



CONCORDE CAPITAL

Ukraine / Iron Ore

Ferrexpo

Trading update released

February 03, 2009

Current price: USD 0.72
12M Target: USD 1.65

BUY

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Tickers

Bloomberg FXPO LN

Market information

Market price, USD	0.72
MCap, USD mln	423.8
52Wk Hi/Lo, USD	8.91/0.32
No of shares, mln*	588.6
Free float	24.0%
Free float, USD mln	101.7

* Excluding 25,343,814 treasury shares

Corporate Governance

Concorde Rating** Q

** The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

Shareholders

Fevamotinic	51.0%
RPGI	25.0%
Other	24.0%

Key financials and ratios

	Sales, USD mln	EBITDA, USD mln	Net, USD mln
2007	676.5	217.5	129.4
2008E	1015.1	419.2	291.4
2009E	610.3	263.4	174.8
2010E	641.7	271.6	184.0

	EV/S	EV/EBITDA	P/E
2007	0.9	2.8	3.5
2008E	0.6	1.5	1.5
2009E	0.4	1.0	2.4
2010E	0.8	0.9	2.3

Watch list

Analyst meeting	Feb. 3
2008 preliminary results	Mar. 24

* Exchange rate: USD/UAH 7.84

Ferrexpo released a trading update and 4Q08 production report today. The report underpins our key sales and costs assumptions for 2008 from our January 23 note. We moderately update financials for 2008 and maintain our forecasts going forward. The stock's current price offers 129% upside to our DCF-based target price of USD 1.65 per share. We maintain BUY.

Key notes from the report: sales, costs and net debt

In today's trading update, Ferrexpo said it sold 8.7 mln mt of pellets in 2008 at an average price of 124 USD per mt (implying revenues of USD 1.0-1.1 bln in 2008). The company also reported that it lowered cash costs to USD 34.7 per mt in Dec. 2008 (costs for the full year came out to USD 43.9 per mt while we forecasted USD 38 per mt).

Moderate forecast adjustments

We adjust our estimates of 2008 financials, and maintain our long-term forecasts unchanged:

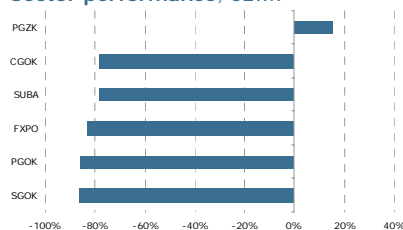
- Sales in 2008 of USD 1.015 bln is unchanged
- EBITDA margin in 2008 down from 44% to 41%
- Net margin in 2008 down from 33% to 29%

We will update our forecasts after Ferrexpo issues its 2008 Preliminary Results on 24 March 2008.

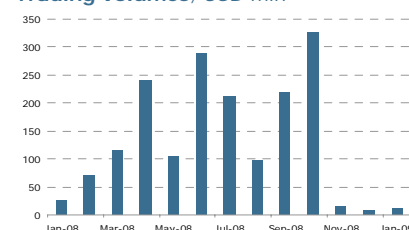
Stock performance, 12M



Sector performance, 52wk



Trading volumes, USD mln



Note: The Concorde Investable Universe Index (UA CIU) is free float weighted and includes the 57 most liquid Ukrainian stocks listed on the PFTS, London, Warsaw and Frankfurt stock exchanges. Source: PFTS, Bloomberg, Concorde Capital

Appendix

Ferrexpo's sales and average prices

	1Q08	2Q08	3Q08	4Q08		
				October	November	December
Tonnes sold, ths mt	2 050	2 452	2 288	794	537	589
Avg achieved price, USD/mt	76.4	142.3	146.6	144.7	135.3	92.5

Source: Ferrexpo

Ferrexpo's sales and average prices

	1Q08	2Q08	3Q08	4Q08		
				October	November	December
Production costs, USD/mt	39.1	42.8	49.2	51.1	48.4	34.7

Source: Ferrexpo

Disclosures

Analyst certification

I, Eugene Cherviachenko, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

FXPO ratings history

Date	12M target price, USD	Market price, USD	Rating	Action
14-Mar-08	6.62	6.85	HOLD	Initiate
31-Mar-08	6.62	6.93	HOLD	Maintain
11-Apr-08	7.1	6.87	HOLD	Maintain
19-Jun-08	7.1	8.4	HOLD	Maintain
28-Aug-08	7.1	4.48	BUY	Upgrade
9-Oct-08	U/R	1.61	BUY	Maintain
16-Oct-08	U/R	1.41	BUY	Maintain
20-Oct-08	U/R	1.13	BUY	Maintain
29-Oct-08	U/R	0.68	BUY	Maintain
23-Jan-09	1.65	0.78	BUY	Maintain
3-Feb-09	1.65	0.72	BUY	Maintain

Target price history, USD per share



Investment Ratings

The time horizon for target prices in Concorde Capital's research is 12 months unless otherwise stated. Concorde Capital employs three basic investment ratings: Buy, Hold and Sell. Typically, Buy recommendation is associated with an upside of 15% or more from the current market price; Sell is prompted by downside from the current market price (upside <0%); Hold recommendation is generally for limited upside within 15%. Though investment ratings are generally induced by the magnitude of upside, they are not derived on this basis alone. In certain cases, an analyst may have reasons to establish a recommendation where the associated range given above does not correspond. Temporary discrepancies between an investment rating and its upside at a specific point in time due to price movement and/or volatility will be permitted; Concorde Capital may revise an investment rating at its discretion. A recommendation and/or target price might be placed Under Review when impelled by corporate events, changes in finances or operations. Investors should base decisions to Buy, Hold or Sell a stock on the complete information regarding the analyst's views in the research report and on their individual investment objectives and circumstances.

Concorde Capital ratings distribution

Buy	56	47%
Hold	47	39%
Sell	11	9%
Under Review	6	5%
Total	120	100%

Investment banking clients*

Buy	7	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
Total	7	100%

**Within the last twelve month period, Concorde Capital has obtained compensation from these companies.*

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