



CONCORDE CAPITAL

Ukraine / Iron Ore

Ferrexpo

Management comments on the margin call

October 09, 2008

Current price: USD 1.61
12M Target: USD U/R

BUY

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We contacted Ferrexpo after news broke of the 20.8% share acquisition to RPG Industries at 83 pence per share, a 29% discount to the price at close last Friday, to clarify the situation.

Tickers

Bloomberg FXPO LN

Market information

Market price, USD	1.61
MCap, USD mln	947.6
52Wk Hi/Low, USD	8.91/1.61
No of shares, mln*	588.6
Free float	27.0%
Free float, USD mln	255.9

* 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

Fevamotinico	51.00%
RPGI	21.65%
Other	27.35%

Ratios 2008E

EBITDA margin	52.0%
Net margin	38.6%

Ferrexpo says:

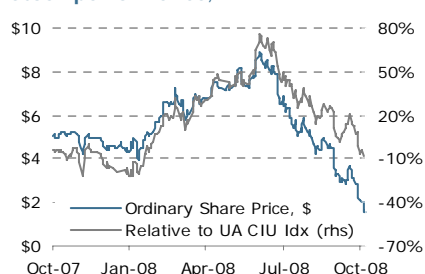
- Ferrexpo was not involved in the transaction. The sale was affected under terms of Fevamotinico's (owned by Ukrainian businessman Konstantin Zhevago) loan agreement with JPMorgan, specifically a margin call that presumably had to be fulfilled immediately
- The terms of the deal were sufficient to settle obligations Zhevago had to JPMorgan
- RPGI's motives in acquiring the stake are unknown to Ferrexpo; according to Ferrexpo, it has not engaged in strategic talks with representatives of RPGI
- The sale has no bearing on the company's business and strategic plans
- New World Resources (NWR LN), 64% held by RPGI, has not become the owner of the stake, but was offered the stake by RPGI. NWR is apparently still considering this offer

Free float 49%?

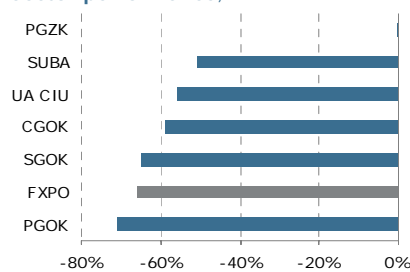
In our view, if industry player NWR acquires the stake, the UK Listing Authority would not view the stake as free float. On the other hand, assuming RPGI does not transfer the stake to NWR, Ferrexpo's free float becomes 49%. This would imply that over half of free float is now in two hands, RPGI and Ukrainian businessman Igor Kolomoyskiy, who increased his stake from 3.40% to 6.89% on September 30.

We expect more information after the company publishes its interim management statement in October-November. Our target price remains Under Review. We maintain BUY.

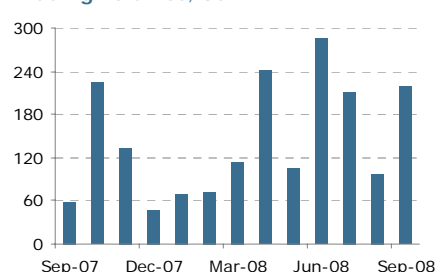
Stock performance, 12M



Sector performance, YTD



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

Key financials & ratios, USD mln

	Revenue	EBITDA	Net income	EV/S	EV/EBITDA	P/E
2007	698	215	134	1.6	5.1	7.4
2008E	1,148	597	443	1.0	2.0	2.2
2009E	1,318	619	447	0.9	1.9	2.2

Spot exchange rate: 5.41 UAH/USD

FLASH NOTE

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Appendix - 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
12-Mar-08	6.62	6.85	HOLD	Initiate
31-Mar-08	6.62	6.95	HOLD	Maintain
11-Apr-08	7.10	6.87	HOLD	Maintain
19-Jun-08	7.10	8.40	HOLD	Maintain
09-Jul-08	7.10	7.31	HOLD	Maintain
28-Aug-08	7.10	4.48	BUY	Upgrade
09-Oct-08	U/R	1.61	BUY	Maintain

FXPO 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.

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Buy	90	74%
Hold	18	15%
Sell	7	6%
Under Review	7	6%
Total	122	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 for investment banking services.

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