

Industry report

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

Ukrainian Iron Ore

Slow down the horses



CONTENTS

Investment thesis	3
Investment summary	4
Investment opportunities	5
Valuation summary	6
Stock market monitor	7

Iron ore market overview	10
Supply: controlled by four	11
Demand plays into suppliers' hands	15
Price outlook: bullish in the mid-term	19

Financial performance	21
The numbers misrepresent reality	22

Company Profiles	24
Ferrexpo	25
Poltava Iron Ore	33
Pivdenny Iron Ore	37
Pivnichny Iron Ore	40
Centralny Iron Ore	44
Sukha Balka	48

Appendices	53
Appendix A: Adjustment of financials	54
Appendix B: M&A in iron ore will spur steel consolidation	56
Appendix C: Ferrexpo iron ore deposits	58
Appendix D: Comparative valuation	59
Appendix E: Key peer financials	60
Appendix F: Global iron ore projects	61
Appendix G: What is iron ore?	62
Appendix H: Iron ore processing scheme	63
Disclosures	64

INVESTMENT THESIS

Investment summary

Company	Bloomberg
Pivdenny Iron Ore	PGZK UZ
Pivnichny Iron Ore	SGOK UZ
Centralny Iron Ore	CGOK UZ
Sukha Balka	SUBA UZ
Poltava Iron Ore	PGOK UZ
Ferrexpo	FXPO LN

The triple digit performance of Ukrainian iron ore equities last year overshot the FTSE Mining index by a wide margin. Driven by strengthening fundamentals and heated by M&A activity, the market, in our view, is overbought into iron ore stories. We initiate coverage of Ferrexpo with a HOLD, downgrade Pivdenny Iron Ore to HOLD, and rate the other four names in the sector SELL.

	Price	12M TP	Upside	Rec.
PGZK	1.49	1.50	1%	HOLD
SGOK	3.22	2.23	-31%	SELL
CGOK	1.85	1.74	-22%	SELL
SUBA	0.97	0.58	-40%	SELL
PGOK	20.4	14.51	-29%	SELL
FXPO	6.85	6.62	-3%	HOLD

* Prices as of March 12

	# shares mln	MCap USD mln	Free float % USD mln	
PGZK	2,143.7	3194.1	7.5	239.6
SGOK	2,304.1	7419.1	0.6	44.5
CGOK	1,171.8	2167.8	0.5	10.8
SUBA	837.4	812.3	0.75	6.1
PGOK	140.8	2871.3	4.0	114.9
FXPO	614.0	4205.7	24.0	1009.4

Key ratios '08E

	EV/S	EV/EBITDA	P/E
PGZK	3.5	7.8	11.2
SGOK	5.5	9.7	14.1
CGOK	4.9	8.7	13.0
SUBA	6.0	12.0	17.8
PGOK	3.4	8.4	12.7
FXPO	3.8	7.3	9.5

Key financials, 2007E, USD mln*

	Sales	EBITDA	Net Income
PGZK	617.0	142.8	95.5
SGOK	1,515.7	543.6	367.8
CGOK	537.1	180.9	121.2
SUBA	95.2	30.5	18.8
PGOK	541.2	127.4	64.4
FXPO	676.5	217.5	129.4

* Reported financials

M&A. 1

A single industry power player emerged last year: Metinvest, following its merger with Smart group, controls product balance on the market and pricing power. By yearend, Metinvest held nearly 54% of domestic sinter feed production (supplying 79% to the tradable local market) and 60% of pellet output.

Demand. 6

All six iron ore producers in our coverage universe benefit from stellar demand. Driven by expansion projects in the Ukrainian steel industry (consumer of 70% of domestic iron ore), by 2012 local demand will increase 38% for agglomerate and pellets, and 40% for lump ore. Exports will continue to rise as well, supported by the sheer growth of Asian markets (+125% yoy in 2007). We forecast prices for Ukrainian iron ore to jump in 2008 on the back of strong demand worldwide: local sinter feed prices by 50-65% yoy to USD 90-95/mt, while pellet prices by 40% yoy to USD 110/mt and export prices by 65-70% yoy to USD 125-130/mt.

Production outlook. 3: 3

Three local iron ore players are set to increase production in the mid-term, while growth potential at the other three will be benign. The companies' plans for output growth suggest that the leaders will be: Ferrexpo/Poltava Iron Ore at 9% CAGR over 2008-2012 and Pivnichny Iron Ore (Metinvest) at 5% CAGR. However, Poltava's growth could be constrained if parent Ferrexpo preempts its participation in expansion projects. Even though Pivdenny has high growth potential, we forecast production will be flat as its competing owners, Evraz and Metinvest, will forego investment in expansion. We also see output increases at Sukha Balka and Centralny Iron Ore being rather limited.

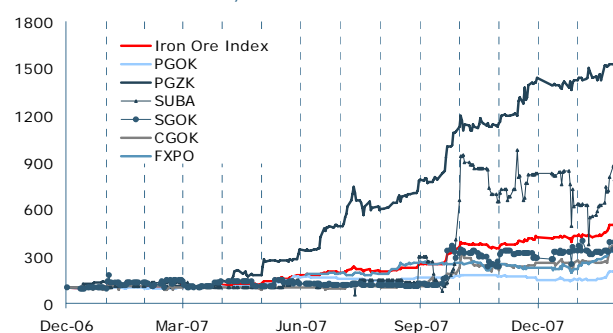
Earnings quality. 2: 4

Only two companies in the sector, Ferrexpo and Pivdenny Iron Ore, report financials that reflect their true economies, in our view. Metinvest-related Pivnichny and Centralny Iron Ore's financials are distorted by non-core sales, while Poltava and Sukha Balka practice heavy transfer pricing. In the mid-term, we only see positive changes in the quality of Pivnichny and Centralny's financials: Metinvest's preparations for IPO (planned in 2009) should include paring down non-core sales on their P&Ls.

Liquidity. 1: 2: 3

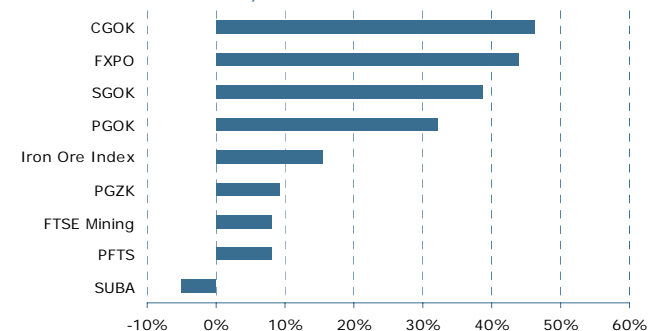
Number one in liquidity, without a doubt, is Ferrexpo, with monthly volumes averaging USD 50-70 mln on the LSE. The next two are Poltava and Pivdenny Iron Ore, which together print 90% of the sector's combined USD 9-10 mln in turnover on the PFTS each month. The other three stocks trade sporadically due to limited free float.

Stock Performance, 12M



Source: PFTS, Bloomberg, Concorde Capital

Sector Performance, YTD



Investment opportunities

FXPO: HOLD

- The most liquid Ukrainian stock; traded on the LSE; included in the FTSE 250 Index
- Highest growth potential among domestic iron ore producers; Ferrexpo targets tripling production over the next 10 years to 32 mln mt via exploitation of Yeristovskoe (Y) and Belanovskoe (B) deposits
- Logistics call growth plans into question. So far management has not explained the solution to exporting up to 30 mln mt of pellets by 2018: we estimate current facilities only allow for shipping 8-10 mln mt pa
- Ferrexpo's possible sale of an interest in the new pits (most likely 50%) to a strategic investor poses a risk to minority investors, who would see correspondingly less cash flow from the new projects
- Ferrexpo is vulnerable to downcycles in the steel industry in contrast to the other iron ore players in our coverage who are integrated with steel mills

PGOK: SELL

- As Ferrexpo's *de-facto* underlying asset, Poltava Iron Ore is exposed to the same set of risks and triggers
- Unlike Ferrexpo, upside in production may be constrained at 10.5 mln mt annually: if Ferrexpo attracts a strategic partner to develop Y & B deposits, Poltava Iron Ore will be precluded participation in these new projects
- Unlike its LSE listed parent, Poltava Iron Ore's reported financials barely reflect reality due to heavy transfer pricing. We do not expect more transparency any time soon

PGZK: HOLD

- The most liquid iron ore stock on the PFTS, accounting for more than half of the sector's trading volumes
- The company is at an impasse with two competing groups sharing ownership: Metinvest popped up as a 44% shareholder in Sept 2007, Evraz bought a 50% stake in Dec 2007. We assume the parties are negotiating a buyout, but do not expect a deal to be struck this year
- In our view, the better majority shareholder would be Evraz as it would dump investments into launching more value-added pellet production at Pivdenny to feed the group's needs; Pivdenny's existing agglomerate processing facilities are 90% loaded
- P&L clear since 2Q07: as of 9M07, EBITDA margin was 30.5%, net margin 18.1%. Our outlook is that this level of transparency is sustainable
- Risk of free float being soaked up by the two competing shareholder groups

SGOK: SELL, CGOK: SELL

- Both companies are more than 99% owned by Metinvest
- Illiquid. Formally, SGOK's USD 41 mln free float is higher than CGOK's USD 14 mln, but *skupka* is complicated; PFTS trading is sporadic in both stocks
- Reported financials of both companies are distorted due to non-core sales (est. 30% of revenues) – to most probably be eliminated in the course of Metinvest's preparations for IPO (planned for 2009)
- Difference begins in expansion prospects; Metinvest announced targeting 38% growth at SGOK vs 2% at CGOK until 2012, Pivnichny (twice larger by output) is favored over Centralny due to economies of scale

SUBA: SELL

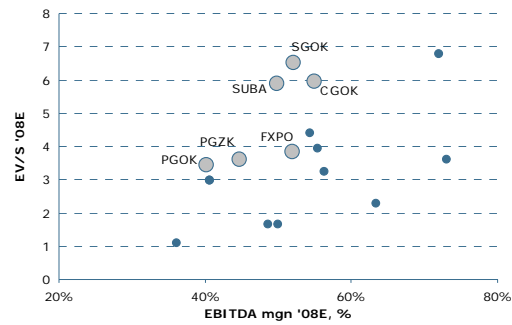
- The only iron ore name in our coverage not manufacturing a final product: lump ore they mine is an intermediary input in sinter production
- Output fell 9% yoy in 2007 as supply of lump ore in the CIS continued to exceed demand and other export opportunities remained limited due to low Fe content (only 57.6%) of Sukha Balka's ore
- In Dec 2007 multi-asset acquisitions by Evraz from Privat, Sukha Balka was primarily seen as an upstream asset to Pivdenny Iron Ore, its largest consumer
- Due to intermediary nature of SUBA's business, we do not expect any improvements in earnings quality for the mid-term (revenues will remain ~40% underreported)
- Liquidity is constrained by low free float (below 1%, USD 6.4 mln)

Valuation summary

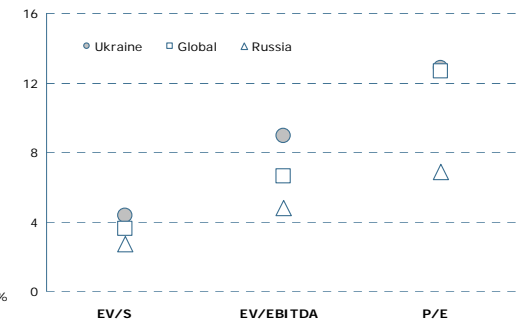
After a triple digit run since the beginning of 2007, overall Ukrainian iron ore sector looks overbought. In our view, excluding fairly valued Pivdenny Iron Ore and Ferrexpo, Ukrainian GOKs currently trade at unjustifiably high multiples compared to global and Russian peers.

Ukraine vs. Global and Russian peers

EV/S vs. EBITDA margin

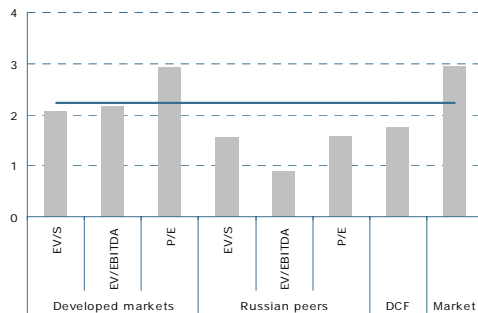


Average market multiples, '08E

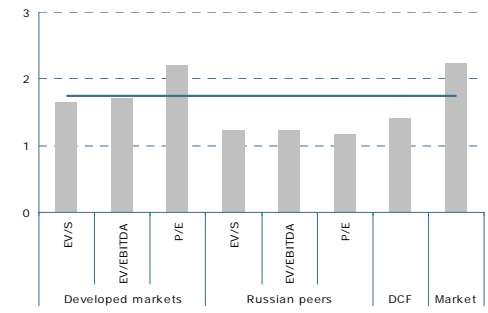


Source: Bloomberg, Thomson Financial, PFTS, Concorde Capital estimates

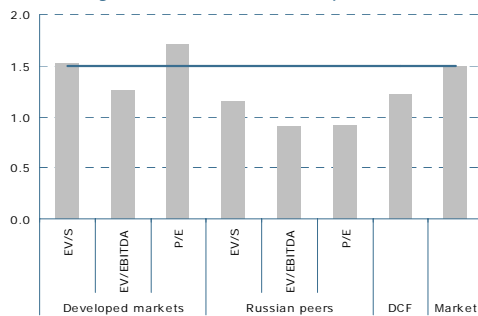
Pivnichny Iron Ore (SELL; downside 30.7%)



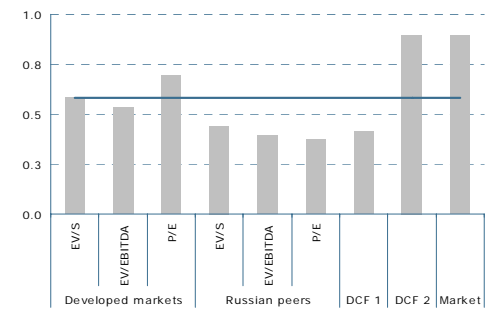
Centralny Iron Ore (SELL; downside 22.2%)



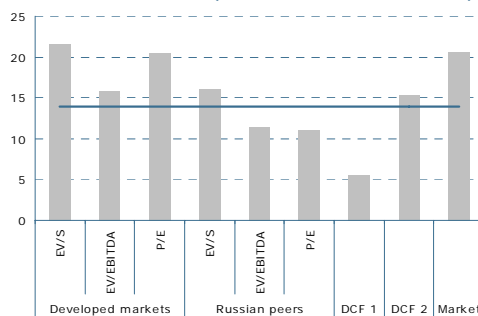
Pivdenny Iron Ore (HOLD; upside 0.7%)



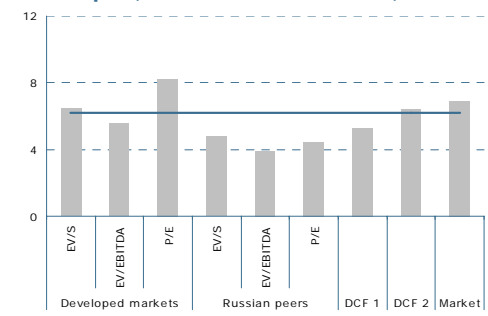
Sukha Balka (SELL; downside 40.2%)



Poltava Iron Ore (SELL; downside 28.9%)



Ferrexpo (HOLD; downside -3.4%)

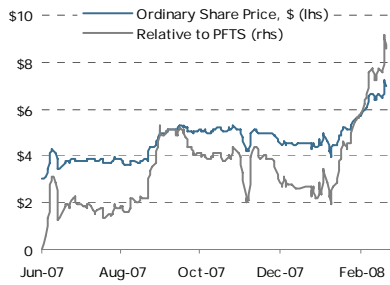


Source: Bloomberg, PFTS, Concorde Capital estimates

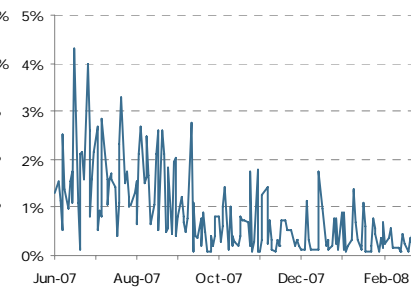
Stock market monitor

Ferrexpo

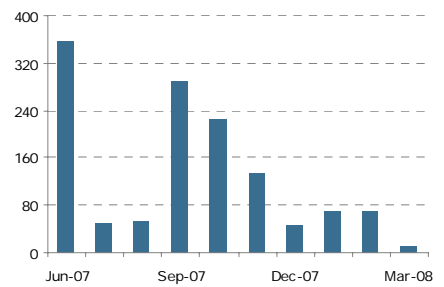
Stock performance



Spread, %

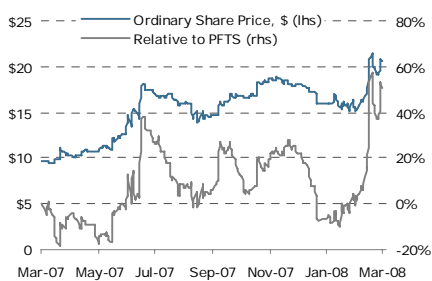


Monthly trading volumes, USD mln

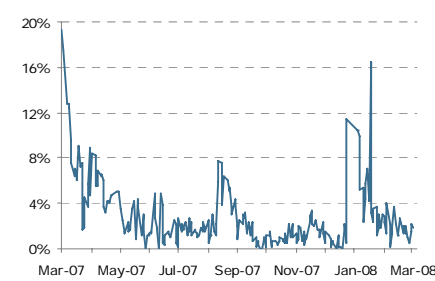


Poltava Iron Ore

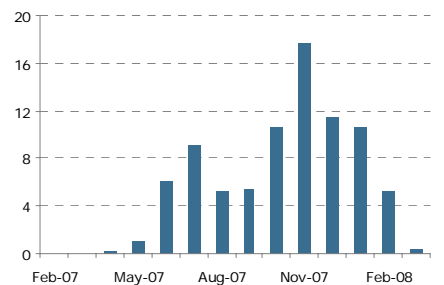
Stock performance



Spread, %

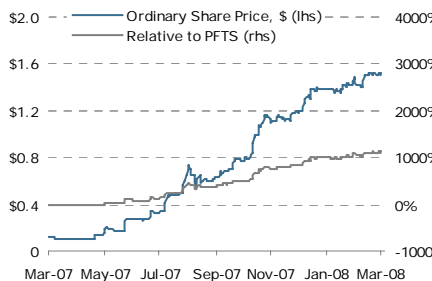


Monthly trading volumes, USD mln

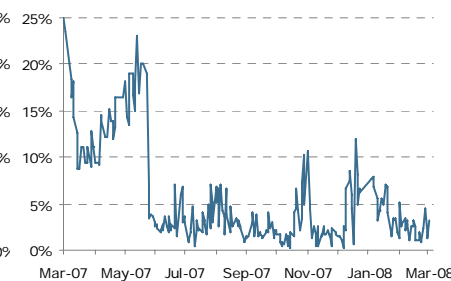


Pivdenny Iron Ore

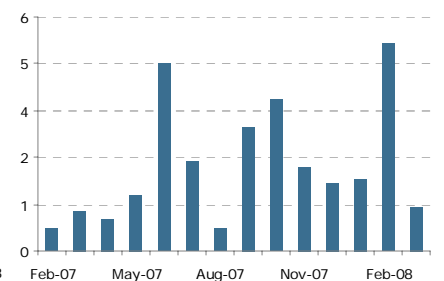
Stock performance



Spread, %

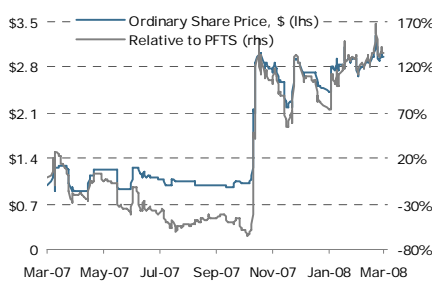


Monthly trading volumes, USD mln

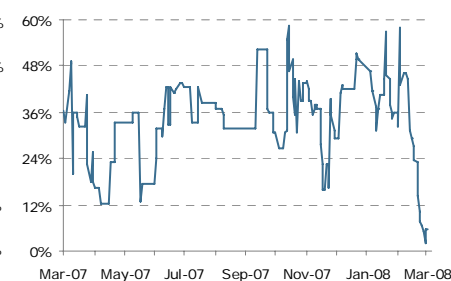


Pivnichny Iron Ore

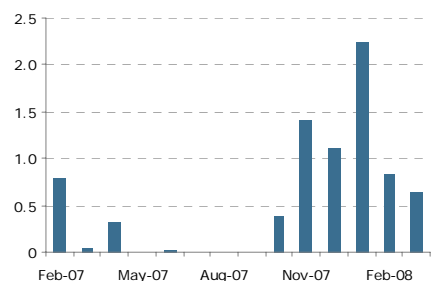
Stock performance



Spread, %



Monthly trading volumes, USD mln

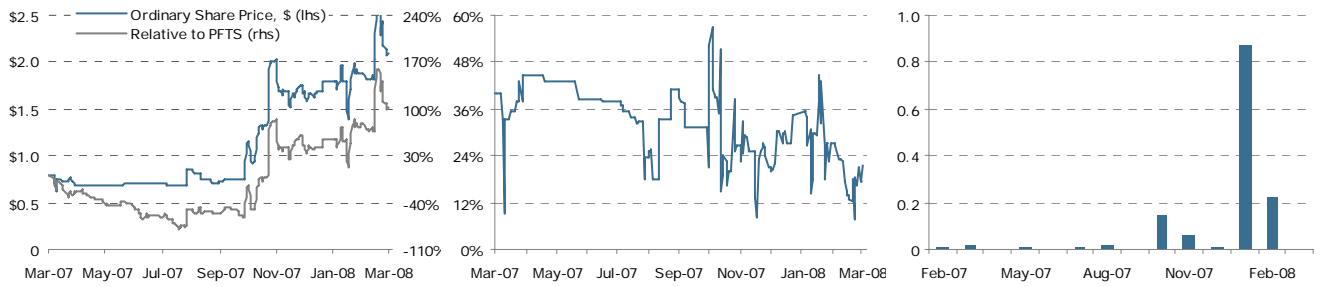


Centralny Iron Ore

Stock performance

Spread, %

Monthly trading volumes, USD mln

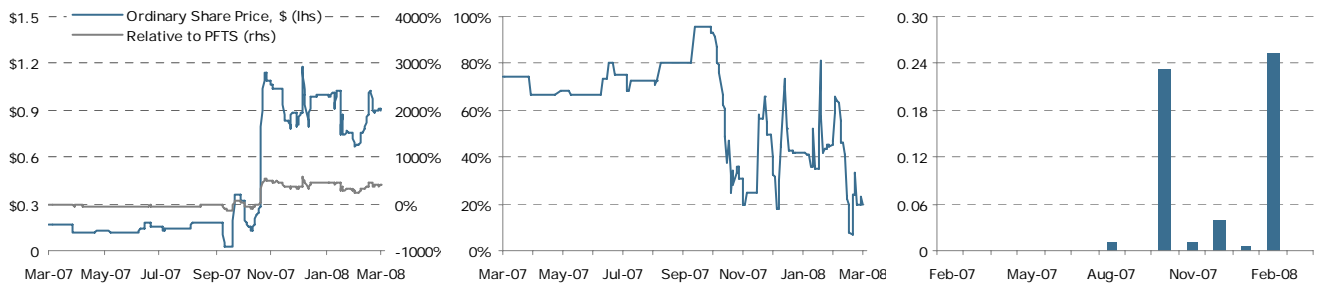


Sukha Balka

Stock performance

Spread, %

Monthly trading volumes, USD mln

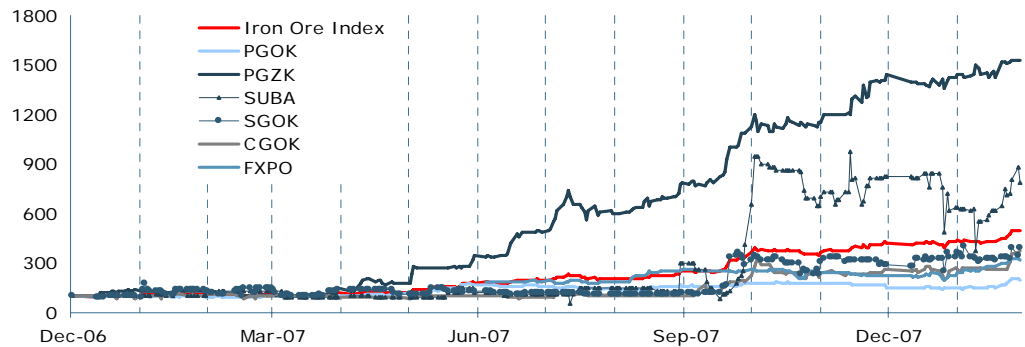


Source: PFTS, LSE, Bloomberg

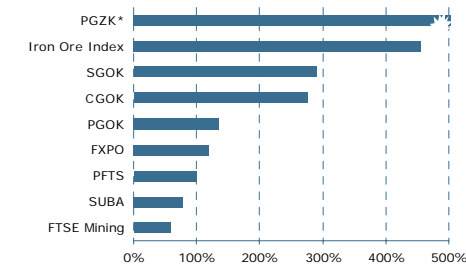
UKRAINE OUTSTRIPPED GLOBAL EQUITIES RUSH

The Ukrainian iron ore sector posted stellar performance last year and this year to date. Key drivers were notably improved financials in 1H07, strengthening of the global iron ore market, and a flurry of IPO/M&A news: Privat's iron ore asset divestiture to Evraz (rumored in June, completed in Dec.), Ferrexpo's London IPO (preparations announced in May, listed in June), Metinvest/Smart merger (rumored in July, announced in Sept).

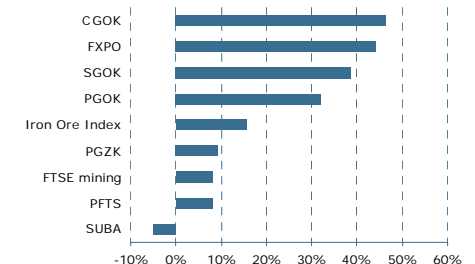
Ukrainian iron ore sector



Stock price performance Jan 07- Feb 08, %



Stock price performance YTD, %



Source: PFTS, Bloomberg, Concorde Capital calculations

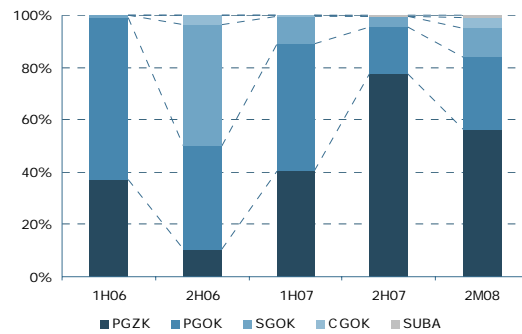
Note: FTSE Mining index is a capitalization-weighted index of global mining heavyweights. Concorde's Iron Ore Index is capitalization-weighted, free-float adjusted and composed of PGOK, PGZK, SUBA, SGOK, CGOK. * PGZK's price performance is truncated in the chart, it made >1500% during the period

SECTOR LIQUIDITY

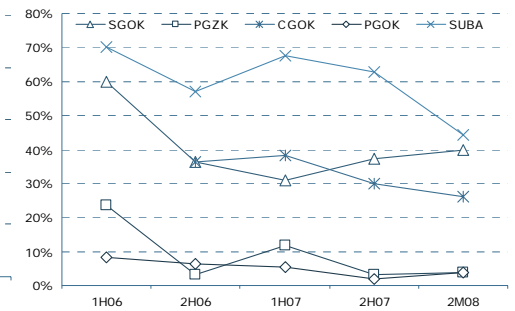
London-listed Ferrexpo is by far the sector leader in terms of liquidity compared to equities traded locally. After a massive USD 150-300 mln in monthly volumes in mid-2007, post-IPO, trading in Ferrexpo stabilized at USD 50-70 mln.

On the local exchange, Pivdenny and Poltava Iron Ore together accounted for nearly 90% of total PFTS trading volumes in the sector (averaging USD 9-12 mln a month in 2007), while comparatively limited free floats for Sukha Balka, Pivnichny and Centralny Iron Ore resulted in sporadic trades.

Trading on PFTS by stock, %



Monthly average spread by stock, %



Source: PFTS, Concorde Capital calculations

Pivdenny's volumes could shrink in the long-run, as new owners Metinvest and Evraz might soak up free float from the market.

IRON ORE MARKET OVERVIEW

Supply: controlled by four

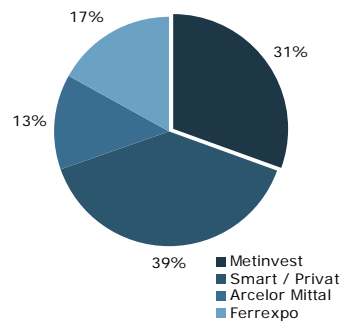
SECTOR RESHUFFLED: LIFE BEFORE AND BEYOND 2007

Last year, the Ukrainian iron ore industry was completely reshuffled by two large deals: the merger of Metinvest and Smart group midyear (see our Oct. 19, 2007 report) and the divestiture of Privat group's ferrous metals & mining assets to Russian Evraz in late 2007 (see our note of Dec. 12, 2007). By yearend, Metinvest controlled nearly 54% of domestic sinter feed production and supplied 79% of sinter feed to the tradable local market. Moreover, with Evraz group, Metinvest jointly operates Pivdenny Iron Ore, further extending its influence on the regional iron ore market.

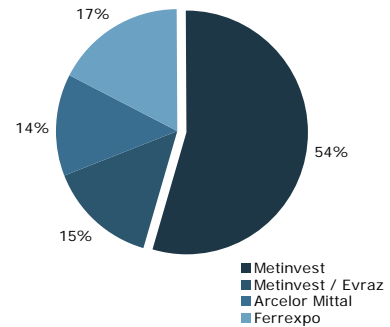
Iron ore groups in Ukraine

Sinter feed production breakdown

2006

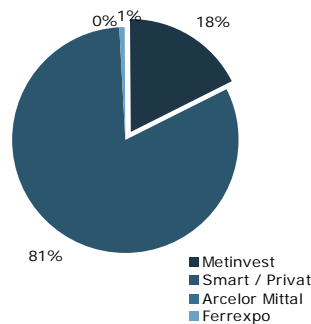


2007

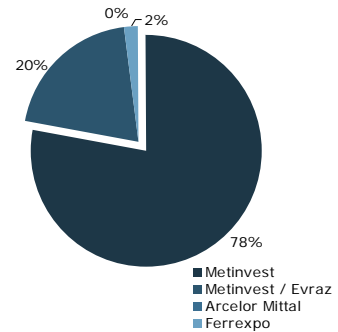


Tradable sinter feed breakdown

2006



2007



Source: Metal Expert, Metal Courier, Concorde Capital calculations

* Supply of so-called tradable sinter feed is the amount left after processing sinter feed into more value-added pellets or sinter available to non-integrated steel mills

In addition, Metinvest is the largest domestic producer of pellets, with above 13 mln mt of pellets produced last year (60% of Ukrainian production). Almost 90% of its pellets were sold in Ukraine.

PRODUCTION FORECASTS & INVESTMENT PLANS

At its press conference in February 2008, Metinvest has announced that the group ranked #6 producer of iron ore in the world in 2007 and targets accession to the #5 spot in 2008. In the mid-term, Metinvest plans to expand its mining and processing operations sizably, primarily at Pivnichny Iron Ore.

We think that Metinvest and Evraz will refrain from investing in expansion projects at Pivdenny Iron Ore, until one of them obtains full control. Thus, we forecast production will remain flat in the next 2-3 years. The mill utilized nearly 100% of its capacity in 2007.

We project Arcelor Mittal Kriviy Rih will step up mining operations in the mid-term to support the expansion program it announced last year.

In February 2008 Ferrexpo confirmed its plans to increase production of pellets to around 16 mln mt by 2012 from 9 mln mt in 2007. Over the next ten years, Ferrexpo targets increasing its annual production to 32 mln mt.

We forecast Sukha Balka to maintain its lump ore production at close to its 2007 volume (2.8 mln mt; a 5% yoy drop).

Ukrainian iron ore production forecasts by producer, mln mt

	2006	2007	YoY 2008E	YoY 2009E	2010E	2011E	2012E	CAGR 5Y	
Centralny Iron Ore (Metinvest)									
Sinter feed	5.6	5.9	6.6%	5.9	-0.7%	6.0	6.0	6.0	0.3%
Pellets	2.2	2.2	1.1%	2.1	-6.3%	2.2	2.2	2.2	1.3%
Severny Iron Ore (Metinvest)									
Sinter feed	11.6	13.0	11.8%	13.7	5.2%	13.7	13.7	18.9	6.6%
Pellets	10.1	11.0	8.8%	11.3	2.8%	11.3	14.2	14.2	4.7%
Inguletsky Iron Ore (Metinvest)									
Sinter feed	13.3	14.0	5.1%	14.00	-0.1%	16.0	17.0	17.0	4.0%
Pellets	-	-	-	-	-	-	-	-	-
Pivdenny Iron Ore (Metinvest/Evraz)									
Sinter feed	8.7	8.8	0.6%	8.8	0.2%	8.8	8.8	8.8	0.0%
Sinter	4.7	5.1	9.9%	5.1	-0.6%	5.1	5.1	5.1	0.0%
Ferrexpo Poltava Mining (Ferrexpo)									
Sinter feed	9.6	10.6	10.0%	10.6	0.0%	10.6	10.9	11.8	8.4%
Pellets	8.6	9.1	5.8%	9.6	5.5%	10.0	10.7	11.9	9.4%
Arcelor Mittal Kriviy Rih									
Sinter feed	7.5	8.2	8.9%	9.5	15.8%	13.3	13.3	13.3	7.0%
Sinter	11.1	11.7	5.4%	12.5	6.9%	12.6	15.8	15.8	9.4%
Sukha Balka (Evraz)									
Sinter feed	3.1	2.8	-9.4%	2.8	0%	2.9	2.9	2.9	0.0%

Source: Company data, Metal Expert, Metal Courier, Concorde Capital estimates

Note: Without DRI (direct reduced iron) projects

According to our calculations, the average investment budget in the sector will grow from 5.2 USD/mt per one ton of final product in 2006 to 19.0 USD/mt in 2008. Though, we forecast CapEx will decline in the mid-term to 5-6 USD/mt, in line with CIS norms.

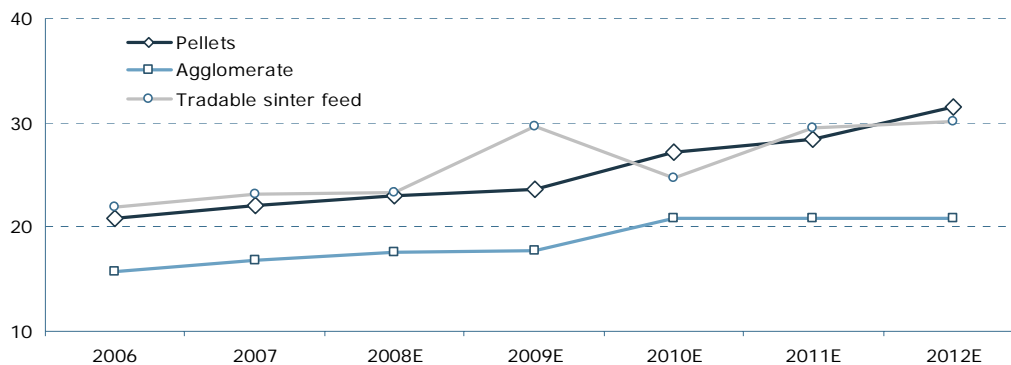
Planned investments, USD mln

	2006		2007		2008E	
	CapEx	USD/per mt	CapEx	USD/per mt	CapEx	USD/per mt
Ukraine						
Centralny Iron Ore	16	7.3	53	4.0	62	29.6
Pivnichny Iron Ore	55	5.4	205	18.7	259	22.9
Inguletsky Iron Ore	61	4.5	59	4.2	153	11.0
Pivdenny Iron Ore	13	2.8	30	5.8	35	6.9
Poltava Iron Ore	49	5.7	132	15.0	238	24.9
Average		5.2		9.6		19.0
Russia						
Karelsky Okatysh	70	7.4	40	3.9	24	2.2
Korshunovsky GOK	18	3.6	18	3.6	18	3.6
Olenegorsky GOK	n/a	n/a	50	10.4	40	7.6
Stoilensky GOK	25	2.3	90	7.8	100	7.9
Average		4.4		6.4		5.3

Source: Company data, Metal Expert, Antanta PioGlobal, Concorde Capital calculations

Overall, based on the plans of Ukrainian iron ore producers, we forecast the total local supply of pellets, agglomerate (sinter) and tradable sinter feed to rise from 62 mln mt in 2007 to 63.8 mln mt in 2008 (+3% yoy); and 82.5 mln mt (+33%) by 2012. Manufacturing of processed products (agglomerate and pellets) is expected to grow faster than non-processed products (sinter feed): 7.4% CAGR vs. 5.4% CAGR in 2007-2012.

Ukrainian iron ore supply, mln mt



Note: Sinter feed is the major raw material for agglomerate and pellet manufacturing
 Source: Metal Expert, Metal Courier, Concorde Capital calculations

NEW PROJECTS: DRI PELLETS & KGOKOR

DRI technologies are in an infant stage

We think that it be another 1-3 years before Ukrainian iron ore manufacturers broaden their product profiles to include DRI pellets.

After the Metinvest/Smart merger, Metinvest revealed an initiative to implement DRI pellet (nugget) production at its iron ore companies (Centralny and Inguletsky). Installation of DRI technologies at Inguletsky, which Smart wanted to do in 2005-2006 (prior to the merger), now looks more achievable with Metinvest as owner, in our view.

Another candidate for DRI pellet production is Ukrainian Vorskla Steel (launched by Ferrexpo owner Konstantin Zhevago). Last year, Zhevago announced plans to construct a steel mill equipped with a Midrex technology workshop that can process pellets into 1.5 mln mt DRI products annually. Vorskla said that construction of the Midrex mill would start by the end of 2007, but according to public sources, it has not started. We see the delay as connected to a shortage of financing and technical issues: Poltava Iron Ore might be able to supply it with enough quality iron ore to tune the Midrex technology.

Kriviy Rih Oxidized Iron Ore plant (KGOKOR)

Construction of Kriviy Rih Oxidized Iron Ore has been postponed due to political factors. We still consider construction of the plant, which will be able to produce 12 mln mt of pellets annually, a mid-term threat to Poltava Iron Ore and non-integrated Ukrainian steel mills (see our report of November 2007).

IMPORT POTENTIAL IS LIMITED

Imports (3 mln mt of sinter feed, lump ore and pellets in 2007) accounted for a meager 2-5% of domestic consumption, even after a more than 57% increase in iron ore shipments to Ukraine in 2007 (spurred on mainly by the +690% yoy rise in pellet deliveries from Russia).

In our view, importers' presence on the local market will remain limited in the mid-term:

Import barriers to Ukraine

	Cost advantage ¹ (on average, base price, USD/mt)	Logistical bottlenecks	Limited supply
Global majors	50	Ukraine lacks suitable deep-sea terminals for unloading panamax vessels; insufficient availability of panamax vessels worldwide	Capacious and growing Asian market will consume most of production
Russia	35-40	Insufficient availability of freight railcars ²	Shipments of integrated Russian producers are directed to related companies. Russia's only sizable independent player, Metalloinvest ³ , is focusing on Russia and Europe, where it has large long-term contracts. Growing Asian market could be a better alternative for some producers
Ukraine	30-35	-	-

¹ Theoretical final price for consumer = base price + producer delta; base price = production cost + total transportation cost; based on production cost of sinter feed

² See our railway industry report of January 28, 2008

³ Additionally, Metalloinvest plans to increase production of DRI pellets in the short run to meet growing needs from Russian mini-mills, which will decrease their supply of sinter feed and pellets to the market.

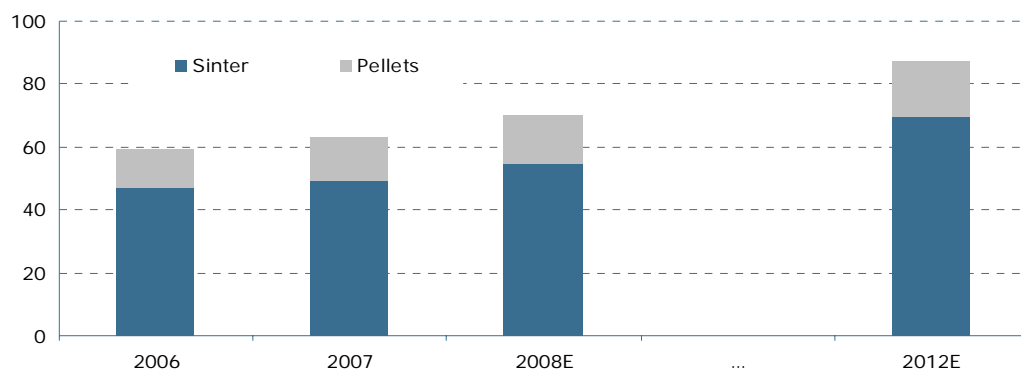
Demand plays into suppliers' hands

Local market: favorable outlook

The Ukrainian steel industry will remain a stable growing source of demand for domestic iron ore in the long run. In 2007 Ukrainian steel producers boosted consumption of processed products (sinter and pellets) to nearly 63 mln mt (+6% yoy) and consumed 10 mln mt of lump iron ore (+4% yoy).

Driven by expansion projects, primarily by Metinvest, Industrial Union of Donbas and Arcelor Mittal Kriviy Rih, Ukrainian production of pig iron is projected to increase by 30% by 2012 to 45 mln mt. According to our calculations, the increase will translate into a 38% jump in demand for processed iron ore products (agglomerate and pellets) to 87 mln mt by 2012 and +40% increase in demand for lump ore to 14 mln mt by 2012.

Local demand for iron ore, mln mt



Source: Metal Expert, Metal Courier, Concorde Capital calculations

We estimate the excess of Ukrainian pellets will increase from 8 mln mt in 2008 to 14 mln mt in 2012 (excluding KGOKOR), while the volume of domestic sinter feed used in agglomerate production will remain constant with an excess of 5.5 mln mt in 2012.

Exports: shipments growing as we expected

EXPORTS GREW 10% YOY IN 2007

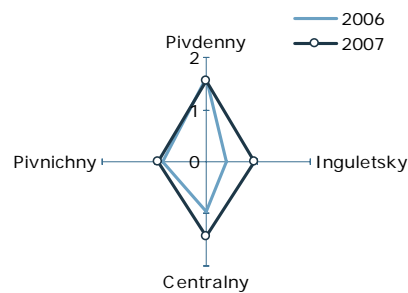
Last year Ukrainian iron ore producers increased total exports of iron ore products by 10% yoy to 14 mln mt (sinter feed and pellets), primarily due to 28% yoy growth in sinter feed shipments abroad by Metinvest-related companies. Ukrainian exports of pellets grew at a lower pace, 2.4% yoy.

As we expected (see our Nov. 2007 report), China became the key driver of exports in 2007 (+125% yoy), while deliveries to traditional markets were almost unchanged.

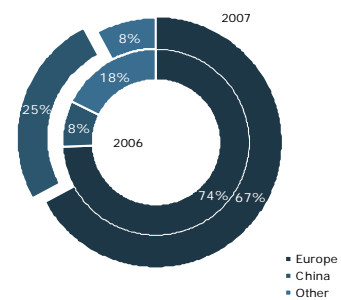
Ukrainian iron ore export breakdown, mln mt

Sinter feed

by producer

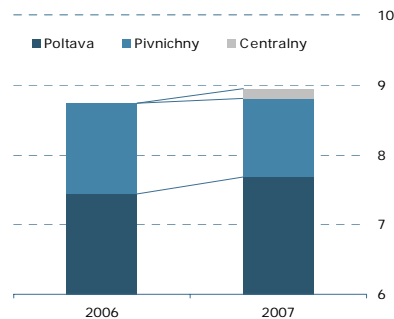


by country

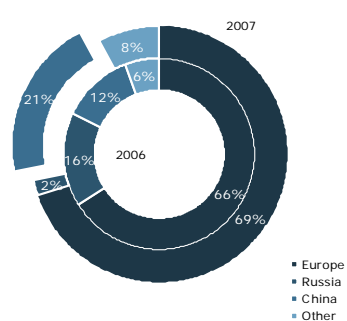


Pellets

by producer



by country



Source: Metal Expert, Metal Courier

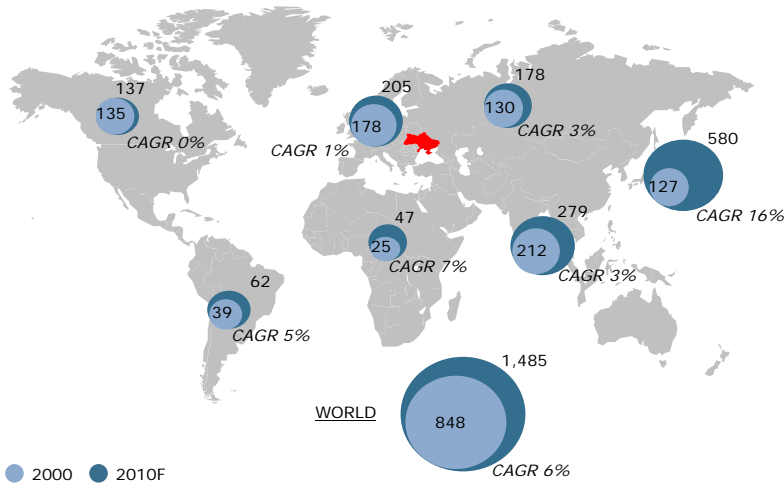
Ukraine exported nearly 44% of produced lump ore in 2007 to mainly Central and Eastern European countries. The volume of exports decreased 2.6% yoy to 7.1 mln mt over the year. The only public Ukrainian producer of lump ore, Sukha Balka, exported 43% of its lump ore: 1.2 mln mt (down 11% yoy). In the long term, we forecast Ukrainian exports of lump ore will remain flat.

GLOBAL IRON MARKET WILL REMAIN TIGHT IN THE MID-TERM

The global picture for iron ore makers remains favorable for at least the next two-three years. According to CRU forecasts, demand for iron ore is set to grow at a 6% CAGR 2008-2010, mainly due to growth in Asia and the CIS.

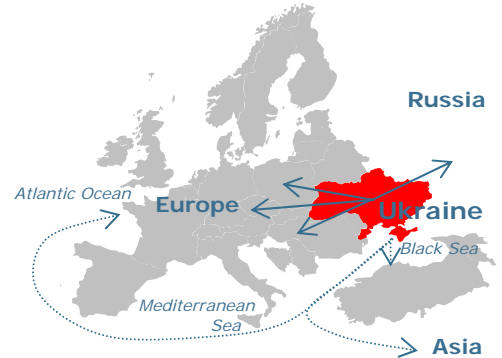
Europe will remain a stable market for Ukrainian iron ore thanks to its logistics advantage. At the same time, we expect shipments to China, which will remain the key driver of global demand for iron ore, to more than double in the next two-three years from 3 mln mt in 2007.

Crude steel production by 2010F, mln mt



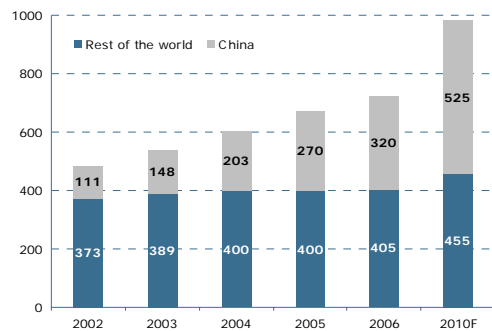
Source: IISI, CVRD, Ferrexpo

Ukrainian export logistics



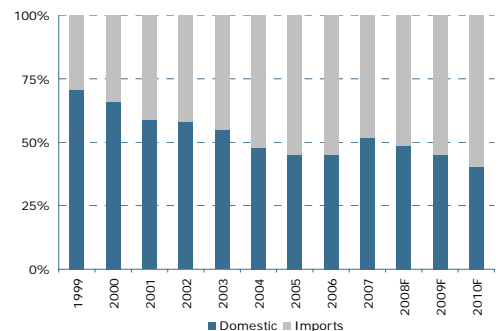
Robust market prospects in China are underpinned by its thriving steel industry, which suffers from moderately growth in domestic production of iron ore and more expensive supplies from Brazil, Austria and neighboring India.

Global iron ore seaborne trade, mln mt



Source: IISI, CVRD, CRU

Iron ore supply to China, %



The key obstacles keeping Ukrainian players from benefiting from China's vast demand are limited deep-sea terminals and the absence of panamax vessels.

However, we believe that Ukrainian Metinvest and Ferrexpo will expand their transportation infrastructure in the mid-term. Ferrexpo is developing TIS-RUDA (49.9% held by Ferrexpo), a major port and loading facility at Yuzhny on the Black Sea. The project will create the most modern panamax-enabled facility in Ukraine, capable of handling 5 mln mt annually of bulk materials. We think Metinvest also has enough financial strength to solve transportation issues to China.

Ferrexpo: the only non-integrated local player

FERREXPO NEEDS SECURE CONSUMERS IN THE LONG RUN

While in the mid-term the market for Ferrexpo's pellets looks robust, in the longer term, without integrating with a steel manufacturer, sustaining demand for its products is a question.

We think the owner of Ferrexpo, Konstantin Zhevago, is seeking security by constructing his own mill in Ukraine, Vorskla Steel, which will provide a market for 40-50% of Ferrexpo's pellets based on its 2007 production. Zhevago is also bidding for Bulgarian steel mill Kremikovtzi (it could secure est. additional 10-20% of Ferrexpo's pellets based on its 2007 production). Moreover, Ferrexpo plans to grow production threefold to 32 mln mt per annum over ten years, which implies that even if Zhevago builds Vorskla and buys Kremikovtzi, pellet sales will only be 15% secured.

METINVEST, EVRAZ, ARCELOR MITTAL: SHIPMENTS ARE SPOKEN FOR

In late 2008 Metinvest secured shipments for 65-90% of its products through long term contracts with local non-integrated steel players. Evraz and Arcelor Mittal have markets through related companies for Pivdenny Iron Ore and Arcelor Mittal Kriviy Rih in the long run as these groups are experiencing a deficit of iron ore.

Metinvest's local contracts, mln mt

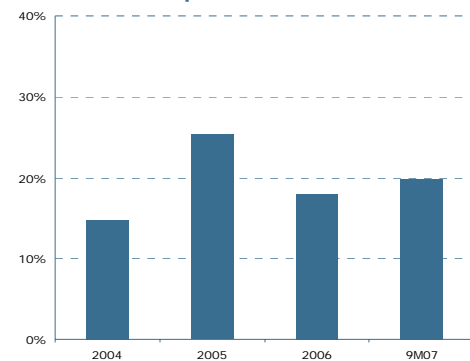
Company	Pellets	Sinter feed	Year
MMK Ilichea	-	24	2011
Zaporizhstal	-	11	2011
Industrial Union of Donbas	10	11	2010
Total	10	46	
<hr/>			
<i>Metinvest's tradable products</i>	<i>13-15</i>	<i>50-55</i>	<i>by 2011</i>
<i>Metinvest's shipments security</i>	<i>65-80%</i>	<i>80-90%</i>	<i>by 2011</i>

Source: Company data, Concorde Capital calculations

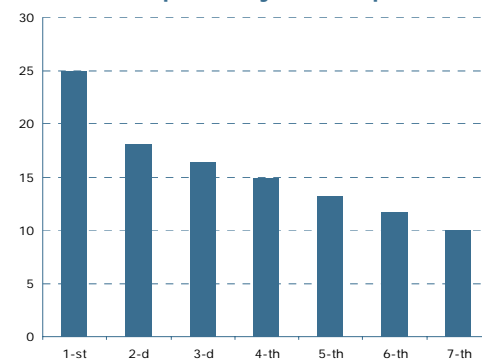
Demand strong for DRI pellets

The current local deficit of ferrous scrap, the upcoming construction of new electric-arc smelting facilities (Dniprostal, Donetskstal, Electrostal – Donetsk Metal Rolling, Euro Finance) and decreasing export duties for it in the mid-term (see our note of February 7), creates opportunities for DRI product manufacturing in Ukraine. We see Inguletsky and Centralny Iron Ore among the likely beneficiaries of implemented DRI technology. DRI products are easy to transport compared to sinter feed or pellets, which opens up additional export opportunities.

Ukrainian scrap deficit



Ukrainian export duty for scrap, EUR/mt



Source: State Statistics Committee, Ministry of Economy, Concorde Capital calculations

Note: Export duty for Ukrainian scrap will be reduced incrementally over seven years after WTO accession, according to entry agreements

Price outlook: bullish in the mid-term

Global prices to stay around historical high

In February, major global player Brazilian Vale lifted the price for its iron ore by 65% for leading steel producers Nippon Steel Corp, JFE Holdings Inc, POSCO and Thyssen Krupp Steel. The new contract price is nearly USD 80/mt FOB on average in Brazilian seaports.

The hike will strengthen the positions of Vale, Rio Tinto and BHP Billiton in contract negotiations with their major clients, Chinese steel producers, which usually are concluded in February-March. At the beginning of the negotiations, in late 2007-early 2008, Chinese producers (the industry is represented by Baosteel) were ready for a 30% yoy increase, while the "Big Three" wanted at least 50%.

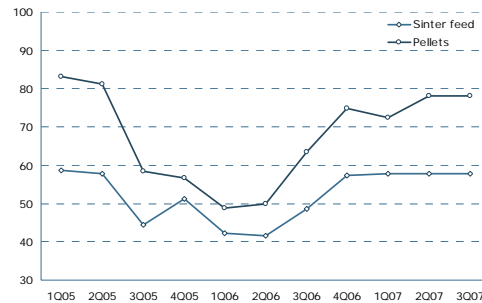
We think that prices, supported by strong Chinese demand, will remain strong until at least 2012 when major iron ore expansion projects will come on stream and worldwide demand for steel will slow.

Local pricing system has been changed

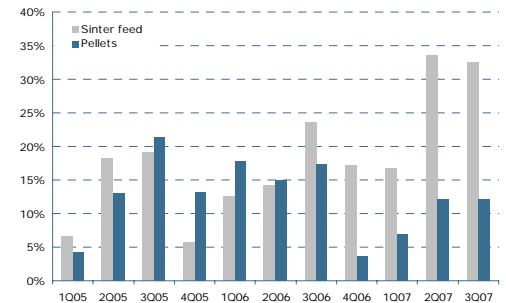
LONG-TERM CONTRACTS COME TO UKRAINE

Until 2008 Ukrainian iron ore pricing was based on short-term contracts. Last year domestic prices for iron ore jumped 30% yoy on average. The difference between domestic and export prices remained 12% for pellets, but rose from 18% to 30% for sinter feed.

Ukrainian iron ore prices, USD/mt (EXW)



Diff. between local and export prices, %



Source: Metal-Expert, Concorde Capital calculations

In late 2007, Ukraine's largest supplier of iron ore products, Metinvest, signed long-term contracts with local non-integrated steel smelters, consumers of more than 80% of its excess products. These contracts set the price for sinter feed at USD 70/mt or almost 25% higher than the average local spot price in 2007. The parties agreed to renegotiate the price annually on April 1.

Most likely Ukrainian prices in 2008 will be closer to those in Russia, where producers contracted almost all the volumes for 2008 in February 2008: the sinter feed price there is USD 78/mt (EXW), while pellets are USD 105/mt (EXW). Some Russian iron ore producers agreed to renegotiate the price on April 1, and prices might increase by another 10-15%, according to Metal Expert.

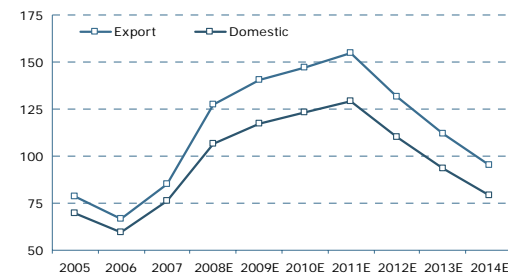
PRICE FORECASTS

The spectacular growth in global prices for iron ore will trickle down to producers oriented to the domestic market, but we expect selling prices to rise comparatively less. We estimate the Ukrainian sinter feed price could increase to USD 90-95/mt in 2008 (up 50-65% yoy), while the price of pellets will grow to USD 110/mt in 2007 (up 40% yoy).

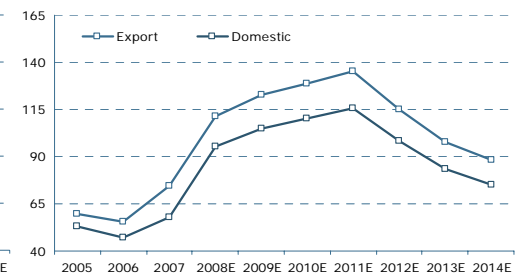
Of the Ukrainian producers of iron ore, we estimate this will enable Ukrainian exporters to increase selling prices from nearly USD 75/mt in 2007 to USD 125-130/mt in 2008 (up 65-70% yoy).

Iron ore price forecasts, USD/mt

Pellets



Sinter feed



Source: Metal-Expert, Concorde Capital estimates

We forecast strong demand will keep prices soaring 2008 through 2012, while in the longer term, global supply will match demand and prices will adjust downward, stabilizing slightly above their 2007 level.

Our price forecast is sensitive to (1) global benchmark prices, which could be higher than we anticipate in 2009-2010; and (2) Metinvest's attempts to leverage its monopolistic position in Ukraine by lifting local prices closer to/above Ukrainian export prices (in March it opened negotiations with non-integrated Ukrainian steel mills by proposing to sell them sinter feed at USD 120/mt beginning April 1).

FINANCIAL PERFORMANCE

The numbers misrepresent reality

ONLY FERREXPO, PIVDENNY IRON ORE REPORT RELIABLE FINANCIALS

Although Ukrainian iron ore producers reported significantly improved financials in 9M07, we deduct that most of them do not reflect the companies' true economies.

Revenues, USD mln

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	9M06	9M07	YoY
Poltava Iron Ore	97.3	117.2	117.7	129.4	133.7	135.6	140.4	332.2	409.8	23.3%
Sukha Balka	17.8	17.5	16.7	22.4	25.2	22.5	21.7	52.0	69.4	33.4%
Pivnichny Iron Ore	164.0	172.9	176.9	296.4	299.0	406.4	405.2	513.8	1 110.5	116.1%
Centralny Iron Ore	90.0	82.7	89.6	111.3	136.4	133.7	133.5	262.3	403.6	53.9%
Pivdenny Iron Ore	78.2	73.8	92.0	61.5	119.1	123.9	157.5	244.0	400.5	64.1%
Total Ukraine	447.3	464.1	493.0	621.1	713.5	822.0	858.3	1 404.4	2 393.8	70.5%

Ferrexpo

	1H06	1H07	YoY
	236.2	327.9	39.0%

Source: Company data

EBITDA margin, %

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	9M06	9M07	YoY, p.p.
Poltava Iron Ore	12.3%	18.9%	20.5%	23.3%	24.5%	28.1%	22.1%	17.5%	24.9%	7.3
Sukha Balka	15.0%	12.3%	9.3%	24.6%	30.6%	33.9%	22.8%	12.3%	29.2%	17.0
Pivnichny Iron Ore	25.5%	25.5%	33.2%	35.7%	36.6%	36.2%	35.4%	28.1%	36.0%	7.9
Centralny Iron Ore	23.2%	16.0%	23.7%	28.5%	31.9%	31.8%	35.5%	21.1%	33.1%	12.0
Pivdenny Iron Ore	9.0%	11.3%	10.0%	21.7%	28.4%	32.6%	43.6%	10.1%	35.7%	25.6
Total Ukraine	18.9%	19.4%	23.3%	30.0%	31.8%	33.6%	34.4%	20.6%	33.4%	12.8

Ferrexpo

	1H06	1H07	YoY, p.p.
	21.7%	34.2%	12.5

Source: Company data

Net margin, %

	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	9M06	9M07	YoY, p.p.
Poltava Iron Ore	-1.3%	7.0%	6.2%	7.6%	12.0%	14.9%	9.9%	4.3%	12.3%	8.0
Sukha Balka	9.0%	2.1%	-2.0%	14.8%	25.3%	22.3%	9.5%	3.1%	19.4%	16.3
Pivnichny Iron Ore	18.9%	14.8%	23.5%	19.6%	25.1%	28.3%	21.9%	19.1%	25.1%	6.0
Centralny Iron Ore	13.6%	10.0%	16.1%	18.7%	20.8%	21.4%	24.0%	13.3%	22.1%	8.8
Pivdenny Iron Ore	-3.2%	-1.3%	-4.6%	14.4%	15.3%	20.7%	32.7%	-3.2%	23.8%	27.0
Total Ukraine	9.2%	8.9%	11.9%	16.3%	20.2%	23.7%	22.0%	10.1%	22.0%	12.0

Ferrexpo

	1H06	1H07	YoY, p.p.
	12.3%	6.2%	6.2

Source: Company data

The only companies that reported financials that reflect their true economies were Ferrexpo and Pivdenny Iron Ore, which was acquired by Russian Evraz in 2H07. The rest significantly manipulated their financials last year. In appendix A we analyse the quality of Ukrainian iron ore manufacturers' financials.

Earnings quality by company

Company	Top line distortions	Cost manipulations
Poltava Iron Ore	transfer pricing	non-significant
Sukha Balka	transfer pricing	non-significant
Pivnichny Iron Ore	transfer pricing, non-related revenues	cost inflation
Centralny Iron Ore	transfer pricing, non-related revenues	cost inflation
Pivdenny Iron Ore	non-significant	deflation*

* We estimate Pivdenny acquires inputs (lump ore and coke) from related parties at a price lower than the market price (see Appendix A)

Reported vs. true financials, USD mln

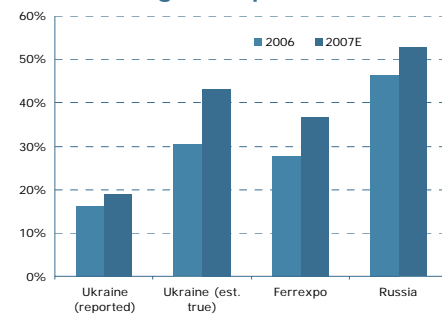
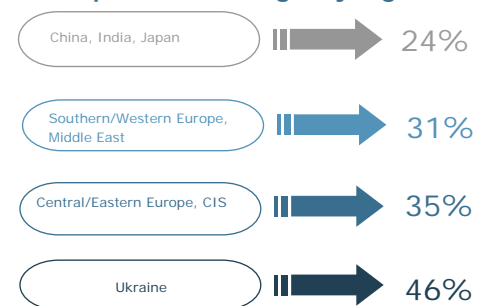
		Sales			EBITDA			Net Income		
		2007E	2008E	2009E	2007E	2008E	2009E	2007E	2008E	2009E
Pivnichny Iron Ore	True	935.6	1 393.9	1 540.1	456.1	826.5	916.2	293.6	569.7	636.0
	Reported	1 515.7	1 296.3	1 432.3	543.6	734.8	816.0	367.8	502.3	562.7
Centralny Iron Ore	True	404.6	588.1	666.3	193.5	352.9	400.7	122.1	242.4	276.6
	Reported	537.1	529.3	619.6	180.9	297.6	357.3	121.2	201.6	244.9
Pivdenny Iron Ore	True	685.6	1 019.4	1 132.5	245.7	502.0	568.7	160.3	354.1	403.9
	Reported	617.0	917.4	1 019.3	142.8	410.7	467.0	95.5	286.6	328.6
Sukha Balka	True	146.5	206.7	229.7	72.3	129.9	149.0	49.7	91.9	106.0
	Reported	95.2	134.4	149.3	30.5	67.0	78.7	18.8	45.6	54.2
Poltava Iron Ore	True	676.5	1 148.3	1 317.6	217.5	539.2	566.6	129.4	395.8	415.3
	Reported	541.2	861.3	988.2	127.4	345.8	362.3	64.4	226.0	235.4
Ferrexpo		676.5	1 148.3	1 317.6	217.5	539.2	566.6	129.4	395.8	415.3

*Note: True financials are estimated net of transfer pricing, non-related revenues and cost manipulations
Source: Company data, Concorde Capital estimates*

WHAT IS THE TRUE PROFITABILITY OF UKRAINIAN IRON ORE BUSINESS?

Our analysis reveals that last year true EBITDA margins ranged from 30% for sinter and lump ore producers (Pivdenny Iron Ore and Sukha Balka) and 40-50% of local pellets makers (Pivnichny, Centralny and Poltava Iron Ore).

We estimate Ferrexpo's (Poltava Iron Ore) EBITDA margin was lower in 2007 than the margins of Pivnichny/Centralny Iron Ore: 40% vs. 50% in 2007, respectively, stemming from higher transportation cost (see charts below), additional expenses for purchased sinter feed for additional pellet production (est. USD 16 mln in 2007) and long-term contracts signed in 2006/2007. Unlike Pivnichny and Centralny Iron Ore, which sold almost all their products domestically on the spot market, Ferrexpo failed to fully capture rapid growth in spot prices in 2007.

EBITDA margin comparison, %

Ferrexpo EBITDA margin by region in 1H07


Source: Company data, Ferrexpo, Bloomberg, Concorde Capital estimates

In 2007 Ukrainian producers remained less profitable compared to their Russian peers, which have lower production costs (cheaper energy inputs).

We forecast that in the mid-term Ukrainian iron ore makers will be able to increase their EBITDA margins up to 60% on the back of price increases, while in the long run profitability will reverse downward and stabilize around their 2007 level.

COMPANY PROFILES

Ferrexpo (FXPO LN)

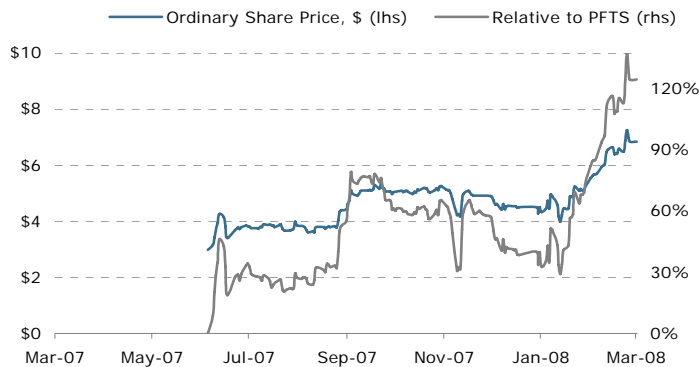
HOLD
<http://www.ferrexpo.com/>

12M target (USD)	6.62
Upside*	-3%

INVESTMENT CASE

- The most liquid Ukrainian stock; traded on the LSE; included in the FTSE 250 Index
- Highest growth potential among domestic iron ore producers; Ferrexpo targets tripling production over the next 10 years to 32 mln mt via exploitation of Yeristovskoe (Y) and Belanovskoe (B) deposits
- Logistics call growth plans into question. So far management has not explained the solution to exporting up to 30 mln mt of pellets by 2018: we estimate current facilities only allow for shipping 8-10 mln mt pa
- Ferrexpo's possible sale of an interest in the new pits (most likely 50%) to a strategic investor poses a risk to minority investors, who would see correspondingly less cash flow from the new projects
- Ferrexpo is vulnerable to downcycles in the steel industry in contrast to the other iron ore players in our coverage who are integrated with steel mills

SHARE PRICE PERFORMANCE*



Listed on LSE 14.06.2007

BUSINESS OVERVIEW

London listed resources group with a headquarters in Switzerland. Owns a 86% stake in Poltava Iron Ore (PGOK UZ), which focuses on mining and processing of iron ore pellets. Iron ore resources total ~18 bn mt of magnetite ore. Operates open pit iron ore mines, concentrating and pelletizing plants. Pelletizing capacity is 12 mn mt p.a. Exports to Austria, China, Slovakia, Serbia, Czech Republic, Bulgaria, Poland, Romania, Germany, Turkey, Italy and other countries.

In 2007 the company increased production of pellets to 9.1 mln mt (5.8% yoy) and concentrate to 10.6 mln mt (10% yoy). In 9M07 net revenues grew by 23.3% yoy to USD 409.8 mln and net margin improved to 12.3% from 4.3% in 9M06.

MARKET INFORMATION

Market Price* , USD	6.85
Price impact**	1
52 Wk H/L USD	7.26/2.99
Chg 3m/6m/52w	41%/48%/n/a
Chg vs PFTS 3m/6m/52w	43%/36%/n/a
Chg YTD	51%
Avg M Tr Vol 6M, USD ths	132847

MCap , USD mln	4205.7
Free float	24%
FF Mcap, USD mln	1009.4

No of shares , mln	614.0
---------------------------	-------

XETRA	n/a
DR Ratio	n/a
Avg M Tr Vol 6M, USD ths	n/a

STOCK OWNERSHIP

Kostyantyn Zhevago	76.0%
Other	24.0%

CORPORATE GOVERNANCE

Concorde Rating***	N/R
--------------------	-----

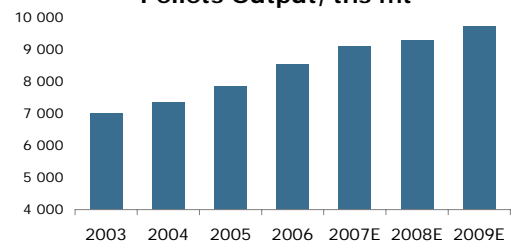
MARKET MULTIPLES

	2007E	2008E
EV/Sales	6.5	3.8
EV/EBITDA	8.6	5.9
P/E	32.5	9.5
P/B	8.6	5.9
P/CF	26.7	8.8

KEY RATIOS

	2006	2007E	2008E
EBITDA margin	27%	32%	52%
Net Margin	12%	19%	39%
ROE	20%	31%	74%
Net Debt/Equity	0.80	0.38	0.20

Pellets Output, ths mt



*Market information as of Mar 12, 2008, based on LSE Last prices

** Price"impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

 1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
 3: All other stocks (quoted)

Quest for strategic partner presents risks for minorities

Ferrexpo is seeking a strategic investor

In late February, Ferrexpo Executive Director Mike Oppenheimer reiterated that the company intends to attract a strategic investor to develop Yeristovskoye (by 2015) and Belanovskoye deposits (by 2018). According to Oppenheimer, USD 4.5 bln over 10 years will be required; exploitation of these pits will increase Ferrexpo's production from 9 mln mt to 32 mln mt yoy. In our recent talks with Ferrexpo, they mentioned that announced CapEx is indicative at this stage: only USD 158 mln for the existing mine expansion and USD 55 mln for draglines at Yeristovskoye have been committed to date.

Minorities' ownership of new pits is at risk in event of partnership deal

Though specific details are not available at this stage, we think that most likely a 50/50 joint venture with a strategic investor to exploit the two deposits will be created.

Possible structure of Ferrexpo's assets after JV creation



* Ferrexpo has a repurchase agreement under which it is entitled to acquire its 10.6% stake in Poltava Iron Ore for USD 11 mln from Decometal
Source: Concorde Capital estimates

This implies a risk for Ferrexpo minorities as their overall ownership of the underlying assets and hence cash flow generated by new projects will be shared with a strategic investor. In our view, the potential negative impact on value for minority shareholders will hardly be offset by the positives:

- The prospective partner's up to USD 2 bln CapEx contribution
- If a strategic investor does get involved, we believe it would dull the chances of VS Energy's legal challenges over Ferrexpo's ownership of its assets succeeding (in July 2007 the Ukrainian High Economic Court invalidated Ferrexpo's purchase of a 40.19% stake in Poltava Iron Ore; Ferrexpo pledged to appeal the decision to the Supreme Court but a ruling has been delayed by the government reshuffle)
- As part of the deal, Ferrexpo could gain access to ensured markets for its extra pellets in the long run, as well as get assistance in solving its transportation issue

Why a strategic investor is in Zhevago's interest

Although we estimate that by Ferrexpo has sufficient financial strength to fund its expansion program, we believe Zhevago's incentive is to redirect cash inflow to finance his other existing and prospective projects: expansion at a steel mill in Denmark, acquisition of a steel mill in Bulgaria (in process), construction of a steel mill in Hungary (Vorskla Stal) and Romania, a USD 1.5 bln project in Ukraine (Vorskla Steel) as well as ferroalloy projects. Combined, these projects could demand more than USD 2.5 bln over the next 2-3 years

Key forecasts

We elaborate two scenarios, excluding the Belanovskoye deposit as its timing and financing is uncertain at this stage:

Scenario 1. "Strategic investor" (prob. 60%). Ferrexpo develops Yeristovskoye (by 2015) jointly with a strategic investor and receives half of cash inflows from the project. Ferrexpo's estimated CapEx is USD 1.5 bln in 2008-2015, about 50% less than the USD 3.0 bln needed. Our DCF model produces an equity value of USD 3.5 bln in twelve months, implying a price per share of USD 5.8.

Scenario 2. "Stand alone" (prob. 40%). Ferrexpo develops the deposit utilizing its own cash flow and bank loans. Ferrexpo's estimated CapEx is USD 2.5 bln in 2008-2015. Our DCF model produces an equity value of USD 4.3 bln in twelve months, implying a price per share of USD 7.0.

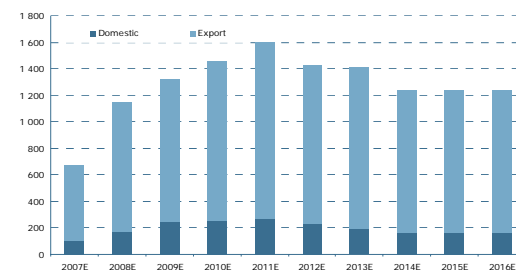
Key forecasts

		2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Sinter feed, mln mt	SC1	10 587	10 587	10 587	10 587	10 587	10 819	12 276	13 332
	SC2	-	10 587	10 587	10 587	11 139	13 320	15 832	19 756
Pellets, mln mt	SC1	9 100	9 100	9 282	9 746	10 233	10 772	11 850	15 404
	SC2	-	9 282	9 746	10 233	10 540	11 594	15 073	15 826
Tradable sinter feed, mln mt	SC1	-	-	-	-	-	-	-	-
	SC2	-	-	-	-	-	-	-	922.2
Sales, USD mln	SC1	676	1 148	1 318	1 455	1 593	1 425	1 409	1 234
	SC2	-	1 148	1 318	1 455	1 575	1 477	1 644	1 550
EBITDA margin, %	SC1	32.2%	47.0%	43.0%	42.7%	42.4%	44.0%	37%	36%
	SC2	-	47.0%	43.0%	42.7%	45.0%	49.0%	42.5%	43.5%

Source: Company data, Concorde Capital estimates

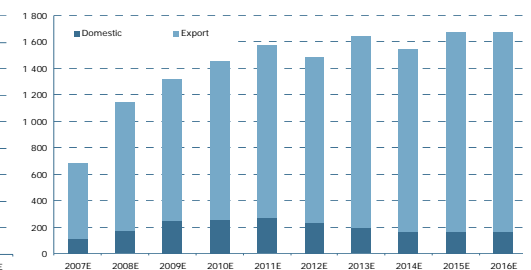
Sales forecasts, USD mln

Scenario 1



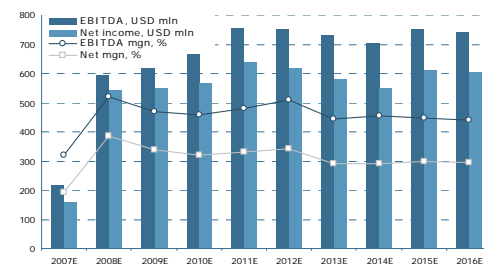
Source: Concorde Capital estimates

Scenario 2



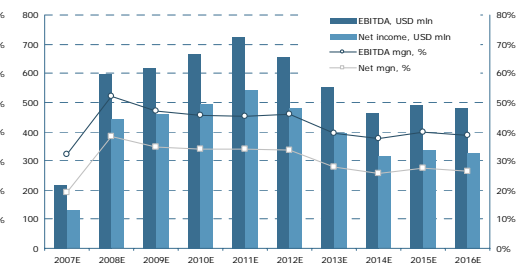
Profitability forecasts

Scenario 1



Source: Concorde Capital estimates

Scenario 2



DCF Valuation (Scenario 1)

DCF output, UAH mln, as of March 05

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
EBITDA	1099	2983	3066	3224	3509	3145	2663	2223	2357	2258
EBIT	957	2814	2869	2993	3233	2830	2326	1869	1994	1887
<i>Tax Rate</i>	20%	18%	18%	18%	18%	18%	18%	18%	18%	18%
Taxed EBIT	765	2296	2341	2443	2651	2321	1907	1532	1635	1547
Plus D&A	142	170	196	230	276	315	338	355	363	371
Less CapEx	(512)	(919)	(783)	(1059)	(1159)	(1026)	(676)	(593)	(363)	(371)
Less change in OWC	(177)	(213)	(125)	(9)	(58)	89	(37)	9	9	9
FCFF	218	1333	1629	1605	1710	1699	1531	1303	1645	1556
WACC	12.7%	12.8%	12.4%	10.9%	11.4%	10.5%	10.5%	10.5%	10.5%	10.5%
Discounted cash flow	197	1071	1165	1035	989	889	726	559	639	547
Sum of discounted CF			8 318							
							Perpetuity growth rate			3.0%
							WACC to perpetuity			10.0%
Terminal value			22 896							
							Implied exit EBITDA multiple			10.1x
Firm value			18 542							
Portion due to TV			55.1%							
Less net debt			(617)							
Equity value			17 924							
Implied 12M price, USD			5.79							

Sensitivity analysis

Implied Share Price, USD					
WACC Y1-10	Perpetuity Growth Rate				
	2.0%	2.5%	3.0%	3.5%	4.0%
-1.5%	6.0	6.3	6.7	7.1	7.7
-1.0%	5.7	6.0	6.3	6.7	7.1
-0.5%	5.5	5.8	6.0	6.4	6.7
0.0%	5.3	5.6	5.8	6.1	6.4
+0.5%	5.2	5.4	5.6	5.8	6.1
+1.0%	5.0	5.2	5.4	5.6	5.8
+1.5%	4.9	5.1	5.2	5.4	5.6

Implied Share Price, USD					
WACC to perpetuity	Perpetuity Growth Rate				
	2.0%	2.5%	3.0%	3.5%	4.0%
9.5%	5.8	6.0	6.3	6.6	7.0
10.0%	5.7	5.9	6.1	6.4	6.8
10.5%	5.5	5.7	6.0	6.2	6.6
11.0%	5.3	5.6	5.8	6.1	6.4
11.5%	5.2	5.4	5.6	5.9	6.2
12.0%	5.1	5.3	5.5	5.7	6.0
12.5%	4.9	5.1	5.3	5.6	5.9

DCF Valuation (Scenario 2)

DCF output, UAH mln, as of March 05

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
EBITDA	1099	2983	3066	3224	3671	3618	3510	3387	3619	3481
EBIT	957	2814	2847	2940	3307	3182	2999	2807	3023	2867
Tax Rate	20%	18%	18%	18%	18%	18%	18%	18%	18%	18%
Taxed EBIT	765	2296	2323	2399	2712	2609	2459	2302	2479	2351
Plus D&A	142	170	218	284	363	436	511	579	597	615
Less CapEx	(512)	(919)	(1631)	(1764)	(1910)	(1773)	(1972)	(1860)	(597)	(615)
Less change in OWC	(177)	(213)	(125)	(9)	(113)	75	(120)	49	(63)	12
FCFF	218	1333	786	909	1052	1347	878	1070	2416	2363
WACC	12.7%	12.8%	11.9%	10.5%	11.0%	10.2%	10.3%	10.3%	10.4%	10.5%
Discounted cash flow	197	1071	564	591	616	715	423	467	955	846
Sum of discounted CF			6 571							
							Perpetuity growth rate			3.0%
							WACC to perpetuity			10.0%
Terminal value			34 764							
								Implied exit EBITDA multiple		10.0x
Firm value			22 367							
Portion due to TV			70.6%							
Less net debt			(765)							
Equity value			21 602							
Implied 12M price, USD			6.978							

Sensitivity analysis

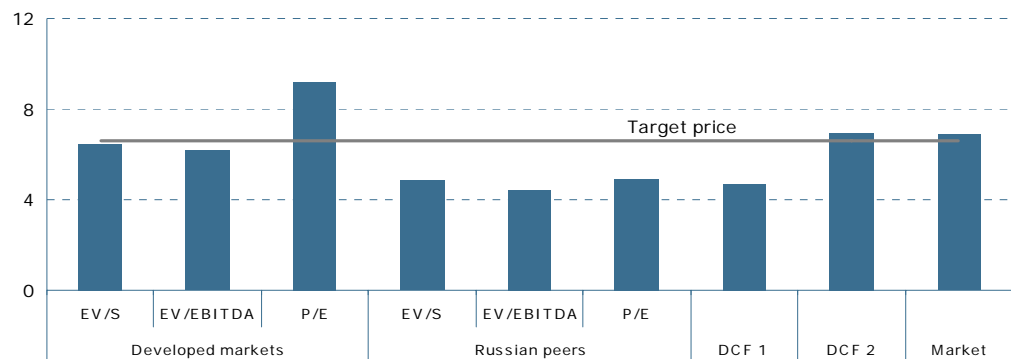
Implied Share Price, USD					
WACC Y1-10	Perpetuity Growth Rate				
	2.0%	2.5%	3.0%	3.5%	4.0%
-1.5%	7.5	8.0	8.5	9.2	10.1
-1.0%	7.1	7.5	8.0	8.6	9.3
-0.5%	6.7	7.1	7.5	8.0	8.6
0.0%	6.4	6.8	7.1	7.6	8.1
+0.5%	6.2	6.5	6.8	7.2	7.6
+1.0%	6.0	6.2	6.5	6.8	7.2
+1.5%	5.7	6.0	6.2	6.5	6.9

Implied Share Price, USD					
WACC to perpetuity	Perpetuity Growth Rate				
	2.0%	2.5%	3.0%	3.5%	4.0%
9.5%	7.1	7.5	7.9	8.4	8.9
10.0%	6.9	7.2	7.6	8.1	8.6
10.5%	6.7	7.0	7.4	7.8	8.3
11.0%	6.4	6.8	7.1	7.6	8.1
11.5%	6.2	6.6	6.9	7.3	7.8
12.0%	6.1	6.4	6.7	7.1	7.6
12.5%	5.9	6.2	6.5	6.9	7.3

Valuation summary

We set our 12M target for Ferrexpo at USD 6.62 per share, which implies a 3.4% downside. We initiate coverage with a HOLD recommendation.

Valuation results, USD per share



Source: Bloomberg, Thomson Financial, PFTS, Concorde Capital estimates

Income Statement Summary, USD mln

	2006	2007E	2008E	2009E	2010E	2011E	2012E
Net Revenues	547	676	1 148	1 318	1 455	1 575	1 477
Gross Profit	278	353	769	830	912	1 025	1 020
<i>Gross margin</i>	<i>50.8%</i>	<i>52.2%</i>	<i>67.0%</i>	<i>63.0%</i>	<i>62.7%</i>	<i>65.0%</i>	<i>69.0%</i>
EBITDA	148	218	597	619	665	757	754
<i>EBITDA margin</i>	<i>27%</i>	<i>32.2%</i>	<i>52.0%</i>	<i>47.0%</i>	<i>45.7%</i>	<i>48.0%</i>	<i>51.0%</i>
Depreciation	(27)	(28)	(34)	(44)	(59)	(75)	(91)
EBIT	121	189	563	575	606	682	663
<i>EBIT margin</i>	<i>22.0%</i>	<i>28.0%</i>	<i>49.0%</i>	<i>43.6%</i>	<i>41.6%</i>	<i>43.2%</i>	<i>44.8%</i>
Interest Expense	(33)	(28)	(20)	(28)	(37)	(44)	(46)
PBT	81	162	542	548	569	638	617
Tax	(15)	(32)	(100)	(101)	(105)	(115)	(111)
Net Income	66	129	443	447	464	523	506
<i>Net Margin</i>	<i>12.1%</i>	<i>19.1%</i>	<i>34.5%</i>	<i>31.5%</i>	<i>31.6%</i>	<i>31.6%</i>	<i>32.0%</i>

Balance Sheet Summary, USD mln

	2006	2007E	2008E	2009E	2010E	2011E	2012E
Current Assets	197	228	315	378	422	459	451
Cash & Equivalents	16	14	46	72	106	132	146
Trade Receivables	58	61	98	113	116	126	118
Inventories	48	52	57	74	79	80	64
Other current assets	74	101	115	120	121	121	122
Fixed Assets	510	544	699	1 001	1 317	1 636	1 931
PP&E, net	301	324	464	711	1 032	1 401	1 735
Other Fixed Assets	209	220	235	290	285	235	196
Total Assets	707	771	1 014	1 380	1 739	2 095	2 382
Shareholders' Equity	337	487	707	947	1 235	1 549	1 869
Share Capital	109	122	123	125	127	127	128
Reserves and Other	227	365	584	822	1 109	1 423	1 741
Current Liabilities	130	61	82	93	100	90	79
ST Interest Bearing Debt	81	14	23	27	29	32	30
Trade Payables	21	28	32	37	41	41	34
Other Current Liabilities	20	14	15	16	16	17	15
LT Liabilities	240	223	225	340	403	456	435
LT Interest Bearing Debt	205	183	162	267	330	377	376
Other LT	35	41	63	73	73	79	59
Total Liabilities & Equity	707	771	1 014	1 380	1 739	2 095	2 382

Poltava Iron Ore (PGOK UZ)

SELL
<http://www.ferrexpo.poltava.ua>

12M target (USD)	14.51
Upside*	-29%

INVESTMENT CASE

- As Ferrexpo's *de-facto* underlying asset, Poltava Iron Ore is exposed to the same set of risks and triggers
- Unlike Ferrexpo, upside in production may be constrained at 10.5 mln mt annually: if Ferrexpo attracts a strategic partner to develop Y & B deposits, Poltava Iron Ore will be precluded participation in these new projects
- Unlike its LSE listed parent, Poltava Iron Ore's reported financials barely reflect reality due to heavy transfer pricing. We do not expect more transparency any time soon

SHARE PRICE PERFORMANCE*



BUSINESS OVERVIEW

Largest producer of pellets in Ukraine, 45% of total domestic pellet output. Iron ore resources total ~18 bn mt of magnetite ore. Operates open pit iron ore mines, concentrating and pelletizing plants. Pelletizing capacity is 12 mn mt p.a. Exports 90% of its output. The main export markets are in Central and Eastern Europe.

In 2007 the company increased production of pellets by 5.8% yoy to 9.1 mln mt and concentrate by 10% yoy to 10.6 mln mt. In 9M07 net revenues grew by 23.3% yoy to USD 409.8 mln and net margin improved to 12.3% from 4.3% in 9M06.

MARKET INFORMATION

Market Price* , USD	20.40
Price impact**	2
52 Wk H/L USD	21.34/9.43
Chg 3m/6m/52w	13%/38%/113%
Chg vs PFTS 3m/6m/52w	16%/26%/58%
Chg YTD	27%
Avg M Tr Vol 6M, USD ths	3207.0

MCap , USD mln	2871.3
Free float	4%
FF Mcap, USD mln	114.9

No of shares , mln	140.8
Par Value, UAH	9.96

XETRA	UVT
DR Ratio	1:1
Avg M Tr Vol 6M, USD ths	97.7

STOCK OWNERSHIP

Ferrexpo AG	85.8%
Other	14.2%

CORPORATE GOVERNANCE

Concorde Rating***	U/R
--------------------	-----

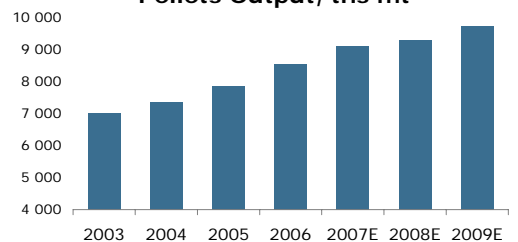
MARKET MULTIPLES

	2007E	2008E
EV/Sales	5.6	3.5
EV/EBITDA	25.1	9.0
P/E	48.7	13.4
P/B	7.1	5.0
P/CF	34.7	11.8

KEY RATIOS

	2006	2007E	2008E
EBITDA margin	19%	22%	38%
Net Margin	6%	11%	25%
ROE	9%	17%	44%
Net Debt/Equity	0.50	0.34	0.20

Pellets Output, ths mt



*Market information as of Mar 12, 2008, based on PFTS Mid prices

** Price"impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size

2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size

3: All other stocks (quoted)

*** 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.

Key forecasts: looking at life without Yeristovskoe pit

Ferrexpo's CEO said last month, according to Interfax, that Poltava Iron Ore will not be part of the deal with a strategic investor (see p. 26) to develop the Yeristovskoye and Belanovskoye deposits. Exploitation of these pits will be carried on a separate account and proceeds would belong to Ferrexpo and a strategic owner, sidestepping Poltava. Moreover, there is a risk that Ferrexpo could develop the Yeristovskoye pit on a separate account, even without a strategic investor.

We considered two scenarios excluding the Belanovskoye project as its timing and financing is uncertain at this stage; both take into account the underlying assumption that Poltava Iron Ore remains a cost center within the group, while trader Ferrexpo AG is the profit center:

Scenario 1. "Production remains flat" (prob. 70%). In this scenario, Poltava Iron Ore completes development of existing deposits (GPL) and increases its production to 10.5-11.0 mln mt of pellets annually. Yeristovskoye and Belanovskoye deposits are developed on a separate account. Our DCF model produces an equity value of USD 1.0 bln in twelve months, implying price per share of USD 7.3.

Scenario 2. "Participation in development of the Yeristovskoe pit" (prob. 30%). Poltava Iron Ore participates in the exploration of Yeristovskoe pit and its production grows to 16 mln mt pa. Our DCF model produces an equity value of USD 2.2 bln in twelve months, implying USD 15.3 per share.

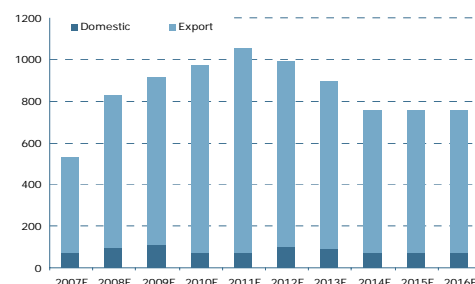
Key forecasts

		2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Sinter feed, mln mt	SC1	10 587	10 587	10 587	10 587	10 905	11 520	11 520	11 520
	SC2	-	10 587	10 587	10 587	11 139	13 320	15 832	19 756
Pellets, mln mt	SC1	9 100	9 282	9 746	10 233	10 540	10 540	10 540	10 540
	SC2	-	9 282	9 746	10 233	10 540	11 594	15 073	15 826
Tradable sinter feed, mln mt	SC1	-	-	-	-	-	-	-	-
	SC2	-	-	-	-	-	-	-	922.2
Sales, USD mln	SC1	541	861	988	1 091	1 181	1 071	967	822
	SC2	-	861	988	1 091	1 181	1 256	1 397	1 317
EBITDA margin, %	SC1	22.2%	38.4%	33.2%	32.7%	33.8%	34.7%	32.6%	24.9%
	SC2	-	40.2%	36.7%	35.8%	40.9%	50.3%	41.5%	45.2%

Source: Company data, Concorde Capital estimates

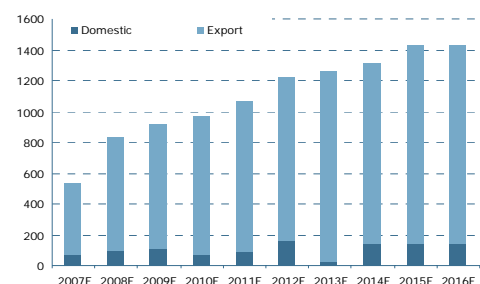
Sales forecasts, USD mln

Scenario 1



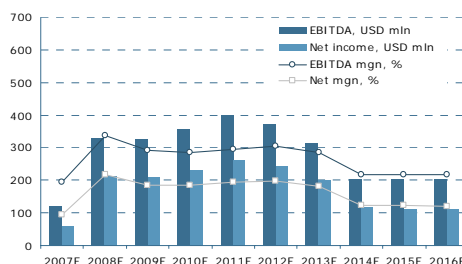
Source: Concorde Capital estimates

Scenario 2



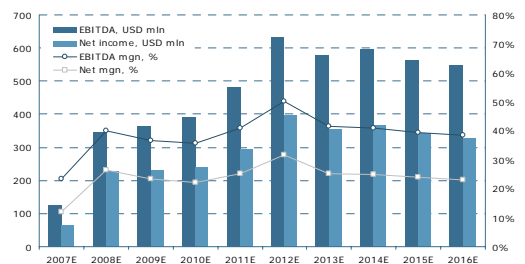
Profitability forecasts

Scenario 1



Source: Concorde Capital estimates

Scenario 2



DCF Valuation (Scenario 1)

DCF output, UAH mln, as of March 05

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
EBITDA	607	1,656	1,622	1,733	1,937	1,785	1,515	983	983	962
EBIT	486	1,511	1,458	1,551	1,735	1,565	1,281	745	740	715
Tax Rate	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	364	1,134	1,094	1,163	1,301	1,174	961	558	555	537
Plus D&A	121	144	164	182	202	220	234	238	242	247
Less CapEx	(410)	(732)	(587)	(529)	(573)	(514)	(464)	(238)	(242)	(247)
Less change in OWC	(231)	(92)	(78)	(26)	(15)	79	36	38	-	8
FCFF	(156)	454	593	789	916	958	767	597	555	544
WACC	13.0%	13.1%	13.0%	12.7%	12.4%	11.5%	11.5%	11.5%	11.5%	11.5%
Discounted cash flow	(141)	363	419	495	511	480	344	240	201	176
Sum of discounted CF			3 665							
							Perpetuity growth rate			0.5%
							WACC to perpetuity			11.0%
Terminal value			4 950							
							Implied exit EBITDA multiple			5.1x
Firm value			5 716							
Portion due to TV			35.9%							
Less net debt			(529)							
Equity value			5 816							
Implied 12M price, USD			7.30							

Sensitivity analysis

Implied Share Price, USD					
WACC Y1-10	Perpetuity Growth Rate				
	-1.0%	-0.5%	0.0%	0.5%	1.0%
-1.5%	7.58	7.72	7.88	8.05	8.23
-1.0%	7.39	7.53	7.68	7.84	8.02
-0.5%	7.21	7.34	7.48	7.64	7.81
0.0%	7.03	7.16	7.30	7.45	7.62
+0.5%	6.86	6.98	7.12	7.26	7.42
+1.0%	6.69	6.81	6.94	7.08	7.24
+1.5%	6.53	6.65	6.77	6.91	7.06

Implied Share Price, USD					
WACC to perpetuity	Perpetuity Growth Rate				
	-1.0%	-0.5%	0.0%	0.5%	1.0%
9.5%	7.38	7.55	7.73	7.94	8.16
10.0%	7.26	7.41	7.57	7.76	7.96
10.5%	7.14	7.28	7.43	7.59	7.78
11.0%	7.03	7.16	7.30	7.45	7.62
11.5%	6.93	7.05	7.18	7.32	7.47
12.0%	6.84	6.95	7.07	7.20	7.34
12.5%	6.76	6.86	6.97	7.09	7.22

DCF Valuation (Scenario 2)

DCF output, UAH mln, as of March 05

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
EBITDA	643	1,729	1,79	1,89	2,34	3,03	2,784	2,857	2,696	2,57
EBIT	523	1,586	1,608	1,652	2,027	2,641	2,342	2,377	2,202	2,068
Tax Rate	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	392	1,190	1,206	1,239	1,520	1,981	1,756	1,783	1,651	1,551
Plus D&A	121	143	185	245	317	391	442	480	494	509
Less CapEx	(410)	(689)	(1,46)	(1,58)	(1,71)	(1,80)	(1,34)	(1,07)	(496)	(511)
Less change in OWC	(228)	(89)	(70)	(27)	2	43	(99)	50	(74)	7
FCFF	(125)	554	(146)	(131)	120	606	759	1,238	1,576	1,55
WACC	13.1	13.5	13.0	12.3	12.0	11.2	11.4	11.5	11.5	11.5
Discounted cash flow	(113)	441	(103)	(82)	67	305	343	502	573	508
Sum of discounted CF			2 712							
							Perpetuity growth rate			3.0%
							WACC to perpetuity			11.0%
Terminal value			20 048							
							Implied exit EBITDA multiple			7.8x
Firm value			11 105							
Portion due to TV			75.6%							
Less net debt			(260)							
Equity value			10 844							
Implied 12M price, USD			15.287							

Sensitivity analysis

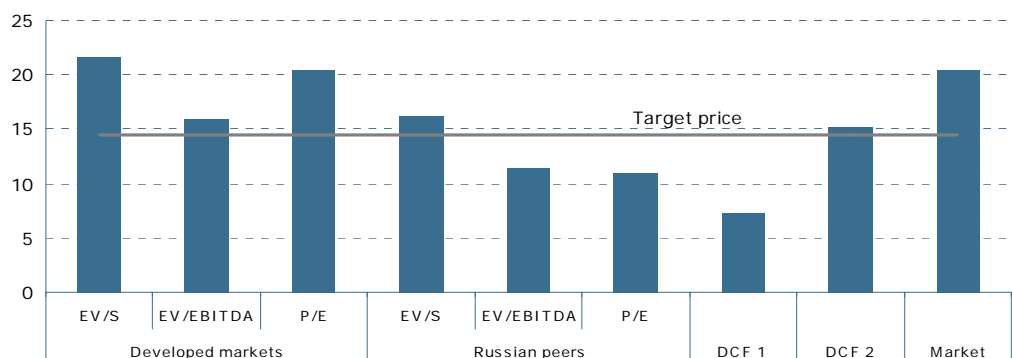
Implied Share Price, USD					
WACC Y1-10	Perpetuity Growth Rate				
	2.0%	2.5%	3.0%	3.5%	4.0%
-1.5%	15.35	16.09	16.92	17.86	18.94
-1.0%	14.83	15.54	16.34	17.25	18.29
-0.5%	14.33	15.01	15.79	16.67	17.67
0.0%	13.84	14.51	15.29	16.10	17.07
+0.5%	13.38	14.02	14.74	15.56	16.50
+1.0%	12.93	13.55	14.25	15.04	15.94
+1.5%	12.50	13.10	13.77	14.54	15.41

Implied Share Price, USD					
WACC to perpetuity	Perpetuity Growth Rate				
	2.0%	2.5%	3.0%	3.5%	4.0%
9.5%	15.88	16.84	17.94	19.22	20.74
10.0%	15.12	15.96	16.92	18.02	19.31
10.5%	14.44	15.19	16.03	17.00	18.11
11.0%	13.84	14.51	15.29	16.10	17.07
11.5%	13.31	13.90	14.57	15.33	16.18
12.0%	12.82	13.37	13.97	14.64	15.40
12.5%	12.39	12.88	13.42	14.03	14.70

Valuation summary

Our new 12M target for Poltava Iron Ore is USD 14.51 per share (downside of 28.9%). We recommend SELL.

Valuation results, USD per share



Source: Bloomberg, Thomson Financial, PFTS, Concorde Capital estimates

Income Statement Summary, USD mln

	2006	2007E	2008E	2009E	2010E	2011E	2012E
Net Revenues	460	541	861	988	1 091	1 181	1 071
Gross Profit	188	218	482	501	548	606	559
<i>Gross margin</i>	40.9%	40.2%	55.9%	50.7%	50.2%	51.3%	52.2%
EBITDA	89	120	331	328	357	399	372
<i>EBITDA margin</i>	19.3%	22.2%	38.4%	33.2%	32.7%	33.8%	34.7%
Depreciation	(22)	(24)	(29)	(33)	(37)	(42)	(46)
EBIT	67	96	302	295	320	358	326
<i>EBIT margin</i>	14.6%	17.8%	35.1%	29.8%	29.3%	30.3%	30.4%
Interest Expense	(24)	(18)	(16)	(15)	(11)	(7)	(3)
PBT	44	79	287	279	309	351	323
Tax	(16)	(20)	(72)	(70)	(77)	(88)	(81)
<i>Effective tax rate</i>	36.5%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Net Income	28	59	215	210	232	263	242
<i>Net Margin</i>	6.1%	10.9%	25.0%	21.2%	21.2%	22.3%	22.6%

Balance Sheet Summary, USD mln

	2006	2007E	2008E	2009E	2010E	2011E	2012E
Current Assets	147	186	225	261	256	281	260
Cash & Equivalents	12	12	28	44	32	53	50
Trade Receivables	29	54	69	75	76	77	64
Inventories	43	39	42	52	57	60	54
Other current assets	64	81	86	90	91	91	92
Fixed Assets	341	394	515	612	690	767	836
PP&E, net	226	288	407	512	598	690	771
Other Fixed Assets	115	106	109	101	92	77	65
Total Assets	488	580	740	873	946	1 048	1 096
Shareholders' Equity	298	407	572	732	856	987	1 070
Share Capital	228	278	280	286	289	289	292
Reserves and Other	71	129	292	446	567	698	778
Current Liabilities	117	24	28	28	29	30	26
ST Interest Bearing Debt	86	1	2	2	2	2	2
Trade Payables	17	10	11	12	14	14	13
Other Current Liabilities	10	11	11	12	12	13	11
LT Liabilities	73	149	140	112	62	31	-
LT Interest Bearing Debt	73	149	140	112	62	31	-
Other LT	0	-	-	-	-	-	-
Total Liabilities & Equity	488	580	740	873	946	1 048	1 096

Pivdenny Iron Ore (PGZK UZ)

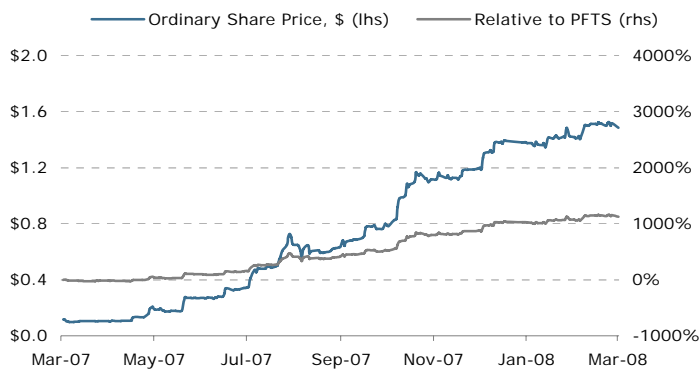
HOLD
<http://www.ugok.com.ua>

 12M target (USD) 1.50
 Upside* 1%

INVESTMENT CASE

- The most liquid iron ore stock on the PFTS, accounting for more than half of the sector's trading volumes
- The company is at an impasse with two competing groups sharing ownership: Metinvest popped up as a 44% shareholder in Sept 2007, Evraz bought a 50% stake in Dec 2007. We assume the parties are negotiating a buyout, but do not expect a deal to be struck this year
- In our view, the better majority shareholder would be Evraz as it would dump investments into launching more value-added pellet production at Pivdenny to feed the group's needs; Pivdenny's existing agglomerate processing facilities are 90% loaded
- P&L clear since 2Q07: as of 9M07, EBITDA margin was 30.5%, net margin 18.1%. Our outlook is that this level of transparency is sustainable
- Risk of free float being soaked up by the two competing shareholder groups

SHARE PRICE PERFORMANCE*



BUSINESS OVERVIEW

Fourth largest sinter feed producer in Ukraine by output. Only producer in Ukraine that makes iron ore sinter. Operates iron ore mines, two grinding and two ore enrichment factories and a sinter shop. Production capacity: iron ore sinter feed (9 mln mt p.a.) and sinter (5 mln mt p.a.). Main customers are domestic steel mills controlled by Evraz, the Donetskstal group (formerly Concern Energo) and the Industrial Union of Donbas. Lanebrook holds a 50% stake in the company on behalf of Evraz's majority shareholder.

In 2007, the company increased production of agglomerate (5.1 mln mt; +9.9% yoy) and sinter feed (8.8 mln mt; +0.6% yoy). In 9M07 net revenues increased by 64% yoy to USD 400.5 mln, EBITDA margin increased by more than three times to 35.7% from 10.1% in 9M06, and net margin improved to 23.8% from negative 3% in 9M06.

MARKET INFORMATION

Market Price* , USD	1.49
Price impact**	2
52 Wk H/L USD	1.52/0.10
Chg 3m/6m/52w	23%/125%/1171%
Chg vs PFTS 3m/6m/52w	26%/112%/1116%
Chg YTD	7%
Avg M Tr Vol 6M, USD ths	10135.4

MCap , USD mln	3194.1
Free float	7.5%
FF Mcap, USD mln	239.6

No of shares , mln	2143.7
Par Value, UAH	0.25

XETRA	n/a
DR Ratio	n/a
Avg M Tr Vol 6M, USD ths	n/a

STOCK OWNERSHIP

Lanebrook	50.0%
Metinvest	25.0%
Smart group	19.3%
Other	5.7%

CORPORATE GOVERNANCE

Concorde Rating***	U/R
--------------------	-----

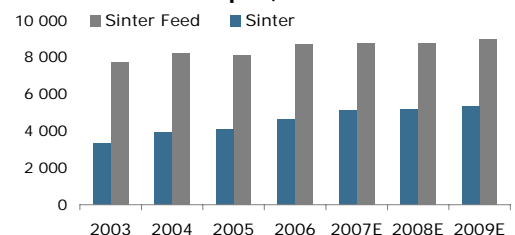
MARKET MULTIPLES

	2007E	2008E
EV/Sales	5.2	3.5
EV/EBITDA	17.5	7.7
P/E	27.4	11.0
P/B	10.4	6.1
P/CF	23.5	10.3

KEY RATIOS

	2006	2007E	2008E
EBITDA margin	12%	30%	45%
Net Margin	10%	19%	31%
ROE	16%	47%	70%
Net Debt/Equity	0.25	0.29	0.04

Output, ths mt



*Market information as of Mar 12, 2008, based on PFTS Mid prices

** Price"impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
 3: All other stocks (quoted)

*** 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.

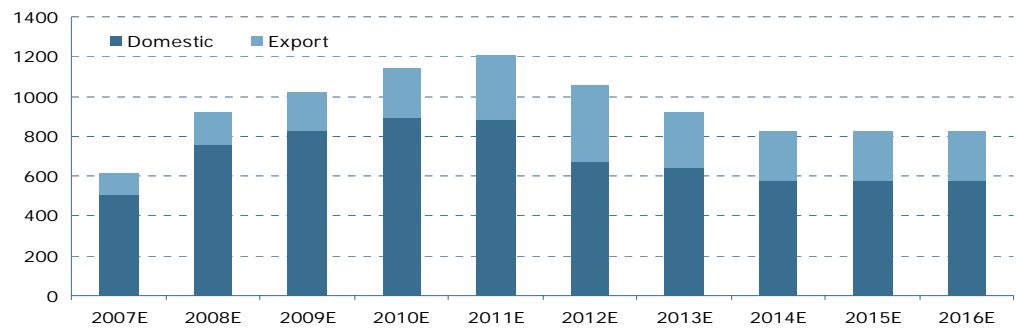
Key forecasts

Forecast revision

		2007E	2008E	2009E	2010E	2011E	2012E
Sinter feed, mln mt	New	8 781	8 799	8 799	8 799	8 799	8 799
	Old	-	9 833	10 325	10 841	11 383	11 952
Agglomerate, mln mt	New	5 131	5 198	5 354	5 354	5 354	5 354
	Old	-	5 475	5 640	5 640	5 640	5 640
Tradable sinter feed, mln mt	New	4 984	5 056	4 944	4 944	4 944	4 944
	Old	-	5 891	6 264	6 780	7 322	7 892
Sales, USD mln	New	617	917	1 019	1 137	1 208	1 051
	Old	-	425	455	637	663	662
EBITDA margin, %	New	29.9%	44.8%	45.8%	51.3%	53.6%	48.1%
	Old	-	42.0%	35.0%	34.0%	34.0%	33.0%

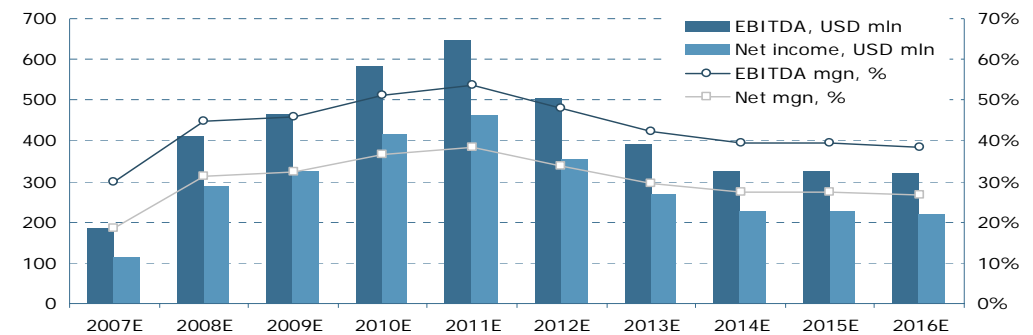
Source: Company data, Concorde Capital estimates

Sales breakdown, USD mln



Source: Concorde Capital estimates

Profitability forecasts



Source: Concorde Capital estimates

DCF Valuation

DCF output, UAH mln, as of March 05

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
EBITDA	932	2 054	2 312	2 827	3 138	2 428	1 870	1 572	1 572	1 497
EBIT	835	1 957	2 217	2 732	3 045	2 337	1 780	1 484	1 486	1 413
Tax Rate	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	626	1 468	1 662	2 049	2 283	1 752	1 335	1 113	1 114	1 060
Plus D&A	97	97	95	95	93	92	90	88	86	84
Less CapEx	(100)	(101)	(95)	(95)	(93)	(92)	(90)	(88)	(86)	(84)
Less change in OWC	(780)	(294)	134	89	(59)	(29)	(16)	35	-	25
FCFF	(156)	1 169	1 796	2 138	2 224	1 723	1 319	1 148	1 114	1 085
WACC	13.1%	13.6%	13.2%	12.5%	11.6%	11.2%	11.3%	11.3%	11.3%	11.3%
Discounted cash flow	(141)	929	1 261	1 335	1 244	867	596	466	406	355
Sum of discounted CF			8 394							
									Perpetuity growth rate	1.5%
									WACC to perpetuity	11.0%
Terminal value			11 590							
									Implied exit EBITDA multiple	7.7 x
Firm value			13 270							
Portion due to TV			36.7%							
Less net debt			8							
Equity value			13 279							
Implied 12M price, USD			1.23							

Sensitivity analysis

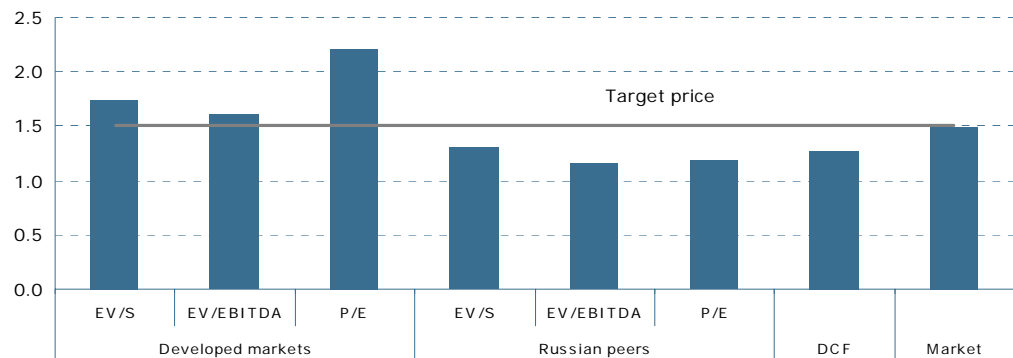
Implied Share Price, USD					
WACC Y1-10	Perpetuity Growth Rate				
	0.5%	1.0%	1.5%	2.0%	2.5%
-1.5%	1.26	1.28	1.31	1.34	1.38
-1.0%	1.23	1.26	1.28	1.31	1.34
-0.5%	1.21	1.23	1.25	1.28	1.31
0.0%	1.18	1.20	1.23	1.25	1.28
+0.5%	1.15	1.18	1.20	1.23	1.26
+1.0%	1.13	1.15	1.17	1.20	1.23
+1.5%	1.11	1.13	1.15	1.17	1.20

Implied Share Price, USD					
WACC to perpetuity	Perpetuity Growth Rate				
	0.5%	1.0%	1.5%	2.0%	2.5%
9.5%	1.24	1.27	1.31	1.35	1.39
10.0%	1.22	1.25	1.28	1.31	1.35
10.5%	1.20	1.22	1.25	1.28	1.32
11.0%	1.18	1.20	1.23	1.25	1.28
11.5%	1.16	1.18	1.21	1.23	1.26
12.0%	1.15	1.17	1.19	1.21	1.23
12.5%	1.13	1.15	1.17	1.19	1.21

Valuation summary

Our 12M target for Pivdenny Iron Ore is at USD 1.50 per share. We downgrade our recommendation to HOLD.

Valuation results, USD per share



Source: Bloomberg, Thomson Financial, PFTS, Concorde Capital estimates

Income Statement Summary, USD mln

	2006	2007E	2008E	2009E	2010E	2011E	2012E
Net Revenues	306	617	917	1 019	1 137	1 208	1 051
Gross Profit	72	253	507	571	697	768	611
<i>Gross margin</i>	23.5%	40.9%	55.3%	56.0%	61.3%	63.6%	58.1%
EBITDA	38	185	411	467	583	647	506
<i>EBITDA margin</i>	12.4%	29.9%	44.8%	45.8%	51.3%	53.6%	48.1%
Depreciation	(19)	(19)	(19)	(19)	(20)	(19)	(19)
EBIT	19	165	391	448	563	628	487
<i>EBIT margin</i>	6.2%	26.8%	42.7%	43.9%	49.6%	52.0%	46.3%
Interest Expense	(4)	(12)	(9)	(10)	(11)	(12)	(11)
PBT	15	153	382	438	552	616	475
Tax	14	(38)	(96)	(110)	(138)	(154)	(119)
<i>Effective tax rate</i>	-93%	25%	25%	25%	25%	25%	25%
Net Income	30	115	287	329	414	462	357
<i>Net Margin</i>	9.7%	18.6%	31.2%	32.2%	36.5%	38.3%	33.9%

Balance Sheet Summary, USD mln

	2006	2007E	2008E	2009E	2010E	2011E	2012E
Current Assets	277	411	522	647	779	926	1 023
Cash & Equivalents	5	6	44	179	330	461	555
Trade Receivables	114	179	266	288	273	290	294
Inventories	55	66	74	77	73	70	68
Other current assets	103	160	138	103	104	104	105
Fixed Assets	204	205	208	212	215	215	217
PP&E, net	181	193	200	204	214	214	216
Other Fixed Assets	24	12	9	8	1	1	1
Total Assets	482	616	730	859	994	1 140	1 240
Shareholders' Equity	187	302	520	630	761	900	1 016
Share Capital	106	106	107	109	110	110	112
Reserves and Other	81	196	413	521	651	789	905
Current Liabilities	208	227	210	229	233	240	223
ST Interest Bearing Debt	51	93	64	72	80	85	74
Trade Payables	75	106	111	118	110	110	110
Other Current Liabilities	75	22	28	31	34	36	32
LT Liabilities	86	87	-	-	-	-	-
LT Interest Bearing Debt	-	-	-	-	-	-	-
Other LT	86	87	-	-	-	-	-
Total Liabilities & Equity	482	616	730	859	994	1 140	1 240

Pivnichny Iron Ore (SGOK UZ)

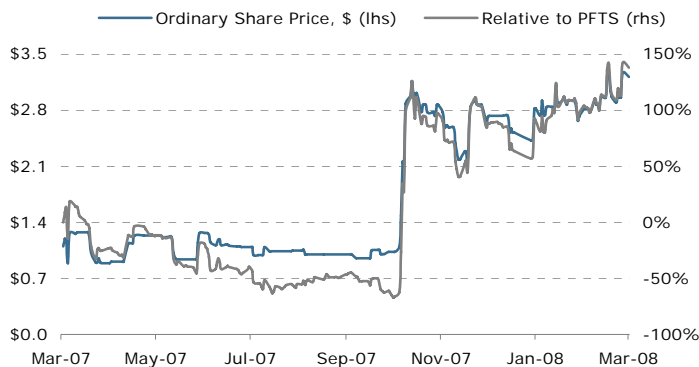
SELL
<http://www.sevgok.com.ua>

 12M target (USD) 2.23
 Upside* -31%

INVESTMENT CASE

- More than 99% owned by Metinvest
- Illiquid. Formally, has USD 41 mln in free float, but skupka is complicated; PFTS trading is sporadic
- Reported financials are distorted due to non-core sales (est. 30% of revenues) – to most probably be eliminated in the course of Metinvest's preparations for IPO (planned for 2009)
- Metinvest announced targeting 38% growth at SGOK until 2012

SHARE PRICE PERFORMANCE*



BUSINESS OVERVIEW

Ukrainian producer of iron ore sinter feed and pellets. Captured 48.5% of the pellet market in 1H07. Capacity: 25 mln mt of iron ore, 11 mln mt of sinter feed, and 9.6 mln mt of pellets. Domestic customers are metallurgic plants and steel mills. Major export markets: Russia, Poland, Romania, Czech Republic, Slovakia, Austria, Bulgaria, Serbia, Turkey and China. In 2007, the company increased production of pellets to 11.0 mln mt (+8.8% yoy) and sinter feed to 13.0 mln mt (+11.8% yoy). In 9M07, net revenues increased by 116% yoy to USD 1 110.5 mln, net income rose by 184% yoy to USD 278.7 mln. In 2008 the company plans to invest USD 259 mln into modernization.

MARKET INFORMATION

Market Price* , USD	3.22
Price impact**	3
52 Wk H/L USD	3.29/0.89
Chg 3m/6m/52w	18%/222%/169%
Chg vs PFTS 3m/6m/52w	21%/209%/114%
Chg YTD	27%
Avg M Tr Vol 6M, USD ths	1112.6

MCap , USD mln	7419.1
Free float	0.6%
FF Mcap, USD mln	44.5

No of shares , mln	2304.1
Par Value, UAH	0.25

XETRA	n/a
DR Ratio	n/a
Avg M Tr Vol 6M, USD ths	n/a

STOCK OWNERSHIP

Metinvest	99.4%
Other	0.6%

CORPORATE GOVERNANCE

Concorde Rating***	U/R
--------------------	-----

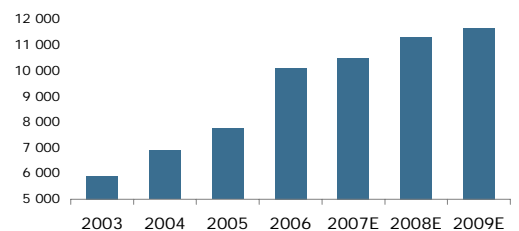
MARKET MULTIPLES

	2007E	2008E
EV/Sales	50.5	33.8
EV/EBITDA	111.5	60.0
P/E	176.5	87.2
P/B	72.2	44.3
P/CF	157.3	80.4

KEY RATIOS

	2006	2007E	2008E
EBITDA margin	31%	45%	57%
Net Margin	19%	29%	39%
ROE	44%	51%	63%
Net Debt/Equity	0.55	0.33	0.08

Pellets Output, ths mt



*Market information as of Mar 12, 2008, based on PFTS Mid prices

** Price"impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
 3: All other stocks (quoted)

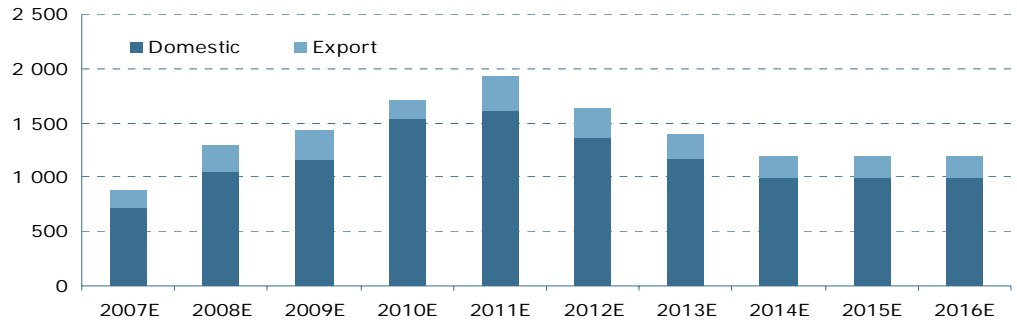
*** The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

Key forecasts

	2007E	2008E	2009E	2010E	2011E	2012E
Sinter feed, mln mt	13 020	13 697	13 697	13 697	16 436	16 436
Pellets, mln mt	10 991	11 321	11 660	14 342	14 342	14 342
Tradable sinter feed, mln mt	1 260	1 584	1 220	-	1 090	1 090
Sales, USD mln	870	1 296	1 432	1 707	1 931	1 642
EBITDA margin, %	45.3%	56.7%	57.0%	63.3%	66.2%	55.9%

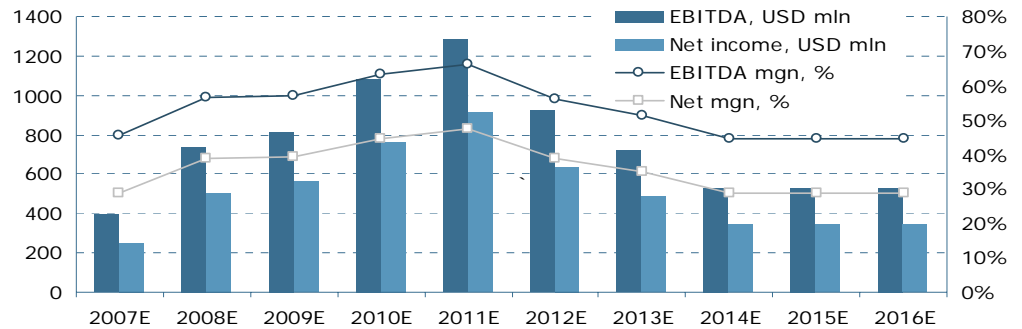
Source: Company data, Concorde Capital estimates

Sales breakdown, USD mln



Source: Concorde Capital estimates

Profitability forecasts



Source: Concorde Capital estimates

DCF Valuation

DCF output, UAH mln, as of March 05

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
EBITDA	1 992	3 674	4 039	5 243	6 201	4 408	3 447	2 535	2 535	2 482
EBIT	1 840	3 465	3 794	4 966	5 909	4 105	3 136	2 216	2 207	2 145
Tax Rate	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	1 380	2 598	2 845	3 725	4 431	3 078	2 352	1 662	1 656	1 609
Plus D&A	153	209	245	277	292	303	311	319	328	337
Less CapEx	(1 230)	(1 556)	(993)	(911)	(468)	(394)	(311)	(319)	(328)	(337)
Less change in OWC	(324)	49	241	(147)	(176)	259	32	177	-	12
FCFF	(22)	1 301	2 339	2 944	4 079	3 246	2 384	1 838	1 656	1 621
WACC	13.2%	13.8%	13.9%	13.0%	12.5%	11.5%	11.5%	11.5%	11.5%	11.5%
Discounted cash flow	(20)	1 032	1 628	1 813	2 233	1 594	1 050	726	586	515
Sum of discounted CF			13 085							
								Perpetuity growth rate		2.0%
								WACC to perpetuity		11.0%
Terminal value			18 370							
								Implied exit EBITDA multiple		7.4x
Firm value			20 612							
Portion due to TV			365							
Less net debt			(166)							
Equity value			20 446							
Implied 12M price, USD			1.76							

Sensitivity analysis

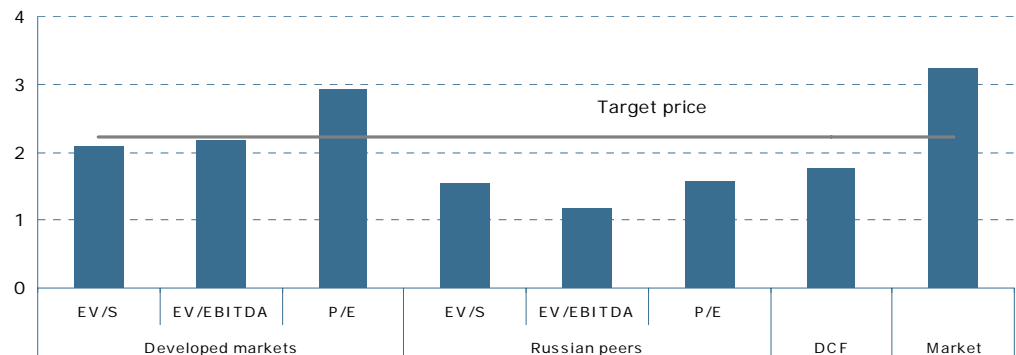
Implied Share Price, USD					
WACC Y1-10	Perpetuity Growth Rate				
	1.0%	1.5%	2.0%	2.5%	3.0%
-1.5%	1.80	1.84	1.88	1.93	1.98
-1.0%	1.76	1.80	1.84	1.88	1.93
-0.5%	1.72	1.76	1.80	1.84	1.89
0.0%	1.69	1.72	1.76	1.80	1.85
+0.5%	1.65	1.68	1.72	1.76	1.80
+1.0%	1.62	1.65	1.68	1.72	1.76
+1.5%	1.58	1.61	1.64	1.68	1.72

Implied Share Price, USD					
WACC to perpetuity	Perpetuity Growth Rate				
	1.0%	1.5%	2.0%	2.5%	3.0%
9.5%	1.78	1.83	1.88	1.94	2.01
10.0%	1.75	1.79	1.84	1.89	1.95
10.5%	1.72	1.75	1.79	1.84	1.89
11.0%	1.69	1.72	1.76	1.80	1.85
11.5%	1.66	1.69	1.72	1.76	1.80
12.0%	1.64	1.66	1.70	1.73	1.77
12.5%	1.62	1.64	1.67	1.70	1.73

Valuation summary

We initiate coverage of Pivnichny Iron Ore with a 12M target price set at USD 2.23 per share. Our recommendation is SELL.

Valuation results, USD per share



Source: Bloomberg, Thomson Financial, PFTS, Concorde Capital estimates

Income Statement Summary, USD mln

	2006	2007E	2008E	2009E	2010E	2011E	2012E
Net Revenues	810	870	1 296	1 432	1 707	1 931	1 642
Gross Profit	290	447	813	916	1 201	1 414	1 033
<i>Gross margin</i>	<i>35.8%</i>	<i>51.3%</i>	<i>62.7%</i>	<i>64.0%</i>	<i>70.3%</i>	<i>73.2%</i>	<i>62.9%</i>
EBITDA	250	395	734.8	816.0	1 081	1 279	918
<i>EBITDA margin</i>	<i>30.9%</i>	<i>45.3%</i>	<i>56.7%</i>	<i>57.0%</i>	<i>63.3%</i>	<i>66.2%</i>	<i>55.9%</i>
Depreciation	(19)	(30)	(42)	(50)	(57)	(60)	(63)
EBIT	231	364	693	766	1 024	1 218	855
<i>EBIT margin</i>	<i>28.6%</i>	<i>41.9%</i>	<i>53.5%</i>	<i>53.5%</i>	<i>60.0%</i>	<i>63.1%</i>	<i>52.1%</i>
Interest Expense	(11)	(34)	(23)	(16)	(7)	(3)	(2)
PBT	214	331	670	750	1 017	1 216	853
Tax	(58)	(83)	(167)	(188)	(254)	(304)	(213)
<i>Effective tax rate</i>	<i>27.2%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>
Net Income	156	248	502.3	562.7	763	912	640
<i>Net Margin</i>	<i>19.3%</i>	<i>28.5%</i>	<i>38.8%</i>	<i>39.3%</i>	<i>44.7%</i>	<i>47.2%</i>	<i>39.0%</i>

Balance Sheet Summary, USD mln

	2006	2007E	2008E	2009E	2010E	2011E	2012E
Current Assets	446	494	540	692	866	1 262	1 468
Cash & Equivalents	101	56	100	297	432	816	1 051
Trade Receivables	161	261	259	268	307	319	279
Inventories	51	47	51	55	53	54	64
Other current assets	132	131	130	72	73	73	74
Fixed Assets	352	535	810	979	1 120	1 156	1 187
PP&E, net	198	476	746	920	1 061	1 102	1 133
Other Fixed Assets	155	60	64	59	59	54	54
Total Assets	798	1 029	1 350	1 671	1 985	2 418	2 655
Shareholders' Equity	358	606	989	1 407	1 803	2 259	2 474
Share Capital	114	114	115	118	119	119	120
Reserves and Other	244	492	874	1 289	1 684	2 140	2 354
Current Liabilities	139	187	203	184	183	159	181
ST Interest Bearing Debt	0	18	25	7	0	0	0
Trade Payables	87	148	160	156	142	140	164
Other Current Liabilities	46	17	13	14	34	19	16
LT Liabilities	301	236	158	80	-	-	-
LT Interest Bearing Debt	300	236	158	80	-	-	-
Other LT	1	-	-	-	-	-	-
Total Liabilities & Equity	798	1 029	1 350	1 671	1 985	2 418	2 655

Note: P&L statement net of non-related revenues and cost manipulations

Centralny Iron Ore (CGOK UZ)

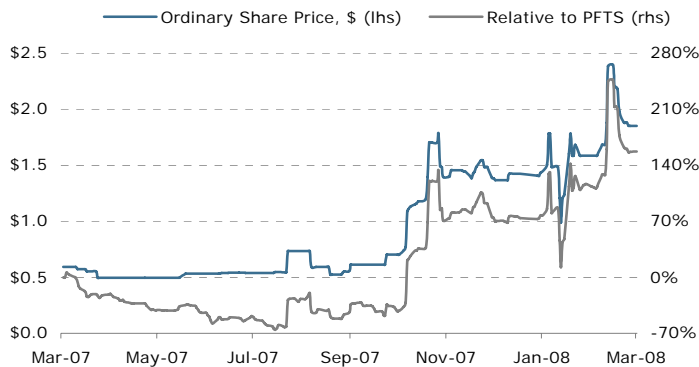
SELL
<http://www.cgzk.com.ua>

 12M target (USD) 1.74
 Upside* -22%

INVESTMENT CASE

- More than 99% owned by Metinvest
- Illiquid. Formally, has USD 14 mln in free float, but skupka is complicated; PFTS trading is sporadic
- Reported financials are distorted due to non-core sales (est. 30% of revenues) – to most probably be eliminated in the course of Metinvest's preparations for IPO (planned for 2009)
- Metinvest announced production plans at CGOK imply only 2% growth until 2012

SHARE PRICE PERFORMANCE*



BUSINESS OVERVIEW

Medium-sized Ukrainian producer of iron ore sinter feed and pellets. Owns rights to four deposits of iron ore (three exploited). Ore from the Petrovsk mine has 68% iron content – the highest of any Ukrainian producer. Supplies products to steel mills Azovstal and Enakievo/Metalen (Metinvest).

In 2007 the company slightly increased production of pellets (2.24 mln mt; +1.1% yoy) and sinter feed (5.9 mln mt; +6.6% yoy). In 9M07 net revenues rose by 53.9% yoy to USD 403.6 mln, EBITDA margin expanded to 33.1% from 21.1% in 9M06, net margin rose to 22% from 13% in 9M07.

MARKET INFORMATION

Market Price* , USD	1.85
Price impact**	3
52 Wk H/L USD	2.40/0.50
Chg 3m/6m/52w	34%/202%/212%
Chg vs PFTS 3m/6m/52w	36%/189%/157%
Chg YTD	30%
Avg M Tr Vol 6M, USD ths	216.8

MCap , USD mln	2167.8
Free float	0.5%
FF Mcap, USD mln	10.8

No of shares , mln	1171.8
Par Value, UAH	0.25

XETRA	n/a
DR Ratio	n/a
Avg M Tr Vol 6M, USD ths	n/a

STOCK OWNERSHIP

Metinvest	99.5%
Other	0.5%

CORPORATE GOVERNANCE

Concorde Rating***	U/R
--------------------	-----

MARKET MULTIPLES

	2007E	2008E
EV/Sales	7.8	5.3
EV/EBITDA	18.4	9.4
P/E	30.0	14.0
P/B	11.6	7.1
P/CF	25.6	12.8

KEY RATIOS

	2006	2007E	2008E
EBITDA margin	23%	43%	56%
Net Margin	15%	26%	38%
ROE	38%	48%	63%
Net Debt/Equity	0.51	0.15	-0.08

Pellets Output, ths mt



*Market information as of Mar 12, 2008, based on PFTS Bid prices

** Price"impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
 2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
 3: All other stocks (quoted)

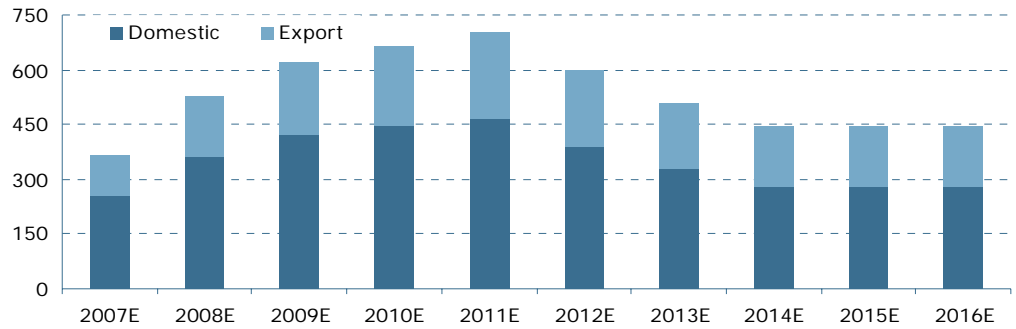
*** The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

Key forecasts

	2007E	2008E	2009E	2010E	2011E	2012E
Sinter feed, mln mt	5 939	5 897	6 074	6 074	6 074	6 074
Pellets, mln mt	2 240	2 173	2 238	2 238	2 238	2 238
Tradable sinter feed, mln mt	3 609	3 638	3 747	3 747	3 747	3 747
Sales, USD mln	364	529	620	666	701	597
EBITDA margin, %	42.7%	56.2%	57.7%	60.7%	62.3%	57.0%

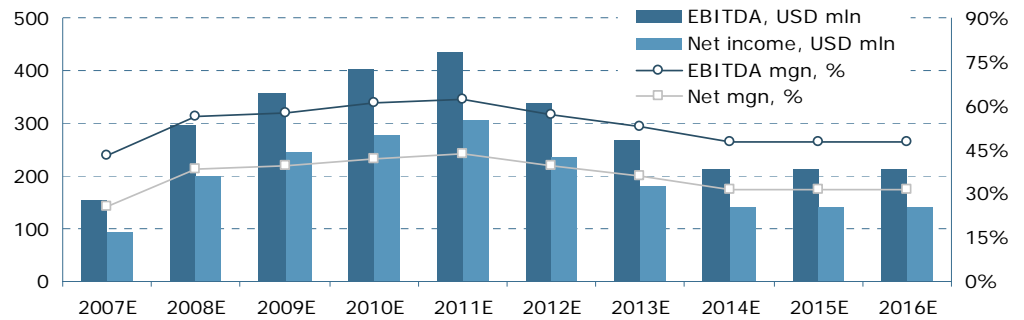
Source: Company data, Concorde Capital estimates

Sales forecasts, USD mln



Source: Concorde Capital estimates

Profitability forecasts



Source: Concorde Capital estimates

DCF Valuation

DCF output, UAH mln, as of March 05

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
EBITDA	785	1 488	1 769	1 962	2 119	1 633	1 288	1 020	1 020	999
EBIT	704	1 397	1 668	1 854	2 011	1 527	1 182	915	916	895
Tax Rate	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	528	1 048	1 251	1 391	1 509	1 145	886	686	687	672
Plus D&A	81	92	101	108	107	107	106	105	104	103
Less CapEx	(257)	(423)	(276)	(226)	(109)	(107)	(106)	(105)	(104)	(103)
Less change in OWC	(148)	(70)	(23)	(19)	(44)	35	(13)	24	-	3
FCFF	204	646	1 053	1 253	1 462	1 180	874	710	687	674
WACC	14.2%	14.9%	14.5%	12.6%	12.5%	11.5%	11.5%	11.5%	11.5%	11.5%
Discounted cash flow	183	504	717	758	787	569	378	275	239	210
Sum of discounted CF			5 164							
								Perpetuity growth rate		2.0%
								WACC to perpetuity		11.0%
Terminal value			7 644					Implied exit EBITDA multiple		7.7x
Firm value			8 295							
Portion due to TV			37.8%							
Less net debt			176							
Equity value			8 471							
Implied 12M price, USD			1.424							

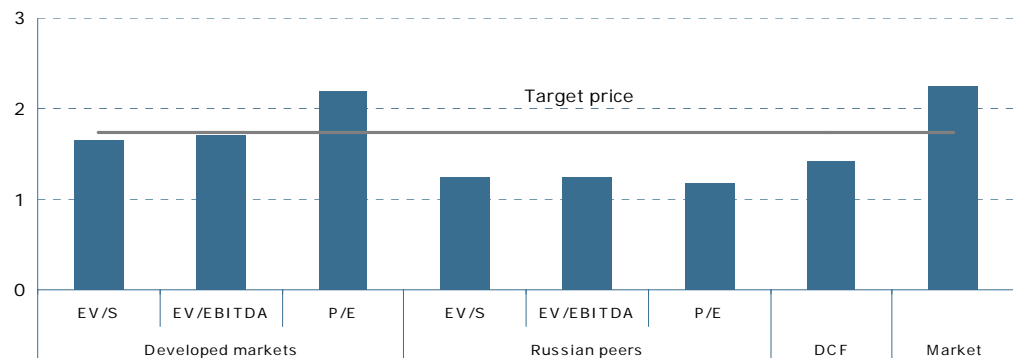
Sensitivity analysis

Implied Share Price, USD						Implied Share Price, USD					
WACC Y1-10	Perpetuity Growth Rate					WACC to perpetuity	Perpetuity Growth Rate				
	1.0%	1.5%	2.0%	2.5%	3.0%		1.0%	1.5%	2.0%	2.5%	3.0%
-1.5%	1.46	1.49	1.52	1.56	1.60	9.5%	1.45	1.48	1.53	1.57	1.63
-1.0%	1.43	1.46	1.49	1.52	1.57	10.0%	1.42	1.45	1.49	1.53	1.58
-0.5%	1.40	1.42	1.46	1.49	1.53	10.5%	1.39	1.42	1.45	1.49	1.53
0.0%	1.37	1.39	1.42	1.46	1.50	11.0%	1.37	1.39	1.42	1.46	1.50
+0.5%	1.34	1.36	1.39	1.43	1.46	11.5%	1.35	1.37	1.40	1.43	1.46
+1.0%	1.31	1.34	1.36	1.39	1.43	12.0%	1.33	1.35	1.37	1.40	1.43
+1.5%	1.28	1.31	1.33	1.37	1.40	12.5%	1.31	1.33	1.35	1.38	1.40

Valuation summary

We initiate coverage of Centralny Iron Ore with a 12M target price of USD 1.74 per share, recommending SELL.

Valuation results, USD per share



Source: Bloomberg, Thomson Financial, PFTS, Concorde Capital estimates

Income Statement Summary, USD mln

	2006	2007E	2008E	2009E	2010E	2011E	2012E
Net Revenues	376	364	529	620	666	701	597
Gross Profit	110	177	329	401	451	486	382
<i>Gross margin</i>	<i>29.2%</i>	<i>48.7%</i>	<i>62.2%</i>	<i>64.7%</i>	<i>67.7%</i>	<i>69.3%</i>	<i>64.0%</i>
EBITDA	87	156	298	357	405	437	340
<i>EBITDA margin</i>	<i>23.2%</i>	<i>42.7%</i>	<i>56.2%</i>	<i>57.7%</i>	<i>60.7%</i>	<i>62.3%</i>	<i>57.0%</i>
Depreciation	(15)	(16)	(18)	(20)	(22)	(22)	(22)
EBIT	72	139	279	337	382	415	318
<i>EBIT margin</i>	<i>19.1%</i>	<i>38.3%</i>	<i>52.8%</i>	<i>54.4%</i>	<i>57.4%</i>	<i>59.2%</i>	<i>53.3%</i>
Interest Expense	(5)	(14)	(11)	(10)	(11)	(8)	(5)
PBT	67	125	269	327	372	407	314
Tax	(11)	(31)	(67)	(82)	(93)	(102)	(78)
<i>Effective tax rate</i>	<i>17%</i>	<i>25%</i>	<i>25%</i>	<i>25%</i>	<i>25%</i>	<i>25%</i>	<i>25%</i>
Net Income	56	94	202	245	279	305	235
<i>Net Margin</i>	<i>14.8%</i>	<i>25.8%</i>	<i>38.1%</i>	<i>39.5%</i>	<i>41.9%</i>	<i>43.6%</i>	<i>39.4%</i>

Balance Sheet Summary, USD mln

	2006	2007E	2008E	2009E	2010E	2011E	2012E
Current Assets	179	231	279	305	329	332	374
Cash & Equivalents	26	50	91	102	123	123	178
Trade Receivables	50	80	95	110	113	116	101
Inventories	26	28	30	31	30	30	30
Other current assets	77	73	64	63	63	63	64
Fixed Assets	187	212	280	322	350	350	354
PP&E, net	120	156	216	274	316	318	321
Other Fixed Assets	67	56	64	48	34	32	33
Total Assets	366	443	560	627	679	682	727
Shareholders' Equity	148	242	396	453	514	575	628
Share Capital	58	58	59	60	60	60	61
Reserves and Other	90	184	337	393	453	514	567
Current Liabilities	116	118	110	118	114	107	100
ST Interest Bearing Debt	0	4	3	3	0	0	0
Trade Payables	70	75	66	66	64	58	58
Other Current Liabilities	43	36	37	44	47	49	42
LT Liabilities	102	84	54	55	52	-	-
LT Interest Bearing Debt	102	84	54	55	52	-	-
Other LT	0	-	-	-	-	-	-
Total Liabilities & Equity	366	443	560	627	679	682	727

Note: P&L statement net of non-related revenues and cost manipulations

Sukha Balka (SUBA UZ)

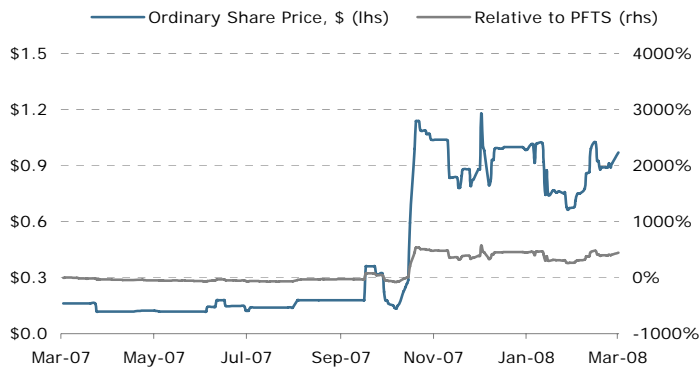
SELL

12M target (USD) 0.58
Upside* -40%

INVESTMENT CASE

- The only iron ore name in our coverage not manufacturing a final product: lump ore they mine is an intermediary input in sinter production
- Output fell 9% yoy in 2007 as supply of lump ore in the CIS continued to exceed demand and other export opportunities remained limited due to low Fe content (only 57.6%) of Sukha Balka's ore
- In Dec 2007 multi-asset acquisitions by Evraz from Privat, Sukha Balka was primarily seen as an upstream asset to Pivdenny Iron Ore, its largest consumer
- Due to intermediary nature of SUBA's business, we do not expect any improvements in earnings quality for the mid-term (revenues will remain ~40% underreported)
- Liquidity is constrained by low free float (below 1%, USD 6.4 mln)

SHARE PRICE PERFORMANCE*



BUSINESS OVERVIEW

Ukrainian iron ore company that specializes in underground mining. Operates 2 mines (capacity: 2.25 mn mt and 1.05 mn mt, 56%- 59% iron content). Mines depth: 1,500–2,000m. In 1H07 ranked third in terms of iron ore output, with 18.2% (1484.3 ths mt) of overall domestic output. Major exports markets Austria, Bulgaria, Hungary, Poland, Romania, Slovakia and the Czech Republic.

In 2007, the company decreased production of lump ore to 2.8 mln mt (-9.4% yoy). In 9M07, net revenues increased by 33.4% yoy to USD 69.4 mln, EBITDA margin rose to 29.2% (versus 12.3% in 9M06), net margin increased to 19.4% (versus 3.1% in 9M06).

MARKET INFORMATION

Market Price*, USD 0.97
Price impact** 3
52 Wk H/L USD 1.18/0.12
Chg 3m/6m/52w 10%/444%/501%
Chg vs PFTS 3m/6m/52w 13%/432%/447%
Chg YTD -3%
Avg M Tr Vol 6M, USD ths 95.1

MCap, USD mln 812.3
Free float 0.75%
FF Mcap, USD mln 6.1

No of shares, mln 837.4
Par Value, UAH 0.05

XETRA S6D1
DR Ratio 1:25
Avg M Tr Vol 6M, USD ths n/a

STOCK OWNERSHIP

Evraz 99.2%
Other 0.8%

CORPORATE GOVERNANCE

Concorde Rating*** U/R

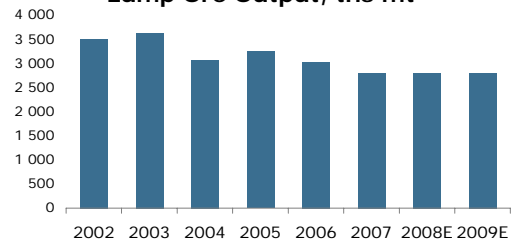
MARKET MULTIPLES

	2007E	2008E
EV/Sales	6.8	4.7
EV/EBITDA	21.2	9.4
P/E	34.0	14.0
P/B	6.9	5.1
P/CF	27.9	12.8

KEY RATIOS

	2006	2007E	2008E
EBITDA margin	16%	32%	50%
Net Margin	13%	20%	34%
ROE	13%	23%	42%
Net Debt/Equity	0.05	0.10	-0.05

Lump Ore Output, ths mt



*Market information as of Mar 12, 2008, based on PFTS Mid prices

** Price"impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:

1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
3: All other stocks (quoted)

*** 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.

Key forecasts

	2007E	2008E	2009E	2010E	2011E	2012E
Lump ore, mln mt	2 854	2 883	2 911	2 940	2 970	2 970
Reported sales, USD mln	95	134	149	158	168	151
True sales, USD mln	95	207	230	244	258	232
Reported EBITDA mgn, %	32%	50%	53%	54%	55%	47%
True EBITDA mgn, %	32%	63%	65%	66%	66%	60%

Source: Company data, Concorde Capital estimates

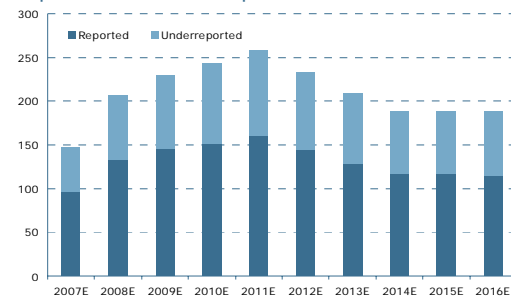
We used two scenarios for our DCF valuation:

Scenario 1. "Non-transparent business" (prob. 70%). The scenario foresees the company remaining among the least transparent iron ore producers during the forecast horizon, with sales and earnings severely underreported.

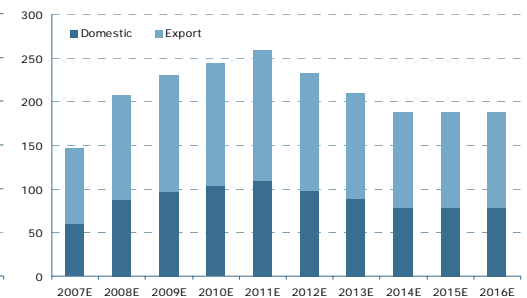
Scenario 2. "True business" (prob. 30%). The scenario envisions Sukha Balka opening up as early as 2008. Business value is estimated based on real rather than reported cash flows.

Sales forecasts, USD mln

Reported vs. Underreported sales



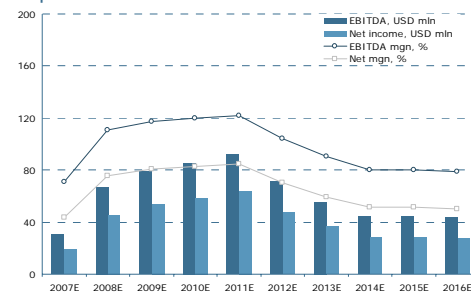
True sales breakdown



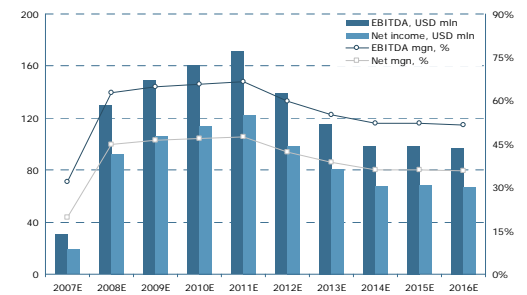
Source: Concorde Capital estimates

Profitability forecasts

Reported



True



Source: Concorde Capital estimates

DCF Valuation (Non-transparent business)

DCF output, UAH mln, as of March 05

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
EBITDA	154	335	389	414	446	339	265	212	212	205
EBIT	134	313	367	390	423	316	241	188	188	180
Tax Rate	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	100	235	275	292	317	237	181	141	141	135
Plus D&A	20	22	23	24	24	24	24	24	24	24
Less CapEx	(48)	(47)	(44)	(41)	(24)	(24)	(24)	(24)	(24)	(24)
Less change in OWC	(97)	(56)	(17)	(1)	(11)	27	9	14	-	3
FCFF	-	-	236	275	306	263	190	155	141	139
WACC	15.6%	15.6%	15.0%	12.8%	12.3%	11.4%	11.4%	11.4%	11.4%	11.4%
Discounted cash flow	(22)	117	157	162	160	124	80	59	48	42
Sum of discounted CF			1 111							
							Perpetuity growth rate			1.5%
							WACC to perpetuity			11.0%
Terminal value			1 483							
							Implied exit EBITDA multiple			7.3x
Firm value			1 716							
Portion due to TV			35.2%							
Less net debt			51							
Equity value			1 767							
Implied 12M price, USD			0.412							

Sensitivity analysis

Implied Share Price, USD					
WACC Y1-10	Perpetuity Growth Rate				
	0.5%	1.0%	1.5%	2.0%	2.5%
-1.5%	0.42	0.43	0.44	0.45	0.46
-1.0%	0.41	0.42	0.43	0.44	0.45
-0.5%	0.41	0.41	0.42	0.43	0.44
0.0%	0.40	0.40	0.41	0.42	0.43
+0.5%	0.39	0.40	0.40	0.41	0.42
+1.0%	0.38	0.39	0.40	0.40	0.41
+1.5%	0.37	0.38	0.39	0.40	0.40

Implied Share Price, USD					
WACC to perpetuity	Perpetuity Growth Rate				
	0.5%	1.0%	1.5%	2.0%	2.5%
9.5%	0.42	0.43	0.44	0.45	0.46
10.0%	0.41	0.42	0.43	0.44	0.45
10.5%	0.40	0.41	0.42	0.43	0.44
11.0%	0.40	0.40	0.41	0.42	0.43
11.5%	0.39	0.40	0.41	0.41	0.42
12.0%	0.39	0.39	0.40	0.41	0.41
12.5%	0.38	0.39	0.39	0.40	0.41

DCF Valuation (True business)

DCF output, UAH mln, as of March 05

	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
EBITDA	154	649	738	777	832	667	554	471	471	457
EBIT	134	628	715	754	808	643	529	447	447	432
Tax Rate	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	100	471	536	565	606	482	397	335	335	324
Plus D&A	20	22	23	24	24	24	24	24	25	25
Less CapEx	(48)	(48)	(44)	(43)	(33)	(24)	(24)	(24)	(25)	(25)
Less change in OWC	(97)	(190)	(29)	(2)	(17)	41	13	22	-	5
FCFF	-	-	486	544	581	524	410	357	335	329
WACC	15.6%	15.5%	14.9%	12.8%	12.3%	11.4%	11.4%	11.4%	11.4%	11.4%
Discounted cash flow	(22)	195	323	321	305	247	173	136	114	101
Sum of discounted CF			2 294							
							Perpetuity growth rate			1.5%
							WACC to perpetuity			11.0%
Terminal value			3 517							
							Implied exit EBITDA multiple			7.7x
Firm value			3 728							
Portion due to TV			38.5%							
Less net debt			105							
Equity value			3 832							
Implied 12M price, USD			0.894							

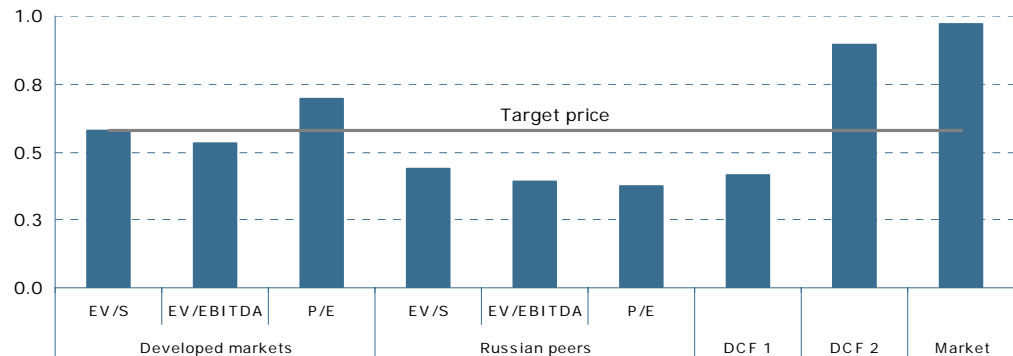
Sensitivity analysis

Implied Share Price, USD						Implied Share Price, USD					
WACC Y1-10	Perpetuity Growth Rate					WACC to perpetuity	Perpetuity Growth Rate				
	0.5%	1.0%	1.5%	2.0%	2.5%		0.5%	1.0%	1.5%	2.0%	2.5%
-1.5%	0.92	0.94	0.96	0.98	1.01	9.5%	0.91	0.93	0.96	0.98	1.02
-1.0%	0.90	0.92	0.94	0.96	0.98	10.0%	0.89	0.91	0.93	0.96	0.99
-0.5%	0.88	0.90	0.91	0.94	0.96	10.5%	0.87	0.89	0.91	0.94	0.96
0.0%	0.86	0.88	0.89	0.91	0.94	11.0%	0.86	0.88	0.89	0.91	0.94
+0.5%	0.84	0.86	0.87	0.89	0.92	11.5%	0.85	0.86	0.88	0.90	0.92
+1.0%	0.82	0.84	0.86	0.87	0.90	12.0%	0.83	0.85	0.86	0.88	0.90
+1.5%	0.81	0.82	0.84	0.86	0.88	12.5%	0.82	0.84	0.85	0.87	0.88

Valuation summary

Our lift our 12M target price for Sukha Balka to USD 0.58 per share. We downgrade the stock to SELL.

Valuation results, USD per share



Source: Bloomberg, Thomson Financial, PFTS, Concorde Capital estimates

Income Statement Summary, USD mln

	2006	2007E	2008E	2009E	2010E	2011E	2012E
Net Revenues	74	95	134	149	158	168	151
Gross Profit	30	48	84	97	104	112	95
<i>Gross margin</i>	39.8%	50.5%	62.8%	65.2%	65.9%	66.8%	62.8%
EBITDA	12	31	67	79	85	92	71
<i>EBITDA margin</i>	16.0%	32.0%	49.8%	52.7%	53.9%	54.8%	46.8%
Depreciation	(3)	(4)	(4)	(5)	(5)	(5)	(5)
EBIT	9	26	63	74	80	87	66
<i>EBIT margin</i>	11.4%	27.8%	46.6%	49.6%	50.8%	51.9%	43.5%
Interest Expense	(2)	(1)	(2)	(2)	(2)	(2)	(2)
PBT	7	25	61	72	78	85	64
Tax	2	(6)	(15)	(18)	(20)	(21)	(16)
<i>Effective tax rate</i>	-30.9%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Net Income	9	19	46	54	59	64	48
<i>Net Margin</i>	12.6%	19.8%	33.9%	36.3%	37.2%	38.0%	31.6%

Balance Sheet Summary, USD mln

	2006	2007E	2008E	2009E	2010E	2011E	2012E
Current Assets	44	64	93	130	158	186	200
Cash & Equivalents	1	1	15	47	74	103	122
Trade Receivables	17	26	38	42	43	42	36
Inventories	12	19	20	20	20	20	20
Other current assets	14	19	20	21	21	21	22
Fixed Assets	52	57	63	69	73	73	73
PP&E, net	33	52	59	65	70	70	71
Other Fixed Assets	19	6	4	3	3	3	3
Total Assets	95	122	156	199	230	259	273
Shareholders' Equity	74	93	126	166	198	230	246
Share Capital	8	8	8	9	9	9	9
Reserves and Other	66	84	117	158	189	221	238
Current Liabilities	20	27	29	31	31	29	27
ST Interest Bearing Debt	5	10	9	11	11	12	11
Trade Payables	10	11	11	12	12	12	12
Other Current Liabilities	3	3	4	5	5	5	5
LT Liabilities	1	1	1	1	1	-	-
LT Interest Bearing Debt	-	-	-	-	-	-	-
Other LT	1	1	1	1	1	-	-
Total Liabilities & Equity	95	122	156	199	230	259	273

Note: Reported financials

APPENDICES

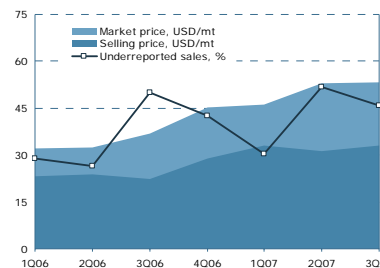
Appendix A: Adjustment of financials

TRANSFER PRICING (UNDERREPORTED SALES)

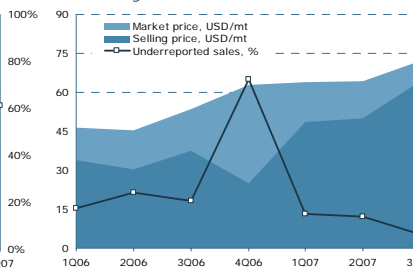
We estimate Sukha Balka and Poltava Iron Ore will underreport almost 20-50% of their top lines in 2007 due to transfer pricing. In our view, Pivdenny Iron Ore will cut transfer pricing to 10-15% in 2007. We attribute this shift to its ownership change in late 2007 when Evraz replaced Privat.

Underreported sales

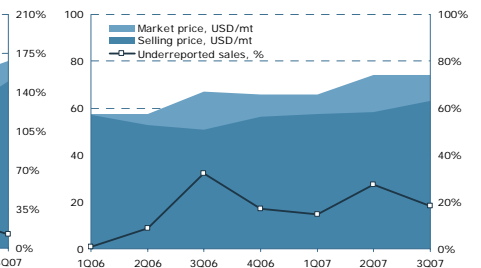
Sukha Balka



Pivdenny Iron Ore



Poltava Iron Ore



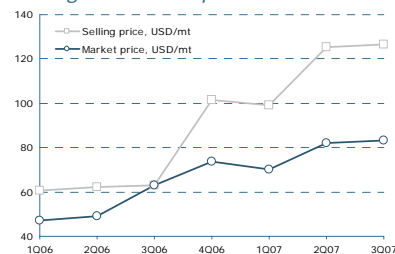
Source: Company data, Metal Expert, Concorde Capital estimates

A MIX OF NON-RELATED SALES AND TRANSFER PRICING

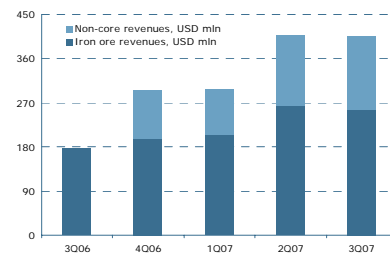
We detected that the revenues of the two Metinvest related iron ore producers, Pivnichny and Centralny Iron Ore, were inflated by non-core product sales. The companies exported more than 1 mln of steel products in 9M07, which contributed 20-30% to their top lines. We think that in 2008-2009, Metinvest will clean up the iron ore makers' financials from steel product sales on the eve of its IPO, preliminary scheduled by the group for 2009.

Pivnichny Iron Ore

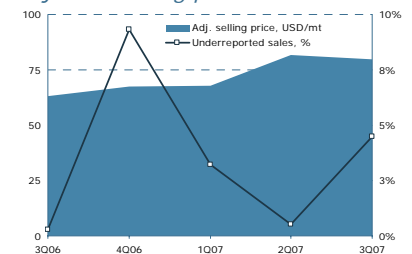
Selling vs market prices



Revenues breakdown

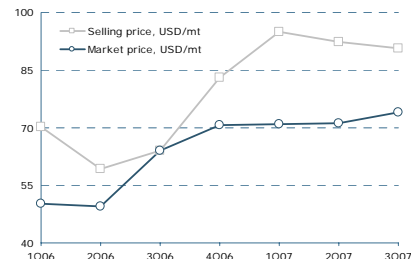


Adjusted selling price

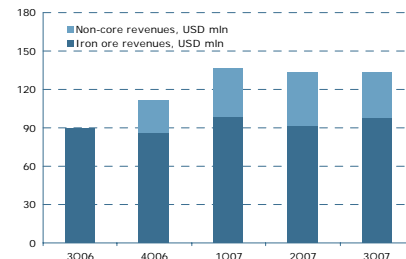


Centralny Iron Ore

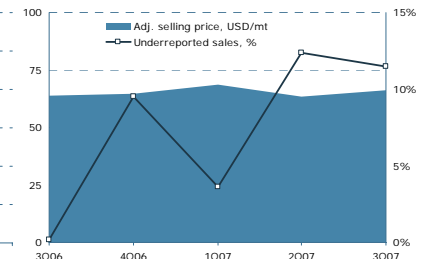
Selling vs market prices



Revenues breakdown



Adjusted selling price



Note: Adjusted selling price is the implied selling price net of non-core revenues

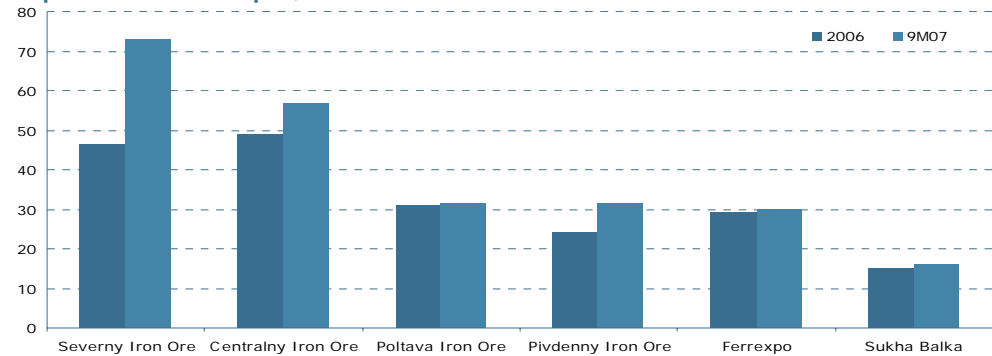
Source: Company data, Metal Expert, Concorde Capital estimates

Adjusted for non-core revenues, the top lines of Pivnichny and Centralny Iron Ore imply that they will underreport nearly 5-15% of their true revenues in 2007.

ADJUSTED PRODUCTION COST

According to our calculations, of their domestic peers, only Poltava Iron Ore and Sukha Balka reported their true costs. In our view, the production costs of Pivnichny and Centralny Iron Ore must be adjusted for the purchase price of steel products from related steel mills. Hence, the true production costs of Pivdenny Iron Ore must be higher. Our analysis indicates that the company purchases inputs (lump ore and coke) from related parties at a discount to the market price.

Reported COGS/Output, USD/mt



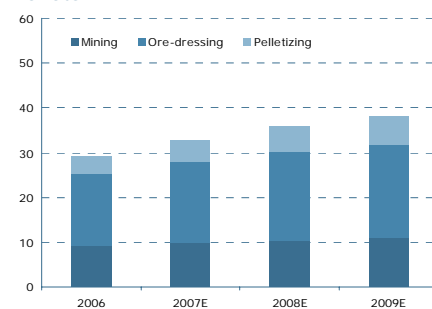
Source: Company data

Note: Ferrexpo's production cost (EXW), USD/mt

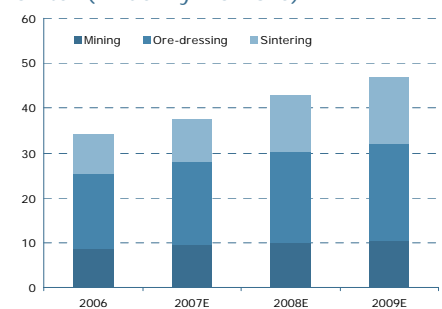
In the mid-term, we forecast the average production cost of pellets in Ukraine will grow by 7% yoy (from USD 30/mt in 2007 to USD 38/mt in 2009) and 10% yoy on average for Pivdenny's sinter (from USD 39/mt in 2007 to USD 49/mt in 2009).

Ukrainian average production cost of iron ore, USD/mt (EXW)

Pellets



Sinter (Pivdenny Iron Ore)*

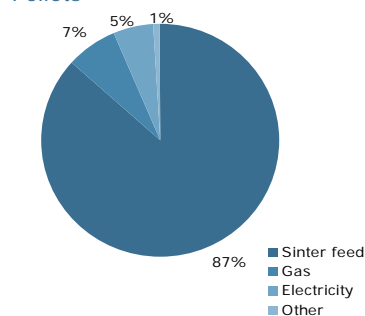


* Pivdenny has the highest sinter feed consumption rate per ton of sinter in Ukraine: 740 kg/mt vs. 650 kg/mt Ukrainian average. We think the rate will remain flat until Metinvest or Evraz obtains full control over the company and start investing in efficiency improvement

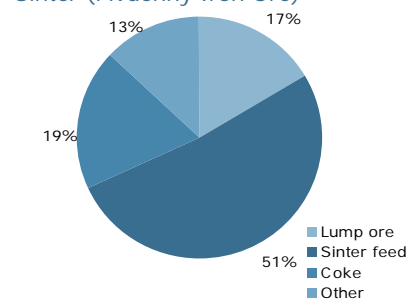
Source: Company data, Ferrexpo, Bloomberg, Concorde Capital estimates

Ukrainian production cost breakdown by input

Pellets



Sinter (Pivdenny Iron Ore)



Source: Company data, Ferrexpo, Bloomberg, Concorde Capital estimates

Higher growth of sinter production cost at Pivdenny Iron Ore is determined by increases in lump ore and coke prices in the mid-term, while growth in the production cost of sinter feed will remain largely similar for all local producers.

Appendix B: M&A in iron ore will spur steel consolidation

Aside from the announced merger of Metinvest and Smart group (Sept 2007) and Evraz's acquisitions in Ukraine (Dec 2007), the sector has seen a stream of other rumored deals:

Company	Date	Comment	Related research by Concorde
IUD	November 2007 – February 2008	In November, Sergey Taruta, CEO of the Industrial Union of Donbas, noted that IUD intends to announce results of negotiations concerning an alliance with Russian Gazmetal in 2-3 months. However, negotiations most likely failed as in February Russian mass media spread the rumor that an agreement would not be reached	Report of Oct. 19, 2007
MMK Illicha	January 2008	In January 2008 local media reported that MMK Illicha is in negotiations with Metinvest and a deal is close to completion	Note of Jan. 31, 2008
Zaporizhstal	December 2007	At its EGM, parent group Midland started restructuring its steel assets, which signals a strategic sale in the mid-term, in our view	Note of Dec. 25, 2007

Source: Company data, Interfax, Metal Expert

In our view, further consolidation in the Ukrainian steel industry will be driven by control of tradable sinter feed by Metinvest. Sinter feed is the basic and cheapest raw material in steel smelting (see appendices G and H).

According to our calculations, a deficit of tradable sinter feed is likely to emerge after 2012 (see our underlying assumptions on the next page). This opens up the probability that in the long run, local steel mills would be forced to increase more expensive imports, buy more expensive domestically processed products, or decrease steel production.

TRADABLE SINTER FEED DEFICIT IN UKRAINE BY 2012?

We forecast a deficit of tradable sinter feed in Ukraine by 2012. Local integrated iron ore producers that currently put almost all domestic sinter feed on the tradable market might cut supplies because of increasing intragroup consumption, processing into more value-added products, and redirecting deliveries to higher growth external markets.

Factors influencing domestic supply by business group

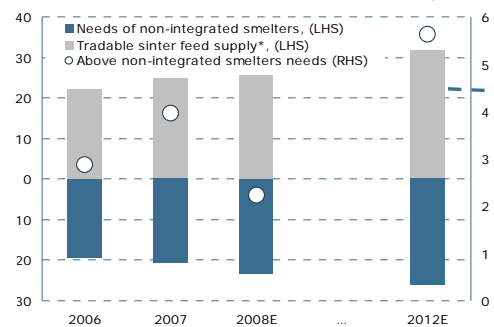
Group	Intragroup	Export
Metinvest	Additional steel production capacities will come onstream at related Enakievo Steel and Makiyivka Iron & Steel (planned in 2012)	Metinvest has supply agreements with local steel smelters through only 2011, but in the longer term it plans to orient to export markets (5 mln mt of iron ore products by 2008); in 2007 sinter feed exports jumped 50% yoy
Evraz		Will increase exports from Ukraine to cover 20% shortage at related mills in Russia
Arcelor Mittal		Will increase exports from Ukraine to cover shortage at related mills worldwide

Source: Company data, Metal Expert, Metal Courier

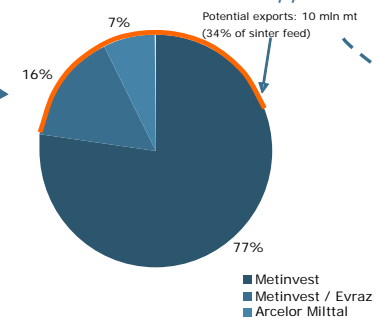
Exports of sinter feed might shoot to above 10 mln mt by 2012 (+110% from their 2007 level). To satisfy their needs, domestic non-integrated steel smelters would have to import more than 5 mln mt of sinter feed in 2012 (+330% from 2007), which to us seems problematic.

Balancing domestic sinter feed market in 2012

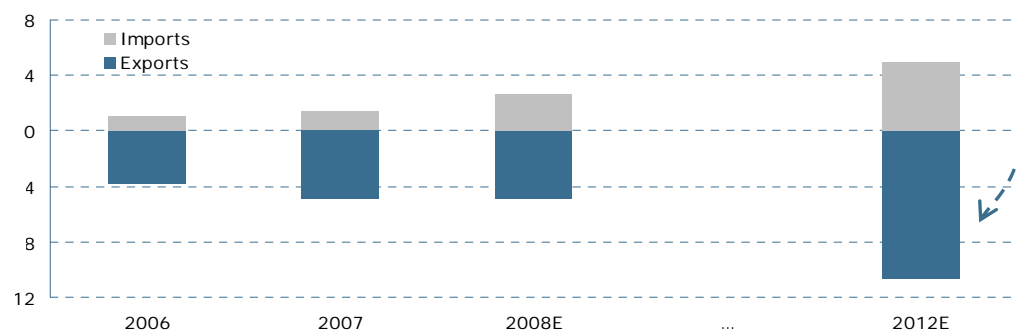
Ukrainian balance of tradable sinter feed, mln mt



Tradable sinter feed's suppliers in 2012



Ukrainian export and import of sinter feed



Source: Metal Expert, Metal Courier, Concorde Capital calculations

Note: Our analysis excludes the possibility of constructing extra sinter feed processing facilities, new steel mills in Ukraine or possible delays in expansion by Ukrainian iron ore producers. Supply of so-called tradable sinter feed is the amount left after processing sinter feed into more value-added pellets or sinter available to non-integrated steel mills.

Appendix C: Ferrexpo iron ore deposits

Name	Deposit	ths mt
Northern Resources Extention	Brovarskoe	14 000
	Kharchenkovskoe	
	Manuylovskoe	
	Vasilyvskoe	
G Development	Galeshchinskoe	325
B Development	Belanovskoe	1 627
Y Development	Yeristovskoe	833
GPL Extention	Lavrikovskoe	480
	Gorishne-Plavnikoe	1 085

Source: Ferrexpo

Appendix D: Comparative valuation

	MCap USD mln	EV/Sales			EV/EBITDA			P/E		
		2007E	2008E	2009E	2007E	2008E	2009E	2007E	2008E	2009E
Pivdenny Iron Ore	3 194.1	5.32	3.50	3.03	17.77	7.82	6.61	27.76	11.15	9.72
Pivnichny Iron Ore	7 069.4	8.35	5.52	4.79	18.42	9.73	8.41	28.50	14.07	12.56
Centralny Iron Ore	2 624.9	7.31	4.90	4.17	17.12	8.71	7.22	27.98	13.02	10.71
Sukha Balka	812.3	8.63	6.00	5.20	26.94	12.04	9.86	43.18	17.81	15.00
Poltava Iron Ore	2 871.3	5.55	3.38	3.00	23.57	8.43	8.19	44.58	12.70	12.20
Ferrexpo	4 205.7	6.49	3.78	3.23	20.17	7.28	6.87	32.51	9.50	9.18
Average		6.94	4.51	3.90	20.67	9.00	7.86	34.09	13.04	11.56
Developed market										
BHP Billiton	192 920.0	4.12	3.80	3.47	8.11	6.86	6.57	14.38	11.18	11.88
CVRD	156 219.0	4.88	4.16	3.65	9.22	7.65	6.99	25.31	11.36	9.31
Rio Tinto	168 081.0	7.55	6.55	3.15	11.33	9.10	8.70	24.44	15.96	15.91
Xstrata PLC	77 649.0	3.20	2.88	2.76	8.03	7.09	6.49	39.88	13.11	12.32
Anglo American PLC	88 459.6	3.02	2.98	2.90	7.62	7.34	7.89	12.11	12.86	15.68
Vedanta Resources PLC	13 124.1	1.62	1.21	1.13	4.47	3.36	2.92	14.05	12.11	9.02
Antofagasta PLC	15 808.2	3.75	3.48	3.54	4.99	4.77	5.36	11.67	12.21	14.18
Peer average		4.02	3.58	2.94	7.68	6.60	6.42	20.26	12.76	12.61
Russia										
Olenegorsky Iron Ore	609.2	1.92	1.66	1.58	4.53	3.41	3.34	7.36	4.93	4.86
Ralelsky Okatysh	1 633.6	1.89	1.60	1.59	4.77	3.20	3.37	7.55	4.57	4.84
Korshunovsky Iron Ore	1 633.3	5.14	4.29	4.29	8.76	6.76	6.97	14.82	10.85	11.41
Stoilenskiy Iron Ore	3 270.0	4.02	3.24	3.08	9.33	5.74	4.42	11.98	7.04	6.02
Peer average		3.24	2.70	2.64	6.85	4.78	4.53	10.43	6.85	6.78
PGZK price										
Implied by Developed peer avg, USD/share		1.12	1.52	1.45	0.62	1.25	1.45	1.09	1.71	1.93
Implied by Russian peers avg, USD/share		0.89	1.14	1.30	0.55	0.91	1.04	0.56	0.92	1.04
Upside/Downside to Developed avg		-26%	2%	-3%	-59%	-16%	-3%	-27%	14%	29%
Upside/Downside to Russian avg		-40%	-24%	-13%	-63%	-40%	-31%	-63%	-39%	-31%
SGOK price										
Implied by Developed peer avg, USD/share		1.50	2.08	2.02	1.29	2.17	2.48	2.29	2.92	3.23
Implied by Russian peers avg, USD/share		1.19	1.55	1.82	1.14	1.56	1.78	1.18	1.57	1.74
Upside/Downside to Developed avg		-49%	-30%	-32%	-56%	-27%	-16%	-23%	-1%	9%
Upside/Downside to Russian avg		-60%	-48%	-39%	-61%	-47%	-40%	-60%	-47%	-41%
CGOK price										
Implied by Developed peer avg, USD/share		1.22	1.65	1.59	0.99	1.70	1.99	1.62	2.20	2.64
Implied by Russian peers avg, USD/share		0.98	1.25	1.43	0.88	1.24	1.42	0.83	1.18	1.42
Upside/Downside to Developed avg		-46%	-27%	-29%	-56%	-24%	-11%	-28%	-2%	18%
Upside/Downside to Russian avg		-56%	-44%	-36%	-61%	-45%	-37%	-63%	-47%	-37%
SUBA price										
Implied by Developed peer avg, USD/share		0.45	0.58	0.57	0.27	0.53	0.65	0.46	0.70	0.82
Implied by Russian peers avg, USD/share		0.36	0.44	0.51	0.24	0.39	0.47	0.23	0.37	0.44
Upside/Downside to Developed avg		-50%	-35%	-36%	-70%	-40%	-27%	-49%	-22%	-8%
Upside/Downside to Russian avg		-60%	-51%	-42%	-73%	-56%	-47%	-74%	-58%	-51%
PGOK price										
Implied by Developed peer avg, USD/share		14.52	21.61	19.98	6.02	15.90	15.83	9.27	20.50	21.10
Implied by Russian peers avg, USD/share		11.53	16.19	17.82	5.26	11.43	10.96	4.77	11.00	11.34
Upside/Downside to Developed avg		-29%	5%	-3%	-71%	-23%	-23%	-55%	0%	2%
Upside/Downside to Russian avg		-44%	-21%	-13%	-74%	-44%	-47%	-77%	-47%	-45%
FXPO price										
Implied by Developed peer avg, USD/share		4.13	6.47	6.24	2.42	6.18	6.39	4.27	9.20	9.41
Implied by Russian peers avg, USD/share		3.27	4.81	5.58	2.13	4.42	4.49	2.20	4.94	5.06
Upside/Downside to Developed avg		-40%	-6%	-9%	-65%	-10%	-7%	-38%	34%	37%
Upside/Downside to Russian avg		-52%	-30%	-19%	-69%	-36%	-35%	-68%	-28%	-27%

Source: Bloomberg, Thomson Financial, PFTS, Concorde Capital estimates

Appendix E: Key peer financials

	MCap USD mln	Net Revenues			EBITDA margin			Net Margin		
		2007E	2008E	2009E	2007E	2008E	2009E	2007E	2008E	2009E
Poltava Iron Ore	2 871.3	541.2	861.3	988.2	24%	40%	37%	12%	26%	24%
Pivdenny Iron Ore	3 194.1	617.0	917.4	1019.3	30%	45%	46%	19%	31%	32%
Pivnichny Iron Ore	7 069.4	870.1	1296.3	1432.3	45%	57%	57%	29%	39%	39%
Centralny Iron Ore	2 624.9	364.1	529.3	619.6	43%	56%	58%	26%	38%	40%
Sukha Balka	812.3	95.2	134.4	149.3	32%	50%	53%	20%	34%	36%
Ferrexpo	4 205.7	676.5	1148.3	1317.6	32%	52%	47%	19%	39%	35%
Average					34%	50%	49%	21%	34%	34%
Developed market										
BHP Billiton	192 920.0	48 945.9	52 376.6	52 168.5	51%	55%	53%	27%	33%	31%
CVRD	156 219.0	35 862.3	40 800.4	45 911.9	53%	54%	52%	17%	34%	37%
Rio Tinto	168 081.0	28 093.3	29 014.6	59 454.1	67%	72%	36%	24%	36%	18%
Xstrata	77 649.0	28 543.0	28 345.1	27 539.9	40%	41%	43%	7%	21%	23%
Anglo American	88 459.6	31 034.3	31 339.9	32 813.9	40%	41%	37%	24%	22%	17%
Vedanta Resources	13 124.1	7 800.3	8 874.1	9 577.2	36%	36%	39%	12%	12%	15%
Antofagasta	15 808.2	3 828.5	3 681.3	3 569.5	75%	73%	66%	35%	35%	31%
Peer average					52%	53%	46%	21%	28%	25%
Russia										
Olenegorsky mine and proces	609.2	290.1	367.5	385.0	42%	49%	47%	29%	34%	33%
Karelski Okatysh	1 633.6	774.3	1019.6	1025.3	40%	50%	47%	28%	35%	33%
Korshunovsky GOK	1 633.3	317.5	381.0	381.0	59%	63%	61%	35%	40%	38%
Stoylenskiy GOK	3 270.0	813.5	1010.7	1061.0	43%	56%	70%	34%	46%	51%
Peer average					46%	55%	56%	31%	39%	39%

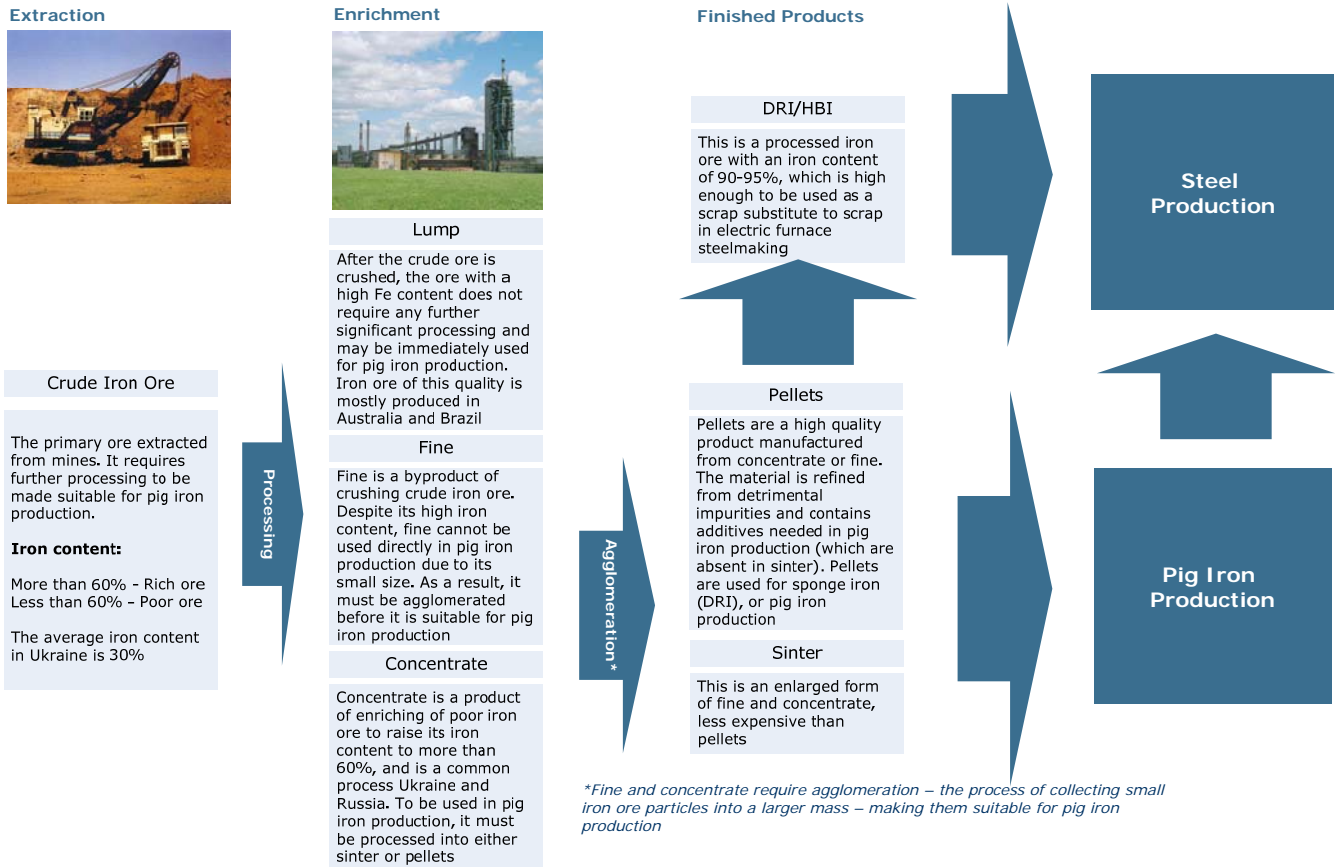
Source: Bloomberg, Thomson Financial, PFTS, Concorde Capital estimates

Appendix F: Global iron ore projects

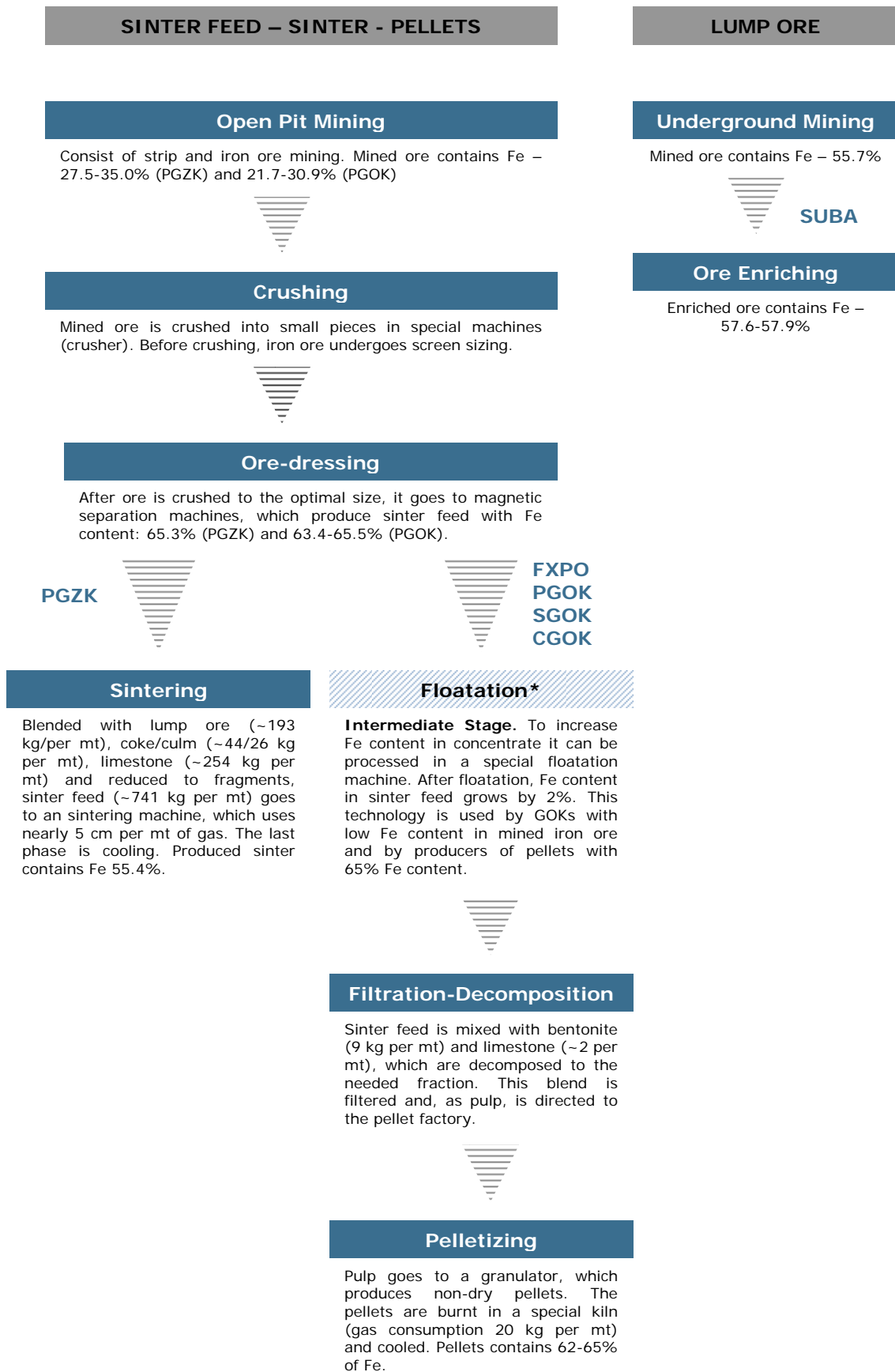
Project	Owner	Production, mln mt	Nature of expansion	Startup date
Minas-Rio (Phase 1)	Anglo American	26.5	Greenfields (mine, slurry pipelines and port)	Q4 2009
RGP4	BHP Billiton	25.0	Brownfields (mine, rail and port)	Q1 2010
Sishen Expansion Project 2 (Phase 2)	Kumba	10.0	Brownfields (only mine)	Q1 2013
RGP3	BHP Billiton	20.0	Brownfields (mine, rail and port)	Q4 2007
RGP2	BHP Billiton	8.0	Brownfields (mine, rail and port)	Q2 2006
Sishen Expansion Project 2 (Phase 1)	Kumba	10.0	Brownfields (only mine)	Q1 2012
Minas-Rio (Phase 2)	Anglo American	26.5	Brownfields (mine, slurry pipelines and port)	Q1 2011
Sishen South Project (Phase 1)	Kumba	9.0	Greenfields (only mine)	Q2 2010
Rio Yandicoogina (Stage 2)	Rio Tinto	16.0	Brownfields (mine, rail and port)	Q1 2008
Carajas expansion 3	CVRD	30.0	Brownfields (mine, rail and port)	Q3 2009
West Angeles	Rio Tinto	5.0	Brownfields (mine, rail and port)	Q3 2005
Khumani (Phase 1)	ARM	10.0	Greenfields (only mine)	Q2 2008
Khumani (Phase 2)	ARM	6.0	Brownfields (only mine)	Q1 2011
Tom Price and Marandoo	Rio Tinto	15.0	Greenfields (mine, rail and port)	Q3 2007
Sishen Expansion Project 1	Kumba	13.0	Brownfields (only mine)	Q3 2007
Rio Yandicoogina (Stage 1)	Rio Tinto	12.0	Brownfields (mine, rail and port)	Q1 2005
Sishen South Project (Phase 2)	Kumba	3.0	Brownfields (only mine)	Q1 2015
Hope Downs	Rio Tinto	22.0	Greenfields (mine, rail and port)	Q1 2008
Hope Downs South	Rio Tinto	8.0	Brownfields (mine, rail and port)	Q1 2009
FMG- Stage 1	FMG	45.0	Greenfields (mine, rail and port)	Q2 2008
FMG- Stage 2	FMG	90.0	Greenfields (mine, rail and port)	Q4 2008
Brucutu	CVRD	30.0	Brownfields (mine, rail and port)	Q3 2006
Carajas expansion 2	CVRD	15.0	Brownfields (mine, rail and port)	Q1 2007
Carajas expansion 1	CVRD	15.0	Brownfields (mine, rail and port)	Q3 2006
WA Iron Ore accelerated expansion	BHP Billiton	7.0	Brownfields (mine, rail and port)	Q2 2004
Mining Area C	BHP Billiton	15.0	Greenfields (only mine)	Q3 2003
RGP1	BHP Billiton	10.0	Brownfields (mine, rail and port)	Q4 2004
Fazendao	CVRD	15.8	Brownfields (only mine)	Q1 2008
PACE	BHP Billiton	n/a	Rail and port upgrade	Q1 2004

Source: UBS

Appendix G: What is iron ore?



Appendix H: Iron ore processing scheme



* Floatation is an option, not a 100% required process

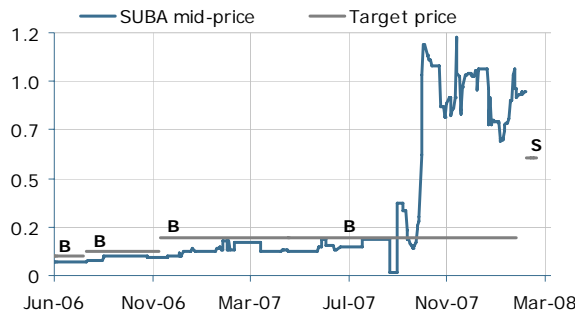
Disclosures

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.

Sukha Balka

Date	TP USD	MP USD	Rec'	Action
27-May-05	0.10	0.02	BUY	Initiate
18-Aug-06	0.12	0.09	BUY	Maintain
23-Nov-06	0.19	0.09	BUY	Maintain
22-Jun-07	0.19	0.08	BUY	Maintain
12-Mar-08	0.58	0.97	SELL	Downgrade



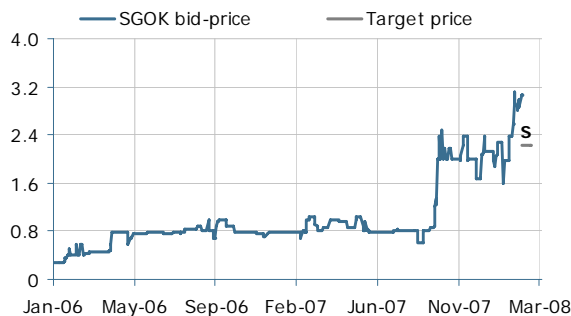
Centralny Iron Ore

Date	TP USD	MP USD	Rec'	Action
12-Mar-08	1.47	1.85	SELL	Initiate



Pivnichny Iron Ore

Date	TP USD	MP USD	Rec'	Action
12-Mar-08	2.23	3.22	SELL	Initiate



Ferrexpo

Date	TP USD	MP USD	Rec'	Action
12-Mar-08	6.62	6.85	HOLD	Initiate



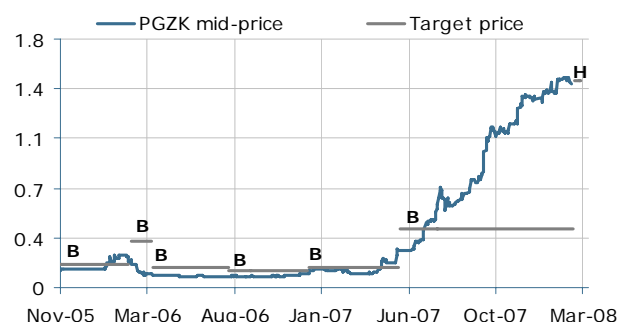
Poltava Iron Ore

Date	TP USD	MP USD	Rec'	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	Maintain
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	U/R	Review
12-Mar-08	14.51	20.40	SELL	Downgrade



Pivdenny Iron Ore

Date	TP USD	MP USD	Rec'	Action
27-May-05	0.17	0.04	BUY	Initiate
9-Mar-06	0.33	0.23	BUY	Maintain
13-Apr-06	0.14	0.11	BUY	Maintain
18-Aug-06	0.12	0.09	BUY	Maintain
29-Dec-06	0.14	0.08	BUY	Maintain
30-May-07	0.42	0.23	BUY	Maintain
22-Jun-07	0.42	0.27	BUY	Maintain
12-Mar-08	1.50	1.49	HOLD	Downgrade



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	30	27%
Sell	18	16%
Under Review	14	13%
Total	111	100%

Investment banking clients*		
Buy	8	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
Total	8	100%

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

Concorde Capital
2 Mechnikova Street
21st Floor
Kyiv 01601, UKRAINE

Tel.: +380 44 391 5577
Fax: +380 44 391 5571
www.concorde.com.ua
office@concorde.com.ua

CEO

Igor Mazepa

im@concorde.com.ua

RESEARCH COVERAGE BY SECTOR

Equity Sales

Anastasiya Nazarenko
Duff Kovacs, CFA
Marina Martirosyan
Andriy Supranonok

an@concorde.com.ua
dk@concorde.com.ua
mm@concorde.com.ua
sap@concorde.com.ua

Strategy

Konstantin Fisun
Oleksandr Klymchuk

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

Metals & Mining

Eugene Cherviachenko
Andriy Gerus

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

Director of Research

Konstantin Fisun, CFA

kf@concorde.com.ua

Utilities (Telecom, Energy)

Alexander Paraschiv

ap@concorde.com.ua

Oil & Gas, Chemicals

Vladimir Nesterenko

vn@concorde.com.ua

Consumer/Real Estate Group

Andriy Gostik, CFA
Olha Pankiv
Alexander Romanov
Anna Dudchenko

ag@concorde.com.ua
op@concorde.com.ua
ar@concorde.com.ua
ad@concorde.com.ua

Machinery

Eugene Cherviachenko
Inna Perepelytsya

ec@concorde.com.ua
pi@concorde.com.ua

Financial Services, Retail

Alexander Viktorov

av@concorde.com.ua

Macroeconomics

Polina Khomenko

pk@concorde.com.ua

Fixed Income

Oleksandr Klymchuk

ok@concorde.com.ua

Corporate Governance

Nick Piazza

np@concorde.com.ua

News/Production

Nick Piazza
Polina Khomenko

np@concorde.com.ua
pk@concorde.com.ua

Editor

Brad Wells

bw@concorde.com.ua

Disclaimer

This report has been prepared by Concorde Capital investment bank for informational purposes only. Concorde Capital does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Concorde Capital might have a conflict of interest that could affect the objectivity of this report.

Concorde Capital, its directors and employees or clients might have or have had interests or long /short positions in the securities referred to herein, and might at any time make purchases and/or sales in them as a principal or an agent. Concorde Capital might act or has acted as a market-maker in the securities discussed in this report. The research analysts and/or corporate banking associates principally responsible for the preparation of this report receive compensation based upon various factors, including quality of research, investor/client feedback, stock picking, competitive factors, firm revenues and investment banking revenues.

Prices of listed securities referred to in this report are denoted in the currency of the respective exchanges. Investors in financial instruments such as depository receipts, the values or prices of which are influenced by currency volatility, effectively assume currency risk.

Due to the timely nature of this report, the information contained might not have been verified and is based on the opinion of the analyst. We do not purport this document to be entirely accurate and do not guarantee it to be a complete statement or summary of available data. Any opinions expressed herein are statements of our judgments as of the date of publication and are subject to change without notice. Reproduction without prior permission is prohibited. © 2008 Concorde Capital