EFFECTIVELY ASSUME CURRENCY RISK.

DUE TO THE TIMELY NATURE OF THIS REPORT, THE INFORMATION CONTAINED MIGHT NOT HAVE BEEN VERIFIED AND IS BASED ON THE OPINION OF THE ANALYST. WE DO NOT PURPORT THIS DOCUMENT TO BE ENTIRELY ACCURATE AND DO NOT GUARANTEE IT TO BE A COMPLETE STATEMENT OR SUMMARY OF AVAILABLE DATA. ANY OPINIONS EXPRESSED HEREIN ARE STATEMENTS OF OUR JUDGMENTS AS OF THE DATE OF PUBLICATION AND ARE SUBJECT TO CHANGE WITHOUT NOTICE. REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART WITHOUT PRIOR PERMISSION IS PROHIBITED.

NEITHER THIS DOCUMENT NOR ANY COPY HEREOF MAY BE TAKEN OR TRANSMITTED INTO THE UNITED STATES OR DISTRIBUTED IN THE UNITED STATES OR TO ANY U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")), OTHER THAN TO A LIMITED NUMBER OF "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) SELECTED BY CONCORDE CAPITAL.

THIS DOCUMENT MAY ONLY BE DELIVERED WITHIN THE UNITED KINGDOM TO PERSONS WHO ARE AUTHORIZED OR EXEMPT WITHIN THE MEANING OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA") OR TO PERSONS WHO ARE OTHERWISE ENTITLED TO RECEIVE THIS DOCUMENT UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, OR ANY OTHER ORDER MADE UNDER THE FSMA.