



CONCORDE CAPITAL

Ukraine / Iron Ore

Ferrexpo & Poltava Iron Ore

Ferrexpo reports preliminary 2007 results

April 01, 2008

Current price: FXPO USD 6.95
PGOK USD 18.17
12M Target: FXPO USD 6.62
PGOK USD 14.51

FXPO: HOLD
PGOK: SELL

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Today Ferrexpo released its preliminary results for 2007 and confirmed mid-term growth plans, both of which are in line with our forecasts. Additionally, Ferrexpo said it would create a new entity to develop and ultimately operate the Belanovskoye and Yeristovskoye deposits, sidestepping from Poltava Iron Ore, just as we thought. We confirm our targets and recommendations on the stocks: Ferrexpo (USD 6.62 per share; HOLD) and Poltava Iron Ore (USD 14.51 per share; SELL).

Ferrexpo's preliminary 2007 financials are in line with our forecasts

According to a Ferrexpo press release, the company's top line totaled USD 698 mln (+28% yoy) in 2007. EBITDA surged 65% yoy to USD 246 mln (margin of 35.2%), and net income rose 128% yoy to USD 152 mln (margin of 21.7%). We maintain our 2008 financial projections.

in USD mln

Ferrexpo's preliminary vs. Concorde's estimated results

	Ferrexpo	Concorde
Net revenue	698	676
EBITDA	246	218
Net income	151	129

Source: Company data, Concorde Capital estimates as of March 14

The company also plans to pay out USD 0.032 per share in dividends, implying a total payout of USD 19.4 mln (12.8% of net income). Dividend yield is 0.46%.

New entity to operate new deposits, leaving out Poltava Iron Ore

In its press release, the company also said that it is in the process of establishing a new entity with French DTP Terrassement S.A. and Worley Parsons Europe to operate Belanovskoye and Yeristovskoye iron ore deposits (est. reserves of 1,627 mln mt and 833 mln mt, respectively). Specific details of the arrangement were not disclosed, but they stated that this entity will not be connected to Ferrexpo's main asset, Poltava Iron Ore (85.8% owned by Ferrexpo).

The company's announcement follows our pessimistic scenario (see our industry report of March 14, 2008), according to which Ferrexpo will develop the aforementioned deposits, sidestepping Poltava. Therefore, Poltava Iron Ore will be limited by its designed production capacity, at no more than 12 mln mt of pellets per annum.

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Appendix - Disclosures

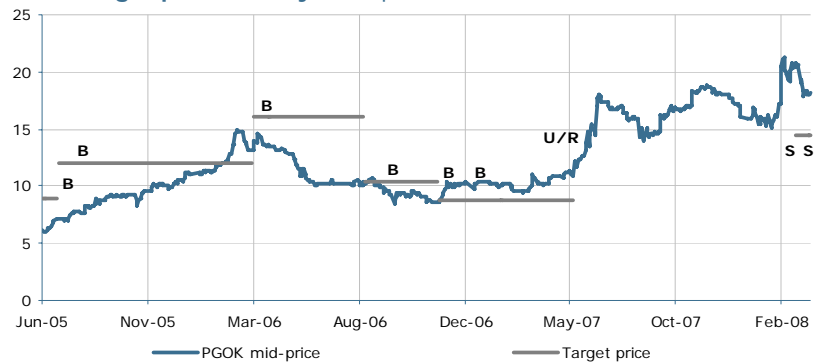
Analyst certification

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.

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

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

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	49	44%
Hold	28	25%
Sell	18	16%
Under Review	16	14%
Total	111	100%

Investment banking clients*

Buy	6	100%
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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