

Northern Mining

Produces about 45% of all Ukrainian pellets

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Ore production

	Sales (\$ mln)	EBITDA (\$ mln)	Net income (\$ mln)	P/S	EV/EBITDA	P/E
2007	1 466.8	524.5	361.0	2.15	6.06	8.75
2008	1 974.1	889.9	663.9	1.60	3.57	4.76
2009	753.0	330.8	159.9	4.20	9.61	19.76

Sources: Company data, UFC Capital estimates.

Northern Mining is one of the largest mining enterprises in Europe. In addition to its two quarries, the Company's facilities includes ROF-1 ore-concentrating factory, three pellets factories, three crushing factories, as well as a number of auxiliary departments. The actual capacity of its quarries amounts to 30 mln tonnes of ore per year. Its commercial output is iron-ore concentrate and iron-ore pellets.

- ▶ Northern Mining is part of the Metinvest Group, which combines the mining and metallurgical assets of SCM. The SCM Group is controlled by Rinat Akhmetov, a Member of the Ukrainian Parliament.
- ▶ Northern Mining produces about 45% of all iron-ore pellets and about 20% of all iron-ore concentrate produced in Ukraine.
- ▶ In 2009, the Company exports about 93% of its commercial concentrate and about 14% of its pellets.
- ▶ In 2010, Northern Mining's management expects that the Company will increase its output of commercial concentrate by 5.4% YoY to 14.5 mln t and that of pellets by 4.9% to 9.9 mln t.
- ▶ In 2009, its net sales (in hryvnia terms) fell by 44% YoY, its EBITDA decreased by 56%, and its net profit was down 64%. Such a decline is due to the general deterioration in performance indicators of mining and metallurgical companies in 2009. Some factories suspended their production due to problems with sales. We see the fact that Northern Mining preserved its profit margins in 2009, despite such an environment, as a positive aspect for the Company.
- ▶ In January-April 2010, the Company increased its output of iron-ore concentrate by 19% YoY to 4.8 mln t and boosted its pellets output by 39% to 3.5 mln t.

BUY

Current price: \$1.37

Fair price: \$2.08

Upside: 52%

Tickers

PFTS / UX / Bloomberg SGOK

Shareholders structure

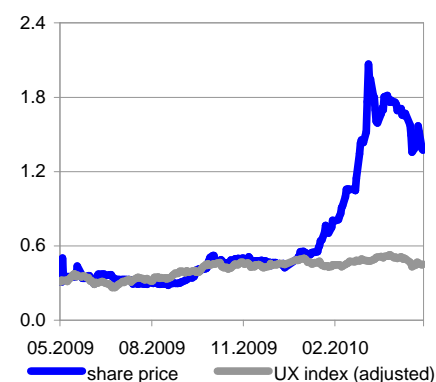
MetalUkr Holding (Cyprus)	63.3%
CJSC SCM	36.2%
Other	0.5%

Capital Structure

Number of shares	2 304 075 800
Capitalization, \$ mln	3 159.0
Net debt, \$ mln	20.8
EV, \$ mln	3 179.8

Equities performance, \$

52-week low	0.28
52-week high	2.07



Financials

Balance sheet, \$ mln

	31.12.2007	31.12.2008	31.12.2009
Cash and cash equivalents	16.3	0.5	0.3
Current financial investments	3.8	0.0	0.8
Commercial accounts receivable	419.6	522.4	627.0
Other accounts receivable	139.8	324.5	481.2
Inventories	65.8	57.1	45.9
Other current assets	10.4	4.9	0.6
Total current assets	655.8	909.5	1 155.9
Fixed assets	254.5	205.2	1 011.3
Other fixed assets	141.9	106.2	98.3
Total fixed assets	396.4	311.4	1 109.5
Total assets	1 052.2	1 220.8	2 265.4
Short-term loans	0.0	0.0	0.0
Current long-term liabilities	109.1	109.1	18.2
Goods accounts payable	156.1	230.6	401.8
Other current liabilities	39.0	20.9	135.9
Total short-term liabilities	304.3	360.6	555.9
Long-term bank loans	127.3	18.2	0.0
Other long-term financial liabilities	0.1	0.1	3.0
Other long-term liabilities	0.6	29.8	282.1
Total long-term liabilities	127.9	48.0	285.1
Charter capital	114.1	74.8	72.1
Retained profit	361.4	631.0	760.9
Other equity	144.5	106.3	591.4
Total equity	619.9	812.1	1 424.4
Total equity and liabilities	1 052.2	1 220.8	2 265.4

Sources: company data, UFC Capital estimates.

Income statement, \$ mln

	2007	2008	2009
Sales (net revenue)	1 466.8	1 974.1	753.0
COGS	932.2	1 128.1	428.2
Gross profit (loss)	534.6	846.0	324.8
Other operating income	77.1	214.7	538.4
Administrative and other operating expenses	87.2	170.7	532.5
EBITDA	524.5	889.9	330.8
Depreciation	24.2	28.5	72.2
Operating income (loss)	500.3	861.4	258.6
Other income	54.1	42.9	22.2
Financial expenses	21.3	8.4	9.2
Other expenses	47.4	71.3	39.1
Pre-tax profit (loss) from ordinary operations	485.7	824.6	232.4
Income tax on ordinary operations	124.7	160.6	72.5
Net income (loss) from ordinary operations	361.0	663.9	159.9

Sources: company data, UFC Capital estimates.

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