



CONCORDE CAPITAL

Ukraine / Iron Ore

Ferrexpo

Nose to the grindstone

January 23, 2009

Current price: USD 0.78
12M Target: USD 1.65

BUY

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Tickers

Bloomberg FXPO LN

Market information

Market price, USD	0.78
MCap, USD mln	456.8
52Wk Hi/Lo, USD	8.91/0.32
No of shares, mln*	588.6
Free float	24.0%
Free float, USD mln	109.6

* 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	445.6	313.7
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	1.4	1.6
2009E	0.5	1.1	2.6
2010E	0.8	1.0	2.5

Watch list

Analyst meeting Feb. 3, 2009

* Exchange rate: USD/UAH 7.84

Ferrexpo's 2008 output was down 0.6% yoy, much shallower than its CIS peers' cuts. The company's focus on Europe and China will keep its capacity 60-70% loaded in 2009, even with a planned 10-20% production decline. Ferrexpo's cash balance and operating cash flow make its debt repayment obligations this year look feasible. Although the stock advanced 65% YTD, it still trades at a more than 50% discount to peers. We maintain BUY.

Production forecast revised down 26%

In 2008 Ferrexpo's pellet production decreased 0.6% yoy to 9.02 mln mt (we forecasted 9.28 mln mt). Management plans to cut output another 11% yoy in 2009 to 8.0 mln mt, with no development CapEx. Our analysis of Ferrexpo's customer base shows demand for 7.2 mln mt of pellets this year, which we use as our production estimate (we previously forecasted 9.7 mln mt).

Financial outlook – Stable

We estimate that in 2008 Ferrexpo will report revenues of USD 1.0 bln (+45% yoy), EBITDA margin of 44% (+9 pp) and net margin of 19% (+12 pp). In 2009 we forecast revenues of USD 610 mln (down 40% yoy), though profitability margins should remain strong: EBITDA margin at 43% and net margin at 29% as a result of ~30% lower cash costs thanks to hryvnya depreciation (above 70% of cash cost is nominated in UAH).

Debt repayment obligations look feasible

According to Ferrexpo, it will have to repay USD 6 mln monthly on loans over 2009, implying an annual obligation of USD ~70 mln. We believe this is feasible given its cash, est. at USD 100-110 mln as of Jan. 1, and operating cash flow, est. at above USD 200 mln in 2009. In addition, the company has USD 135 mln in an unused pre-export finance facility.

Overhang risk is low

This month RPG Industries could finalize the sale of its 25% stake in Ferrexpo to subsidiary NWR, a Czech coal company, at 86 pence per share. We believe the risk of the overhang is medium-low: even if NWR rejects, RPGI will likely hold its stake and offer it to NWR later when Ferrexpo's share price revives.

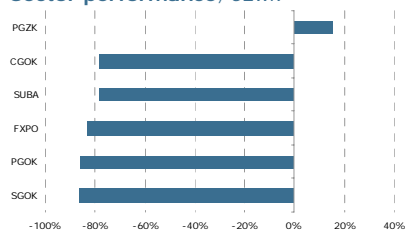
Valuation yields a hefty upside

Multiples suggest Ferrexpo now trades at a 50-120% discount to its global peers. Our DCF-based valuation yields a target price of USD 1.65. We update coverage of the stock with a BUY recommendation and set our new TP as the DCF-implied price, upside of 115%.

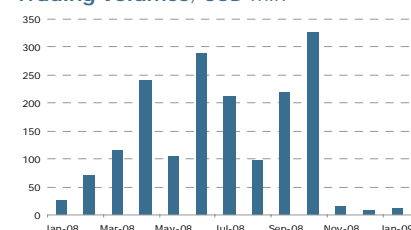
Stock performance, 12M



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

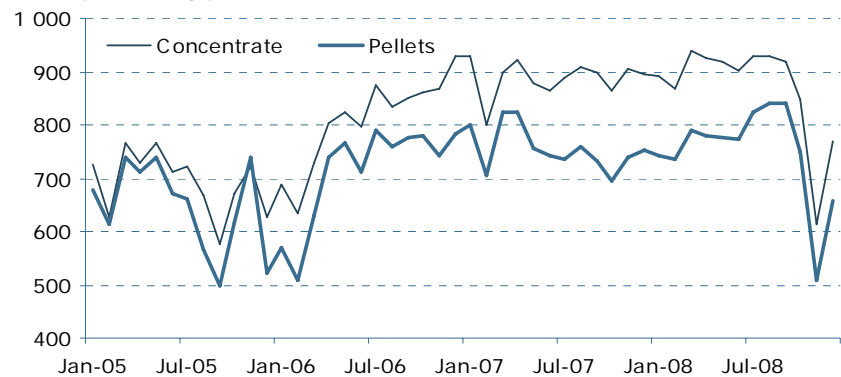
Outlook for 2009: Production cut on the back of shrinking demand

Ferrexpo plans 11% yoy production drop

On December 28, Ferrexpo Poltava Iron Ore said it planned to reduce pellet output to 8.0 mln mt in 2009, according to Steelguru.

Ferrexpo's 2008 output tallied 9.02 mln mt of pellets, down only 0.6% yoy (we forecasted 9.28 mln mt of pellets in 2008).

Ferrexpo monthly production, ths mt

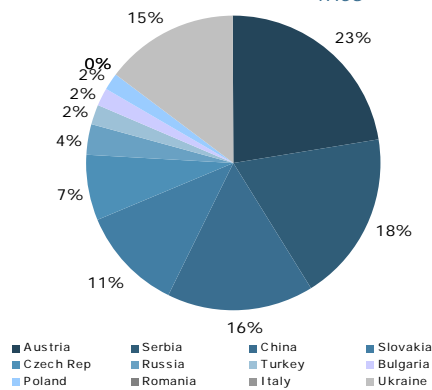


Source: Metal Courier

We take a more conservative stance in forecasting Ferrexpo's output in 2009: 7.2 mln mt (down 20% yoy) (see appendix A).

We expect demand will decline for Ferrexpo's pellets from its traditional customers (Austria, Slovakia, Serbia) and China by 5-10% in 2009, while orders from Ukraine, the Czech Republic, Poland and Romania will be down 20-30% yoy. We expect no orders from Russia, Turkey and Bulgaria.

Ferrexpo's sales breakdown by region 1H08



Source: Metaltorg, Company data

Ferrexpo follows global trend of cutbacks

Some of Ferrexpo's global peers, hit by slowing demand, cut production in 2008 (and we expect that operations will not be restored fully in 2009), while others have already announced substantial production decreases for 2009. Amid this background, Ferrexpo's planned 10% yoy decline in pellet production in 2009 (according to management) and even our 20% yoy is moderate.

On December 17, Reuters reported that Australia slashed its forecast for iron ore output in the year to next July 2009 by more than 15%.

Global production cutbacks

Company	Cutback
Vale (Brazil)	down 18% yoy in 2009; or 30 mln mt in November 2008 two pelletizing mills (20% of total) will be stopped
BHP Billiton (Australia)	down 25% yoy in 2009
Rio Tinto (Australia)	down 10% to 170-175 mln mt in 2008
Fortesque (Australia)	down 10% from planned 45 mln mt in 2008
Mount Gibson Iron (Australia)	down 24% from planned 5 mln mt in 2008
Cliffs Natural Resources (United States)	down 26% yoy to 23 mln mt in 2008; due to closure of two of six pelletizing plants in the USA
KIOCL (India)	in October stopped one pelletizing mill (capacity 3.5 mln mt a year); in November Mangalore plant production was halted temporarily (capacity 2.0 mln mt a year)
SNIM (Mauritania)	down 13% yoy to 10.6 mln mt in 2008
Metalloinvest (Russia)	35% capacity's loading in November-December
Evrz (Russia)	down 45% mom in November
Severstal Olkon (Russia)	halted since 24 October
Ferrexpo	down 5-10% from planned 9.6 mln mt in 2008
Inguletsky Iron Ore (Ukraine)	halted since November

Source: Metallorg, Company data

Investments on hold, waiting for better times

In December, Ferrexpo's management confirmed to us that the company postponed investments into growth projects (namely, at Yeristovskoye (Y) and Gorishne-Plavninskoye Lavrikovskoye (GPL)) that were planned to bring the company's annual pellet production to 30-35 mln mt in ten years. Ferrexpo plans to spend only around USD 50-60 mln on maintenance CapEx in 2009.

The company also halted negotiations with potential candidates to jointly develop its new pits. In December, Ferrexpo Poltava Iron Ore CEO Viktor Lotous said in an interview that his company is ready to renew negotiations with potential candidates when the iron ore market revives.

The changes in the company's strategy supported our skeptical view of Ferrexpo's previously announced expansion (see our report of March 2008). Now we limit our forecast of Ferrexpo's long-term growth to its existing pellet-making capacity (12 mln mt a year).

Case study: Ferrexpo's CapEx cut looks reasonable given global uncertainty. Among other industry players that also plan expansion cuts: Rio Tinto is likely to slash investments by half in 2009 to reduce debt; CAP, Chile's largest steelmaker, suspended a USD 1 bln investment program aimed at doubling iron ore output. In December, AustralianNews.com reported analyst estimates that as much as USD 50 bln in planned expenditures by iron ore players were at risk of being delayed in 2009 due to the global financial crisis. The last time the mining industry cut capital expenditures in 1998, it took five years to recover.

Debt repayment schedule in 2009 looks feasible

Despite its USD 265 mln debt on balance, we think that Ferrexpo has the capacity to service and repay its debts in 2009.

Ferrexpo's cash position in 2009, USD mln

Uses of cash		Sources of cash			Total
CapEx	Repayments	Cash balance (b-o-y 09E)	Operating cash flow	Unutilized debt facility (est)	
50-60	70	100-110	>200	135	>400

Source: Company data, Concorde Capital estimates

According to Ferrexpo, the company will have to cover about USD 70 mln in interest expenses and principal repayments in 2009.

We believe Ferrexpo is in a position to disburse this payment as due: we estimate the company's cash balance at USD 100-110 mln as of b-o-y 2009, and we estimate positive operating cash flow over 2009.

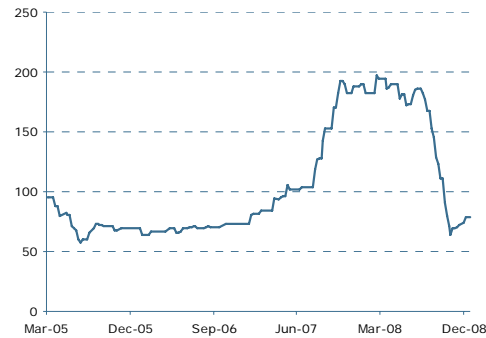
Moreover, the company has a safety margin even in case its operating cash outflow is up to USD 200 mln in 2009 (which looks unrealistic): according to management, the company has USD 135 mln in an unused pre-export finance facility (total amount USD 335 mln, interest rate is 235 bps over LIBOR), and it is able to obtain an additional USD 50 mln in lease-based financing in 2009.

Iron ore market: Power returns to consumers?

Prices plunged more than 50% in 2H08

The market profile changed dramatically in 2H08: as demand dropped from distressed steel makers, spot prices for iron ore and seaborne freight rates sank below their 2005 levels.

China iron ore fines price (CFR), USD/mt



Source: Bloomberg

Baltic Dry Index



In November, Metinvest, the largest Ukrainian iron ore producer, agreed to reduce its price for iron ore concentrate for local consumers to 70 USD/mt (from an est. 110-120 USD/mt, according to annual contacts signed in April).

Ferrexpo's average selling price was 76 USD/mt in 1Q08, and 142 USD/mt in 2Q08 and 3Q08. In 4Q08 Ferrexpo said its exact selling price is difficult to peg as yet, but was probably 60%-70% of its contract price (142 USD/mt).

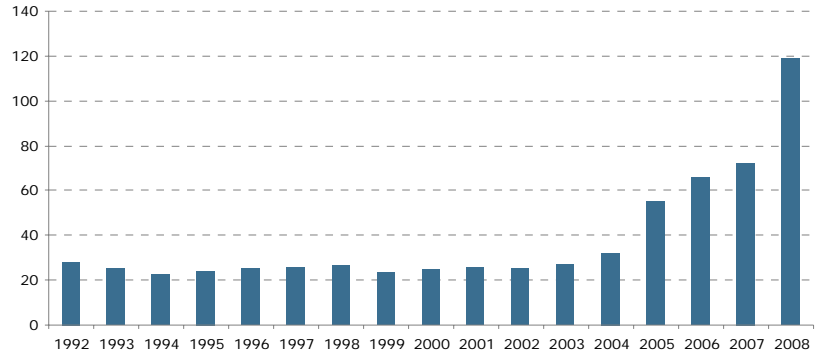
Price negotiations: China vs. top suppliers

The news flow over the last four-five months highlighted the shift in pricing power from producers to consumers. Most small and mid-size iron ore producers are still waiting for a benchmark iron ore price for 2009 to come out of negotiations between Chinese steelmakers, and Australian and Brazilian iron ore producers.

In mid-December, rumors flew about that China would ask Vale, BHP and Rio Tinto to cut their annual benchmark price by 82%. Chinese representatives argued that iron ore prices should keep pace with steel prices, which have fallen to their 1994 level. Chinese representatives later refuted making such a request.

The global consensus is that contract prices for iron ore in 2009 will shed 25-50% yoy. We share the general view that prices will sink and our forecast of iron ore price assumes a 35% yoy decline. Furthermore, we think the lump and pellet premium over sinter feed will shrink as steel makers focus on cost savings rather than the output efficiency of their blast furnaces.

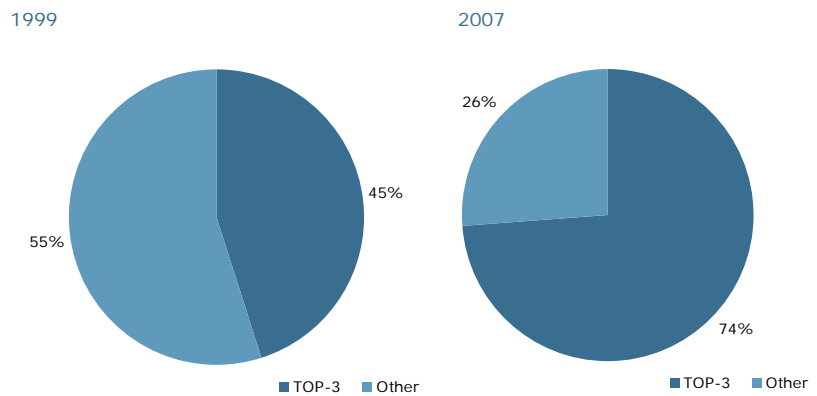
Iron ore price, USD cents per 1% Fe*



* Standard Carajas Iron Ore
 Source: Macquarie Research, Metaltorg

We still believe the power of the top consolidated iron ore suppliers is understated – in the last ten years the share of the top-3 producers increased from 45% to almost 75%. We think that the Big 3 could draw out annual price negotiations until the end of spring, betting on improvement in the steel industry.

Concentration of iron ore suppliers on the global seaborne market



Note: Top-3 consists of CVRD (Vale), Rio-Hamersley (Rio Tinto) and BHP (BHP Billiton)
 Source: ArcelorMittal

Coming events: RPGI-NWR deal, Meeting with analysts

RPGI-NWR deal: overhang risk is low

This January, RPG Industries will try to finalize the sale of its 25% stake in Ferrexpo to Czech coal company NWR, where RPGI is a beneficiary shareholder. NWR shareholders are due to review the purchase of Ferrexpo shares at 86 pence per share (market price is 56 pence).

NWR's management appears to look favorably on the purchase as both NWR and Ferrexpo are raw material suppliers to steel makers and a closer relationship implies synergies.

The difference between FXPO's current and the RPGI offer price implies more than 54% upside for Ferrexpo. We believe the risk of overhang is relatively low: even if NWR rejects the offer, RPGI will likely keep its stake and offer it to NWR later when Ferrexpo's share price revives to the offer price.

Management plans meeting with analysts

The company plans to hold a meeting with analysts on February 3, 2009. The event will be hosted by CEO Konstantin Zhevago and Ferrexpo's Chairman Michael Abrahams. According to Ferrexpo, the intention is to give an update on trading and to create an opportunity to discuss developments at the company and in the market in general.

After the company's CEO Mike Oppenheimer and Executive Director of Business Development Dennis McShane resigned in October, the board appointed Konstantin Zhevago, primary beneficiary, to the post of CEO.

Comparison valuation

Peer valuation of Ferrexpo suggests that the stock trades at a huge discounts of about 70%-220% on all multiples to its global peers.

	MCap, USD min	EV/S			EV/EBITDA			P/E		
		2008E	2009E	2010E	2008E	2009E	2010E	2008E	2009E	2010E
Ferrexpo	456.8	0.6	0.5	0.8	1.4	1.2	1.0	1.5	2.6	2.5
International peers										
BHP BILLITON PLC	102 698.5	2.7	1.8	1.8	6.6	3.5	4.1	7.4	6.6	7.8
VALE DO RIO DOCE	63 897.1	2.3	2.1	2.1	4.1	3.9	3.9	5.7	5.1	6.0
RIO TINTO PLC	34 119.5	2.7	1.3	1.4	7.3	3.3	4.0	4.7	3.0	4.4
XSTRATA PLC	11 554.4	0.8	0.9	1.0	2.1	2.4	3.1	2.1	2.3	3.8
ANGLO AMERICAN PLC	28 221.3	1.3	1.2	1.4	3.1	3.0	4.5	5.4	4.1	7.2
VEDANTA RESOURCES	2 789.5	0.4	0.4	0.7	0.8	1.2	2.3	2.9	5.0	5.5
ANTOFAGASTA PLC	6 552.0	1.2	0.9	1.7	1.6	1.5	3.5	4.8	5.6	12.2
Average		1.6	1.2	1.4	3.7	2.7	3.6	4.7	4.5	6.7
FXPO price, USD/share		2.52	1.52	1.89	2.50	1.47	1.99	2.51	1.35	2.10
<i>Upside/Downside, %</i>		<i>225%</i>	<i>96%</i>	<i>144%</i>	<i>221%</i>	<i>89%</i>	<i>156%</i>	<i>311%</i>	<i>120%</i>	<i>243%</i>

Source: Bloomberg, Thomson Financial, Concorde Capital estimates

DCF model

Key input revisions

		2007	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Sinter feed, mln mt	<i>new</i>	10 587	10 587	8 618	9 049	10 587	10 587	10 587	10 587
	<i>old</i>		10 587	10 587	10 587	11 139	13 320	15 832	19 756
Pellets, mln mt	<i>new</i>	9 100	9 045	7 236	7 598	7 978	8 377	8 377	8 377
	<i>old</i>		9 282	9 746	10 233	10 540	11 594	15 073	15 826
Selling price, (weighted) USD/mlt	<i>new</i>	76.7	112.2	84.3	84.5	88.5	79.7	75.7	81.6
	<i>old</i>		123.7	135.2	142.2	149.5	127.4	109.0	97.9
Sales, USD mln	<i>new</i>	698	1 015	610	642	706	668	634	684
	<i>old</i>		1 148	1 044	959	1 038	974	1 083	1 021
EBITDA margin, %	<i>new</i>	35%	44%	43%	42%	40%	30%	23%	24%
	<i>old</i>		52%	51%	50%	48%	51%	44%	46%

Note: All 2007 numbers and 2008 production data are factual
Source: Company data, Concorde Capital estimates

Cost assumption

We forecast Ferrexpo's production cost will decline from an est. 38 USD/mt in 2008 (41 USD/mt as of end-1H08), to 35-37 USD/mt in 2009 on the back of hryvnya depreciation of around 30% (more than 70% of cash costs are denominated in hryvnyas) and a sharp fall in the prices for steel and oil products, material inputs for Ferrexpo. See Appendix C.

DCF Valuation

DCF output, UAH mln, as of January

	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
EBITDA	2350	2199	2350	2381	1591	1174	1213	1207	1201
EBIT	2183	2013	2153	2178	1384	964	1000	992	983
Tax Rate	18%	18%	18%	18%	18%	18%	18%	18%	18%
Taxed EBIT	1781	1642	1757	1786	1135	790	820	813	806
Plus D&A	168	187	196	203	207	210	213	215	218
Less CapEx	(857)	(510)	(331)	(267)	(240)	(228)	(231)	(231)	(231)
Less change in OWC	(821)	275	(71)	(125)	182	19	(6)	(1)	(1)
FCFF	272	1594	1551	1597	1284	791	796	797	793
WACC	27%	28%	29%	15%	14%	13%	12%	12%	12%
Discounted cash flow	171	783	591	530	373	203	182	162	143
Sum of discounted CF			4 489						
							Perpetuity growth rate		1.0%
							WACC to perpetuity		12.0%
Disc' TV			2 709						
							Implied exit EBITDA		6.1x
Firm value			7 197						
Portion due to TV			37.6%						
Less net debt			1 193						
Equity value			8 391						
Implied 12M price, USD per share			1.65						

Implied Share Price, USD					
WACC Y1-10	Perpetuity Growth Rate				
	0.0%	0.5%	1.0%	1.5%	2.0%
-1.5%	1.67	1.70	1.73	1.77	1.81
-1.0%	1.64	1.67	1.70	1.74	1.77
-0.5%	1.62	1.65	1.67	1.71	1.74
+0.0%	1.60	1.62	1.65	1.68	1.71
+0.5%	1.58	1.60	1.63	1.65	1.68
+1.0%	1.56	1.58	1.61	1.63	1.66
+1.5%	1.55	1.57	1.59	1.61	1.63

Implied Share Price, USD					
WACC to perpetuity	Perpetuity Growth Rate				
	0.0%	0.5%	1.0%	1.5%	2.0%
10.5%	1.68	1.71	1.73	1.77	1.80
11.0%	1.65	1.68	1.71	1.74	1.77
11.5%	1.63	1.65	1.68	1.71	1.74
12.0%	1.60	1.62	1.65	1.68	1.71
12.5%	1.58	1.60	1.62	1.65	1.68
13.0%	1.55	1.57	1.60	1.62	1.65
13.5%	1.53	1.55	1.57	1.60	1.63

Source: Concorde Capital estimates

Appendix A: Ferrexpo's markets and client overview

Country	Company/mill	Crude steel cap-ty, mln mt	% of Ferrexpo revenue*	Comment
Austria	<i>Voestalpine</i>		23%	Considering two-stage production cut into 1Q09 due to continuing weak demand for steel products and a lack of direction on global steel market. Cut production at its Linz plant by 150 ths mt – 3% of annual production – during a two-week period over Christmas and further output reductions are to be considered in January, when the steelmaker will decide on whether to slash another 100 ths mt, or 2% of annual production. Also postponed plans to establish a 5 mln mt steel mill on the Black Sea.
	Linz	5.5		
	Donavitz	1.5		
Slovakia	<i>US Steel</i> Kosice	5.0	11%	US Steel Corporation's Serbia subsidiary plans to substantially reduce production early in 2009. Mr. Nemanja Brkovic, spokesman for US Steel Serbia, said that it will put its 2 blast furnaces in Smederevo on standby in January 2009.
Serbia	<i>US Steel</i> Smederevo	2.4	18%	
Czech Rep	<i>ArcelorMittal</i> Ostrava	3.6	7%	In November, an ArcelorMittal Ostrava spokesman said that it conduct layoffs due to lower demand.
Poland	<i>ArcelorMittal</i>	8.3	2%	In October, ArcelorMittal Krakow idled one of its two blast furnaces that had a capacity of 2.3 mln mt per year. ArcelorMittal Dabrowa Gornicza mothballed one of its three BFs with a total capacity of 4.4 mln mt per year. After repairs, the furnaces are to resume production of pig iron in 2Q09.
Romania	<i>ArcelorMittal</i> Galatai	6.6	0%	In October, ArcelorMittal Galati announced that it would cut production of finished products by 50%.
Ukraine	<i>IUD</i>		-15%	IUD is 100% dependent on external iron ore suppliers. In 2007 it agreed to a 2 mln mt (pellet) annual contract with Ferrexpo Poltava Iron Ore. We forecast that in 2009 steel production by IUD will decrease 10-20% yoy. Moreover, we think that given the surplus of iron ore materials domestically, IUD may switch to consuming more concentrate or buy more pellets from Ferrexpo's Ukrainian rivals.
	Alchevsk Steel DMK Dzerzhinskogo	4.7 3.8		
Bulgaria	<i>Global Steel Holdings</i> Kremikovtzi	n/a	2%	Konstantin Zhevago's (beneficiary owner of Ferrexpo) chances of securing ownership of Kremikovtzi look increasingly fleeting. In December seven companies officially expressed interest in acquiring or investing in the ailing company. The most serious was Ukraine-based Smart Group. Other bidders included a consortium between Czech investment company ML Moran and consultancy A.T. Kearney, Bulgarian Valentin Zahariev, owner of lead and zinc smelter OCK, Russian Prominvest and Brazilian CSN.
Russia			4%	In our view, the high 1H08 sales to Russia were an anomaly. Most steel mills there are vertically integrated. We see Russian steel makers drawing on the oversupply of iron ore there and cutting orders elsewhere.
Turkey			2%	Most Turkish steel makers rely on electric arc furnaces (70% of total). Given the decrease in metal scrap prices, we think that Turkish producers will swap pellet consumption in favor of scrap in 2009.
China			16%	Ferrexpo currently has several contracts with Chinese steel makers. We think that demand in China will be supported by the more than USD 586 bln bailout plan. However, Ferrexpo risks squeezed operations in China if the Big 3 iron ore makers agree on favorable pricing with Chinese steel producers in return for more orders.

As of 1H08

Source: Metal Bulletin, Steelguru, Metallorg, MetalExpert, Company data

Appendix B: Financial Statements, IFRS

Income Statement Summary, USD mln

	2006	2007	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Net Revenues	547	698	1 015	610	642	706	668	634	684
Gross Profit	278	362	628	385	390	414	322	264	288
<i>Gross margin</i>	<i>51%</i>	<i>52%</i>	<i>62%</i>	<i>63%</i>	<i>61%</i>	<i>59%</i>	<i>48%</i>	<i>42%</i>	<i>42%</i>
EBITDA	148	246	446	263	272	283	199	147	162
<i>EBITDA margin</i>	<i>27%</i>	<i>35%</i>	<i>44%</i>	<i>43%</i>	<i>42%</i>	<i>40%</i>	<i>30%</i>	<i>23%</i>	<i>24%</i>
Depreciation	(27)	(29)	(32)	(22)	(23)	(24)	(26)	(26)	(28)
EBIT	121	217	414	241	249	259	173	120	133
<i>EBIT margin</i>	<i>22%</i>	<i>31%</i>	<i>41%</i>	<i>39%</i>	<i>39%</i>	<i>37%</i>	<i>26%</i>	<i>19%</i>	<i>20%</i>
Interest Expense	(33)	(23)	(29)	(27)	(23)	(21)	(20)	(18)	(17)
PBT	81	161	384	214	225	238	153	102	116
Tax	(15)	(27)	(71)	(39)	(41)	(43)	(27)	(18)	(21)
Net Income	66	134	314	175	184	195	125	84	95
<i>Net Margin</i>	<i>12%</i>	<i>19%</i>	<i>31%</i>	<i>29%</i>	<i>29%</i>	<i>28%</i>	<i>19%</i>	<i>13%</i>	<i>14%</i>

Balance Sheet Summary, USD mln

	2006	2007	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Current Assets	197	256	405	666	706	762	730	720	730
Cash & Equivalents	16	87	104	416	422	445	441	437	436
Trade Receivables	58	44	125	106	119	128	103	90	94
Inventories	48	57	106	85	99	119	111	119	124
Other current assets	74	68	70	60	66	71	74	74	76
Fixed Assets	510	845	845	725	818	892	939	941	975
PP&E, net	301	523	523	455	531	590	629	634	658
Other Fixed Assets	209	322	322	270	287	302	310	307	317
Total Assets	707	868	1 250	1 391	1 524	1 654	1 668	1 661	1 705
Shareholders' Equity	337	587	841	1 026	1 174	1 292	1 357	1 357	1 398
Share Capital	122	122	126	122	122	122	122	122	122
Reserves and Other	215	465	715	905	1 052	1 171	1 235	1 235	1 277
Current Liabilities	337	113	168	150	139	147	132	126	131
ST Interest Bearing Debt	109	55	83	79	63	73	69	65	68
Trade Payables	227	25	66	54	56	53	53	53	54
Other Current Liabilities	28	33	19	17	20	21	9	8	9
LT Liabilities	240	168	220	215	211	215	180	178	176
LT Interest Bearing Debt	205	146	182	182	171	169	145	145	142
Other LT	35	22	38	33	40	46	34	33	34
Total Liabilities & Equity	707	868	1 250	1 391	1 524	1 654	1 668	1 661	1 705

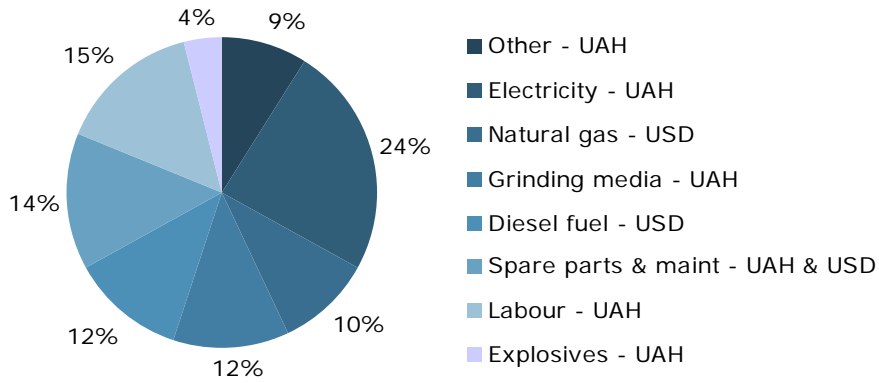
Source: Company data, Concorde Capital estimates

Cash Flow Statement Summary, USD mln

	2006	2007	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Net Income	64	124	314	175	184	195	125	84	95
Depreciation	29	28	32	22	23	24	26	26	28
Non-operating and non-cash items	21	28	(170)	113	2	1	(9)	(1)	0
Changes in working capital	(46)	9	(156)	33	(8)	(15)	23	2	(1)
Operating Cash Flow	68	189	20	343	200	206	165	112	123
Capital Expenditures, Net	(49)	(103)	(162)	(61)	(38)	(32)	(30)	(29)	(31)
Other Investments, Net	226	2	(39)	-	-	-	-	-	-
Investing Cash Flow	(177)	(101)	(202)	(61)	(38)	(32)	(30)	(29)	(31)
Net Borrowings/(repayments)	52	(100)	200	(4)	(42)	(8)	(31)	(3)	(6)
Dividends Paid	-	-	(20)	-	(138)	(166)	(119)	(84)	(95)
Other	71	83	68	(4)	(10)	(7)	(5)	-	(3)
Financing Cash Flow	123	(17)	247	(8)	(190)	(181)	(154)	(86)	(105)
Beginning Cash Balance	3	16	87	96	358	339	348	328	347
Ending Cash Balance	16	87	104	402	406	428	424	420	418
Exchange rate impact	-	-	(48)	31	78	97	95	94	84
Net Cash Inflows/Outflows	13	71	65	274	(29)	(7)	(19)	(3)	(12)

Source: Company data, Concorde Capital estimates

Appendix C: Ferrexpo's production cost breakdown in 1H08



Source: Company data

Disclosures

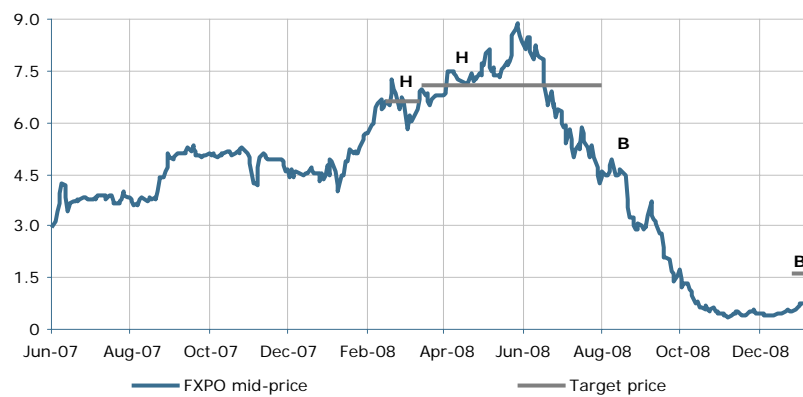
Analyst certification

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

Target price history, USD per share



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Under Review	6	5%
Total	120	100%

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Total	7	100%

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