

Alchevsk Coke

Virtually all of Company's 2009 production was consumed by IUD affiliates

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Coke

	Sales (\$ mln)	EBITDA (\$ mln)	Net income (\$ mln)	P/S	EV/EBITDA	P/E
2007	644.5	82.7	45.5	0.35	3.01	4.94
2008	946.1	55.8	5.4	0.24	4.47	41.64
2009	507.1	31.5	9.4	0.44	7.90	23.91

Sources: Company data, UFC Capital estimates.

Alchevsk Coke specializes in the production of metallurgical coke, resin, coal charge, benzene, and ammonium sulphate. The Company operates five coke-oven batteries. In addition, it possesses auxiliary chemical production, the key products of which are mineral fertilizers and benzols.

- ▶ The Company is controlled by the Industrial Union of Donbas financial and industrial group. In January 2010, a group of Russian investors, headed by Alexander Katunin, purchased a 50%+2 stake in Alchevsk Coke's parent company, IUD. We assume that the deal was transacted on behalf of the Russian-based Evraz Group, which already owns some assets in Ukraine.
- ▶ The Company sold practically all of the output produced in 2009 on the domestic market. At the same time, the largest consumers of the blast-furnace coke produced by the company were Alchevsk Iron and Steel and Dzerzhinskiy Iron and Steel, which are also part of the IUD group.
- ▶ The Company's management expects that, in 2010, the Company will finalize the implementation of the following projects: the installation of dust-free coke unloading equipment on batteries no. 5 and no. 6, the installation of a Siemens turbo-generator, a E-75 boiler heated with surplus blast-furnace gas, and TGKh-3600 primary gas coolers. The aforementioned equipment will enable coke producer to cut costs for the various base materials used for coke production and, accordingly, increase its profit margins.
- ▶ In January-April 2010, the Company increased coke output by 4% YoY to 1,116 thsd t.
- ▶ In 2009, the Company's net sales dropped by 21% YoY, and its EBITDA fell by 17%. At the same time, its net profit increased by 2.6 times. Based on accounting data, the growth in net profit in 2009 may be explained by the reduction in costs related to non-operating exchange differences, by 70% YoY.

BUY

Current price: \$0.07

Fair price: \$0.13

Upside: 86%

Tickers

PFTS / UX / Bloomberg ALKZ

Shareholders structure

Industrial Union of Donbas 98.0%

Other 2.0%

Capital Structure

Number of shares 3 011 960 000

Capitalization, \$ mln 224.6

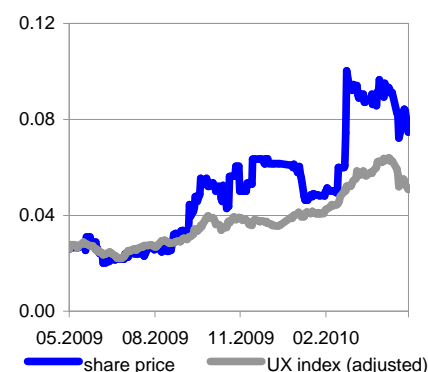
Net debt, \$ mln 24.6

EV, \$ mln 249.2

Equities performance, \$

52-week low 0.02

52-week high 0.10



Financials

Balance sheet, \$ mln

	31.12.2007	31.12.2008	31.12.2009
Cash and cash equivalents	6.6	7.6	3.1
Current financial investments	0.0	0.0	0.0
Commercial accounts receivable	147.4	214.9	164.5
Other accounts receivable	5.1	8.2	7.3
Inventories	76.1	24.0	31.1
Other current assets	6.2	0.0	0.0
Total current assets	241.4	254.7	206.1
Fixed assets	124.5	111.5	95.1
Other fixed assets	113.2	50.7	48.8
Total fixed assets	237.7	162.2	143.9
Total assets	479.1	417.0	349.9
Short-term loans	0.0	0.0	0.0
Current long-term liabilities	14.3	13.6	24.6
Goods accounts payable	146.6	183.9	120.6
Other current liabilities	5.7	13.3	8.3
Total short-term liabilities	166.6	210.8	153.5
Long-term bank loans	27.7	15.4	0.0
Other long-term financial liabilities	0.0	0.0	3.1
Other long-term liabilities	0.4	0.1	0.2
Total long-term liabilities	28.1	15.5	3.3
Charter capital	149.1	97.8	94.3
Retained profit	79.5	55.7	62.5
Other equity	55.8	37.1	36.3
Total equity	284.4	190.6	193.2
Total equity and liabilities	479.1	417.0	349.9

Sources: company data, UFC Capital estimates.

Income statement, \$ mln

	2007	2008	2009
Sales (net revenue)	644.5	946.1	507.1
COGS	563.9	888.8	480.0
Gross profit (loss)	80.6	57.3	27.1
Other operating income	234.5	92.0	31.8
Administrative and other operating expenses	232.4	93.5	27.4
EBITDA	82.7	55.8	31.5
Depreciation	15.0	21.4	13.8
Operating income (loss)	67.6	34.4	17.7
Other income	16.0	3.3	1.1
Financial expenses	3.3	2.4	1.3
Other expenses	16.6	22.1	4.6
Pre-tax profit (loss) from ordinary operations	63.8	13.1	12.9
Income tax on ordinary operations	18.3	7.7	3.5
Net income (loss) from ordinary operations	45.5	5.4	9.4

Sources: company data, UFC Capital estimates.

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