



CONCORDE CAPITAL

Ukraine / Iron Ore

Ferrexpo

Interim management statement

October 16, 2008

Current price: USD 1.41
12M Target: U/R

BUY

Eugene Cherviachenko

ec@concorde.com.ua
+380 44 391 5577

Tickers

Bloomberg FXPO LN

Market information

Market price, USD	1.41
MCap, USD mln	866.1
52Wk Hi/Lo, USD	8.91/1.41
No of shares, mln*	588.6
Free float	27.0%
Free float, USD mln	233.8

* 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	38.5%

- Yesterday, Ferrexpo announced that the ultimate decision on its Y and GPL investment projects would be postponed until 1Q09
- According to the interim management statement, the company has short listed candidate partners for the Y-project. A partnership agreement is expected to be signed by yearend
- Reported 9M08 pellet production (+3% yoy) is in line with our annual projections (+2% yoy)
- We stick to our production forecasts: 16 mln mt by 2014, 20% less than the management's 20 mln mt expectation. Our target price for the stock remains under review

Investments in growth projects delayed

Ferrexpo postponed decisions on investing into growth projects (namely, at Yeristovskoye (Y) and Gorishne-Plavnskoye Lavrikovskoye (GPL)) until 1Q09 due to uncertainties on the financial and commodities markets. In our view, the key sticking point is the funding schedule; the projects are ready to be rolled out: relevant feasibility studies were completed and reviewed by Ferrexpo's board at their meeting on October 14.

Strategic investor might be key to the projects' development

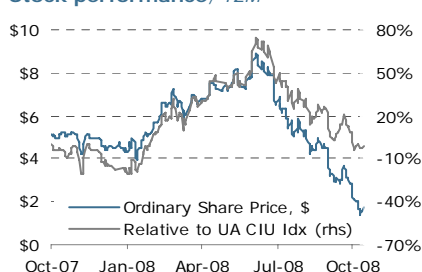
According to the statement, Ferrexpo has a final shortlist of candidate companies that meet its criteria in terms of funding ability and project execution capability. Ferrexpo expects to enter into valuation discussions in mid-November and conclude negotiations toward the end of 4Q08.

We factored in the delays

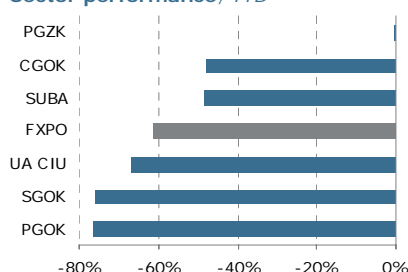
Regardless of the outcome of the strategic talks, if Ferrexpo decides to go ahead with the development of the (Y) and (GPL) projects in 1Q09, we believe there will be a 1-2 year delay before implementation. For now, we stick to our forecast that production will increase to 16 mln mt of pellets by 2014 (vs. the company's estimate of about 20 mln mt by 2014).

Contrary to our expectation, the statement did not mention the acquisition of about 21% of Ferrexpo by RPGI (see our note of October 13), we will continue to follow the situation closely.

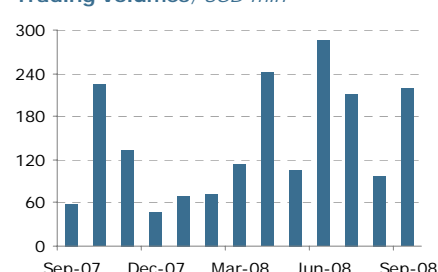
Stock performance, 12M



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	4.6	6.5
2008E	1,148	597	443	0.9	1.8	2.0
2009E	1,318	619	447	0.8	1.7	1.9

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

FXPO target price history, USD per share



Investment Ratings

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Buy	90	74%
Hold	18	15%
Sell	7	6%
Under Review	7	6%
Total	122	100%

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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.

Concorde Capital, Head office
 2 Mechnikova Street, 21st Floor
 Parus Business Centre
 Kyiv 01601, Ukraine
 Tel.: +380 44 391 5577
 Fax: +380 44 391 5571

www.concorde.ua

Concorde Capital
 4 Fourth Lesnoy Pereulok, 5th Floor
 Capital Plaza
 Moscow 125047, Russia
 Tel.: +7 495 642 87 15
 Fax: +7 495 225 85 00

office@concorde.com.ua

CEO

Igor Mazepa

im@concorde.com.ua

RESEARCH

Head of Equity Sales

Roman Nasirov

rn@concorde.com.ua

Strategy

Konstantin Fisun
 Oleksandr Klymchuk

kf@concorde.com.ua
 ok@concorde.com.ua

Equity Sales

Anastasiya Nazarenko
 Marina Martirosyan
 Andriy Supranonok
 Marina Cherednichenko
 Alyona Degrik

an@concorde.com.ua
 mm@concorde.com.ua
 sap@concorde.com.ua
 cmg@concorde.com.ua
 dav@concorde.com.ua

Metals & Mining

Eugene Cherviachenko
 Andriy Gerus

ec@concorde.com.ua
 ga@concorde.com.ua

Utilities (Telecom, Energy)

Alexander Paraschiy

ap@concorde.com.ua

Director of Research

Konstantin Fisun, CFA

kf@concorde.com.ua

**Oil & Gas, Chemicals,
 Pharmaceuticals**

Vladimir Nesterenko

vn@concorde.com.ua

Real Estate/Construction

Andriy Gostik, CFA
 Alexander Romanov

ag@concorde.com.ua
 ar@concorde.com.ua

Consumer-related

Olha Pankiv
 Anna Dudchenko

op@concorde.com.ua
 ad@concorde.com.ua

Machinery

Inna Perepelytsya

pi@concorde.com.ua

Financial Services, Retail

Alexander Viktorov

av@concorde.com.ua

Economics

Andrii Parkhomenko

pav@concorde.com.ua

Fixed Income

Oleksandr Klymchuk

ok@concorde.com.ua

Editor

Brad Wells

bw@concorde.com.ua

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