



CONCORDE CAPITAL

Ukraine / Iron Ore

# Ferrexpo & Poltava Iron Ore

Analysts meeting notes

April 11, 2008

Current price: FXPO USD 6.87  
PGOK USD 19.38  
12M Target: FXPO USD 7.10  
PGOK USD 13.50

FXPO: HOLD  
PGOK: SELL

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**Poltava Iron Ore**

Bloomberg	PGOK UZ
Market price, USD	19.38
MCap, USD mln	2,728.7
52 wk High/Low	21.35/10.25
No of shares, mln	140.8
Free float	4.0%
Free float, USD mln	109.1

**Stock Ownership**

Ferrexpo AG	85.8%
Other	14.2%

Concorde Rating\* U/R

**Ferrexpo AG**

Bloomberg	FXPO LN
Market price, USD	6.87
MCap, USD mln	4,218.2
52 wk High/Low	7.2/2.75
No of shares, mln	614.0
Free float	24.0%
Free float, USD mln	1,012.4

**Stock Ownership**

Konstantin Zhevago	76.0%
Other	24.0%

Concorde Rating\* N/R

\* 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.

Today Ferrexpo held a meeting with analysts in Kyiv. Overall, the meeting supported our previous neutral view on Ferrexpo and bearish view on Poltava Iron Ore. Based on management's expectations of slightly higher than we expected selling prices in 2008, we adjust our models. Our new 12 TP for Ferrexpo is USD 7.1 per share (HOLD; 3% upside). We downgrade 12 TP for Poltava Iron Ore to USD 13.5 per share (SELL; 30% downside).

**Key notes from the meeting:**

**Ferrexpo (FXPO)**

Targeted production in 2008 is roughly 9.1 mln mt of pellets  
Plans to grow production to 32 mln mt per annum over the next ten years were confirmed

Results of updated feasibility study for Yeristovskoye pit will be announced in 3Q08

Development of Belanovskoye deposit is a longer term project

Results of price negotiations with customers will be announced in one-two weeks

Management expects a roughly 85-87% increase in contract prices, at which 90% of Ferrexpo's products are sold, starting April 2008

Intentions to attract strategic investor for development of new deposits were confirmed

Format of partnership is still being worked out

More information will be available by the end of 2008

**Our view**

We stick to our previous forecast of 9.2 mln mt in 2008

Risk remain to selling extra pellets: logistic bottlenecks, growing competition in Europe from Ukrainian & Russian rivals

Risks of delays in realizing production targets exist

We stick to our long-term production target of 16 mln mt pellets p.a. for Ferrexpo

We project Ferrexpo's weighted average selling price for 2008 of USD 135-140/mt

Strategic partnership poses risks to minorities (see our report of March 14)

**Poltava Iron Ore (PGOK)**

Ferrexpo plans to continue using Poltava Iron Ore as a cost center with its structure

Ferrexpo confirmed establishment of a JV to operate new deposits (Yeristovskoye and Belanovskoye), without the participation of Poltava

Poltava will execute its buy option for Decometals's 10.6% stake in Poltava Iron Ore in late 2008. The stake will be held by Poltava as treasury stock; it was not announced whether it will be cancelled

**Our view**

No elimination of transfer pricing, as we expected (see our report of March 14)

Poltava's production will be limited to its existing capacities of 12 mln mt of pellets p.a. (see our note of April 01)

Provides speculative potential: number of shares might be lower if treasury stock is cancelled

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# Appendix - Disclosures

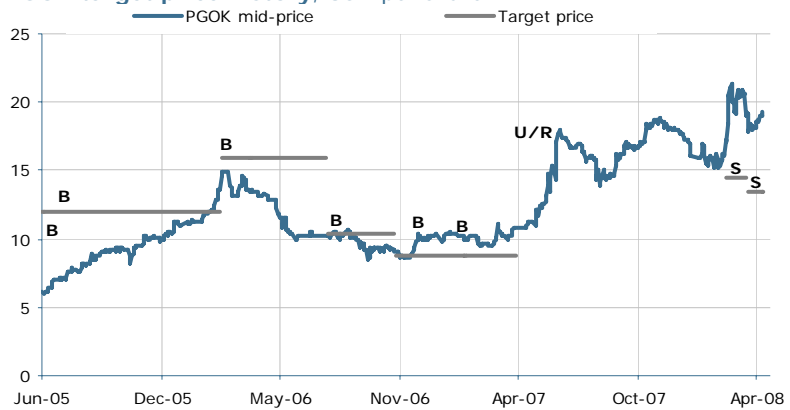
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I, Eugene Cherviachenko, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or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

### PGOK ratings history

Date	12M target price, USD	Market price, USD	Rating	Action
16-Jun-05	9.00	6.25	BUY	Initiate
7-Jul-05	12.00	6.93	BUY	Maintain
22-Mar-06	16.00	13.20	BUY	Maintain
18-Aug-06	10.38	10.40	BUY	Downgrade
23-Nov-06	8.80	8.60	BUY	Maintain
4-Dec-06	8.80	9.70	BUY	Maintain
22-May-07	U/R	11.00	BUY	Review
14-Mar-08	14.51	20.4	SELL	Downgrade
31-Mar-08	14.51	18.17	SELL	Maintain
11-Apr-08	13.50	19.38	SELL	Maintain

### PGOK target price history, USD per share



### 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	7.10	6.87	HOLD	Maintain

### FXPO target price history, USD per share



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Hold	26	23%
Sell	19	17%
Under Review	16	14%
Total	111	100%

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Hold	0	0%
Sell	0	0%
Under Review	0	0%
Total	6	100%

\* Within the last twelve month period, Concorde Capital has obtained compensation from these companies for investment banking services.

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