



CONCORDE CAPITAL

Ukraine / Iron Ore

**Ferrexpo**

Conversation on 25%+1 stake offer to NWR

October 20, 2008

Current price: USD 1.33  
12M Target: U/R

**BUY**

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This morning, New World Resources announced that its board of directors accepted the offer by RPGL to acquire its 25%+1 stake in Ferrexpo (see our flash note of October 9). We contacted Ferrexpo after the news broke to discuss implications for the company.

#### Tickers

Bloomberg FXPO LN

#### Market information

Market price, USD 1.33  
MCap, USD mln 782.8  
52Wk Hi/Low, USD 8.91/1.33  
No of shares, mln\* 588.6  
Free float\*\* 24.0%  
Free float, USD mln 187.9

\* Excluding 25,343,814 treasury shares.

\*\* We technically adjust our estimate of Ferrexpo's free float to reflect RPGL's ownership of the 25%+1 stake.

#### 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

Fevamotnico 51.00%  
RPGL 25.00%  
Other 24.00%

#### Ratios 2008E

EBITDA margin 52.0%  
Net margin 38.5%

#### Our question

Comment on NWR purchase of 25%+1.  
How will it influence Ferrexpo?

What are the legal implications - what does a 25%+1-package allow you to do? Would you be able to influence operating and investment activity of Ferrexpo with such a package?

What can we tell people about this sale?

What would happen if the transaction is not approved by NWR's shareholders?

#### Ferrexpo's answer

This does not influence Ferrexpo. Any discussions about strategic alliances and board seats will only be considered after NWR's unrelated shareholders approve the purchase

A 25%+1 share allows for the blocking of special resolutions (i.e. resolutions requiring more than a 75% majority). Special resolutions are required to change company articles, rights of shareholders, etc. Operating and investment activities do not fall within this requirement. Given the size of the stake, once the transaction is approved, it is likely that Ferrexpo will offer NWR board representation, so there may be some influence there. Board representation is not a legal right, however.

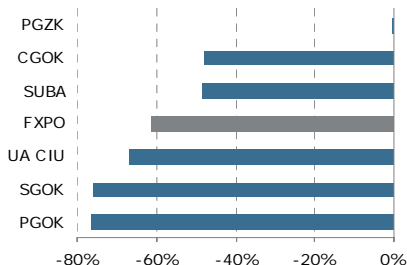
This sale was entirely expected, as RPGL announced when they bought the stake from Fevamotnico that they would offer it to NWR. This is the first step in NWR acquiring the stake. Now we wait until their shareholders approve it.

If the transaction is not approved, then RPGL would continue to own the stake. What they do with it then is anyone's guess.

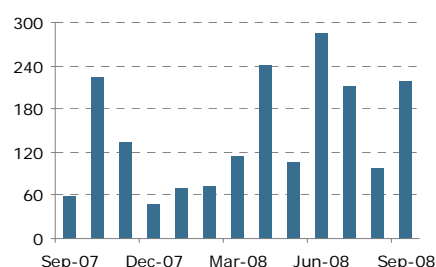
#### Stock performance, 12M



#### 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	1.4	4.5	6.4
2008E	1,148	597	443	0.9	1.7	1.8
2009E	1,318	619	447	0.8	1.6	1.8

Spot exchange rate: 5.3 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
16-Oct-08	U/R	1.41	BUY	Maintain
20-Oct-08	U/R	1.33	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.

### Concorde Capital ratings distribution

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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