



CONCORDE CAPITAL

Ukraine / Iron ore

Ukrainian Iron Ore

Fairly valued after the market correction

July 09, 2008

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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

	Price	12M TP	Upside	Rec.
PGZK	1.72	1.50	-13%	HOLD
SGOK	2.04	2.23	10%	HOLD
CGOK	1.28	1.74	36%	BUY
SUBA	0.68	0.58	-15%	SELL
PGOK	13.92	13.50	-3%	HOLD
FXPO	7.31	7.10	3%	HOLD

	# of sh., mln	MCap, USD mln	Free float % USD mln
PGZK	2,143.7	3,681.8	5.5
SGOK	2,304.1	4,691.3	0.6
CGOK	1,171.8	1,504.0	0.5
SUBA	837.4	569.8	0.75
PGOK	140.8	1,959.6	4.0
FXPO	614.0	4,490.1	24.0

Key financials '08, USD mln

	Sales	EBITDA	Net Income
PGZK	944.4	434.9	304.6
SGOK	1,301.1	739.3	505.7
CGOK	529.3	297.6	201.6
SUBA	134.4	67.0	45.6
PGOK	1,020.7	389.0	252.0
FXPO	1,178.9	622.6	463.7

Key ratios '08

	EV/S	EV/EBITDA	P/E
PGZK	3.9	8.5	12.1
SGOK	3.7	6.5	9.3
CGOK	2.8	4.9	7.5
SUBA	4.2	8.4	12.5
PGOK	2.0	6.2	9.3
FXPO	3.9	7.4	9.7

Since our March report, overpriced Ukrainian iron ore stocks shed 30%-40%, while Pivdenny Iron Ore and Ferrexpo rose 13% and 4% respectively, to reach their fair values. Although the risk of a bearish wind is still high, we believe strong industry fundamentals and improving company financials will underpin the sector. We maintain our 12M TP's for all stocks; technically upgrade CGOK to BUY; upgrade SGOK and PGOK to HOLD; maintain FXPO and PGZK at HOLD; SUBA is SELL.

Stock market: The correction

Ferrexpo's price dropped 23% from its peak in June, tracking its global peers, however it still outperformed Ukrainian and global iron ore stocks, making +53% YTD. Locally traded and less liquid Ukrainian sector stocks dropped 15%-30% YTD; only PGZK's price, underpinned by share buyouts by its major shareholders, Metinvest and Evraz, withstood the correction (+20% YTD).

Australians raise prices for China; price outlook remains favorable

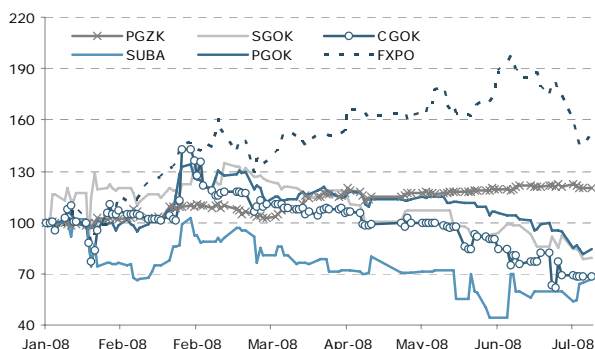
Over June-July, Australians Rio Tinto and BHP Billiton broke almost six long months of resistance from Chinese steel producers and signed new annual iron ore contracts. The contracts assume an up to 96.5% jump in the price for FY08, although initially the parties were negotiating a 30%-50% increase. We maintain our positive outlook on sector fundamentals in the mid-term and stick to our price forecasts (see our report of March 14).

Positive 1Q08 financials as we expected

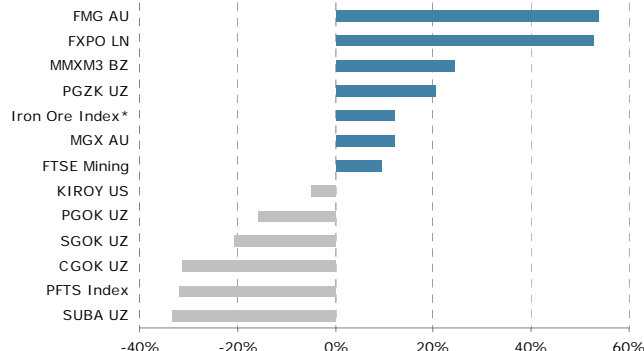
Ukrainian iron ore makers strengthened their financials on the back of escalating iron ore prices in 1Q08: on average, sector revenues grew 31% yoy; and EBITDA margins grew 4 pp. We project further progress in sector financials in 2Q08-4Q08, bolstered by 65-70% yoy higher annual contract iron ore prices (from USD 70-75/mt to USD 120-130/mt since April 1). We maintain our financial forecasts for iron ore producers unchanged.

For valuation details, see our report of March 14.

Stocks' relative performance, YTD



Sector performance, YTD



Note: Concorde's Iron Ore Index is an MCap weighted index of all traded Ukrainian iron ore stocks adjusted for free float

Source: PFTS, Bloomberg, Concorde Capital

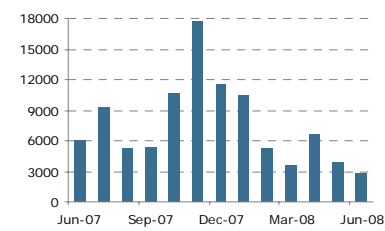
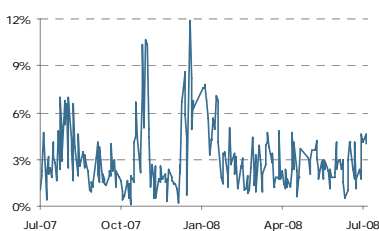
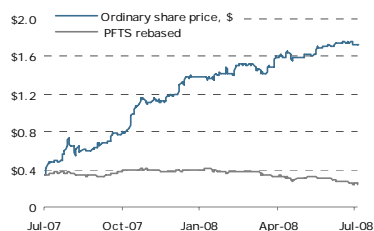
Stock market monitor

Price vs PFTS index

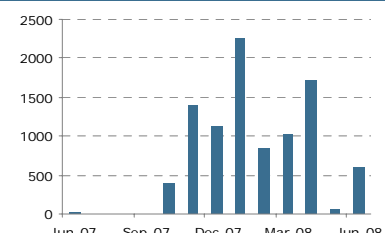
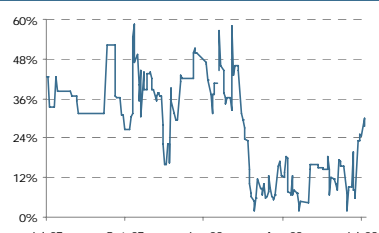
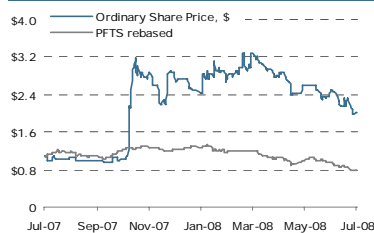
Spread, %

Trading volumes, USD ths

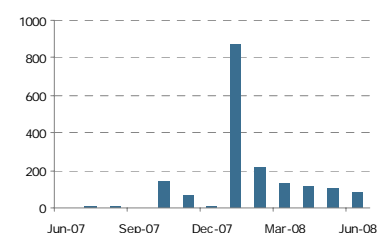
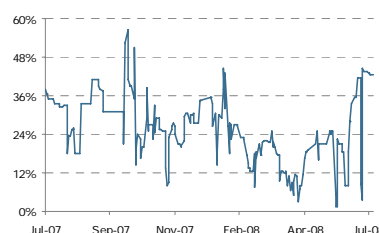
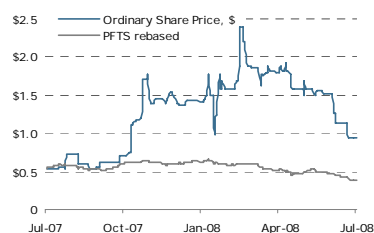
Pivdenny Iron Ore



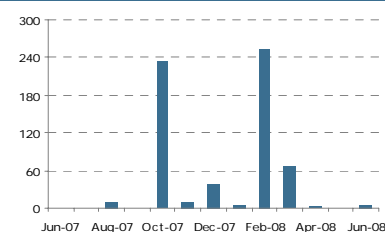
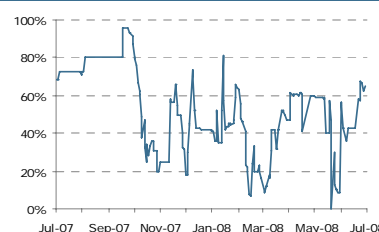
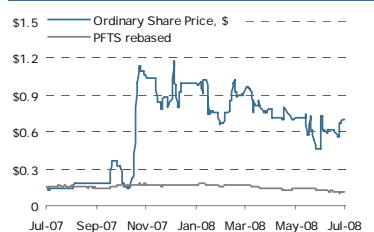
Pivnichny Iron Ore



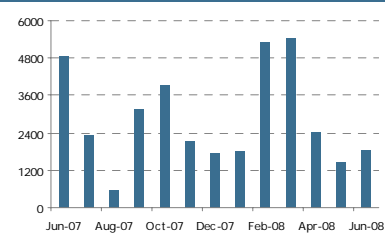
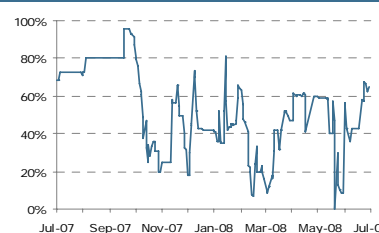
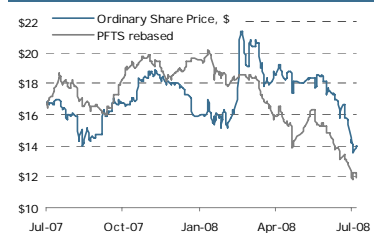
Centralny Iron Ore



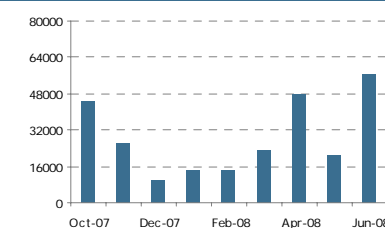
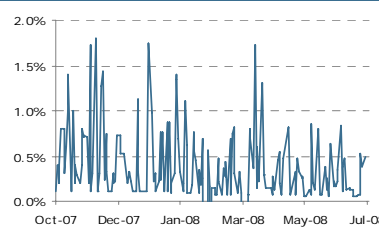
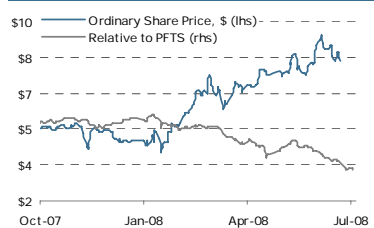
Sukha Balka



Poltava Iron Ore



Ferrexpo



Source: PFTS, Bloomberg

Sector results and forecasts

Revenues, USD mln	1Q07	1Q08	<i>chg, %</i>	2007	2008E	<i>chg, %</i>
Pivdenny Iron Ore	119.1	205.2	72.2%	571	917	60.6%
Pivnichny Iron Ore	299.0	370.4	23.9%	1 467	1 296	-11.6%
Centralny Iron Ore	136.4	171.6	25.7%	533	529	-0.7%
Sukha Balka	25.2	37.6	49.4%	93	134	44.6%
Poltava Iron Ore	133.7	153.0	14.4%	558	861	54.4%
Ferrexpo	n/a	n/a	n/a	698	1 148	64.4%
EBITDA mgn, %	1Q07	1Q08	<i>chg, pp</i>	2007	2008E	<i>chg, pp</i>
Pivdenny Iron Ore	28.4%	47.2%	18.8	35.0%	44.8%	9.8
Pivnichny Iron Ore	36.6%	34.4%	-2.2	35.8%	56.7%	20.9
Centralny Iron Ore	31.9%	35.9%	4.0	33.1%	56.2%	23.1
Sukha Balka	30.6%	38.3%	7.8	26.2%	49.8%	23.6
Poltava Iron Ore	24.5%	22.6%	-1.8	25.3%	38.4%	13.1
Ferrexpo	n/a	n/a	n/a	30.8%	52.0%	21.2
NI mgn, %	1Q07	1Q08	<i>chg, pp</i>	2007	2008E	<i>chg, pp</i>
Pivdenny Iron Ore	15.3%	30.8%	15.4	20.9%	31.2%	10.3
Pivnichny Iron Ore	25.1%	23.8%	-1.3	24.8%	38.8%	14.0
Centralny Iron Ore	20.8%	24.3%	3.5	21.8%	38.1%	16.3
Sukha Balka	25.3%	28.7%	3.3	16.0%	33.9%	17.9
Poltava Iron Ore	12.0%	10.8%	-1.2	12.3%	25.0%	12.7
Ferrexpo	n/a	n/a	n/a	19.2%	34.5%	15.3
Production, ths mt	1H07	1H08	<i>chg, %</i>	2007	2008E	<i>chg, %</i>
Pivdenny Iron Ore	4.4	4.6	4.3%	8.8	8.8	0.2%
Pivnichny Iron Ore	6.6	7.2	8.8%	13.0	13.7	5.2%
Centralny Iron Ore	2.9	3.3	13.1%	5.9	5.9	-0.7%
Sukha Balka	1.5	1.6	5.4%	2.8	2.8	0.0%
Poltava Iron Ore	5.3	5.4	2.7%	10.6	10.6	0.0%
Ferrexpo	5.3	5.4	2.7%	10.6	10.6	0.0%

Note: We expect stronger margins for Metinvest-related companies Pivnichny and Centralny Iron Ore and Ferrexpo / Poltava Iron Ore since 2Q08. In April 2008, Metinvest and Ferrexpo, which switched to long-term contracts last year, increased their prices for consumers by 65-80% starting April 1. Pivdenny Iron Ore distributes most of its products on the spot market. Reported revenues of Metinvest-related companies in 2007, Pivnichny and Centralny Iron Ore, include proceeds from the distribution of steel products from related entities; adjusted for 2008E.

Source: Company data, Concorde Capital estimates

Disclosures

Analyst Certification

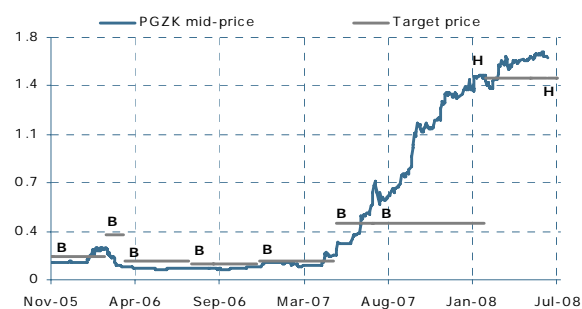
I, Eugene Cherviachenko, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities and issuers. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations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

PGZK					SUBA					PGOK				
Date	Target, USD	Market, USD	Rec'	Action	Date	Target, USD	Market, USD	Rec'	Action	Date	Target, USD	Market, USD	Rec'	Action
27-May-05	0.17	0.04	BUY	Initiate	27-May-05	0.10	0.02	BUY	Initiate	16-Jun-05	9.00	6.25	BUY	Initiate
09-Mar-06	0.33	0.23	BUY	Maintain	18-Aug-06	0.12	0.09	BUY	Maintain	07-Jul-05	12.00	6.93	BUY	Maintain
13-Apr-06	0.14	0.11	BUY	Maintain	23-Nov-06	0.19	0.09	BUY	Maintain	22-Mar-06	16.00	13.20	BUY	Maintain
18-Aug-06	0.12	0.09	BUY	Maintain	22-Jun-07	0.19	0.08	BUY	Maintain	18-Aug-06	10.38	10.40	BUY	Maintain
29-Dec-06	0.14	0.08	BUY	Maintain	12-Mar-08	0.58	0.97	SELL	Downgrade	23-Nov-06	8.80	8.60	BUY	Maintain
30-May-07	0.42	0.23	BUY	Maintain	9-Jul-08	0.58	0.70	SELL	Maintain	04-Dec-06	8.80	9.70	BUY	Maintain
22-Jun-07	0.42	0.27	BUY	Maintain						22-May-07	U/R	11.00	U/R	Review
12-Mar-08	1.50	1.49	HOLD	Downgrade						12-Mar-08	14.51	20.40	SELL	Downgrade
9-Jul-08	1.50	1.73	HOLD	Maintain						11-Apr-08	13.50	19.38	SELL	Maintain
										9-Jul-08	13.50	13.97	HOLD	Upgrade

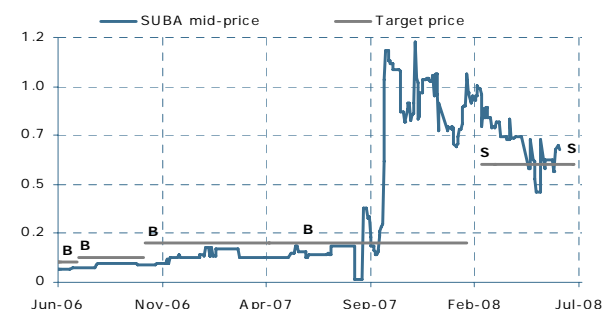
CGOK					FXPO					SGOK				
Date	Target, USD	Market, USD	Rec'	Action	Date	Target, USD	Market, USD	Rec'	Action	Date	Target, USD	Market, USD	Rec'	Action
12-Mar-08	1.74	1.85	SELL	Initiate	12-Mar-08	6.62	6.85	HOLD	Initiate	12-Mar-08	2.23	3.22	SELL	Initiate
9-Jul-08	1.74	1.28	BUY	Upgrade	31-Mar-08	6.62	6.93	HOLD	Maintain	9-Jul-08	2.23	2.01	HOLD	Upgrade
					11-Apr-08	7.10	6.87	HOLD	Maintain					
					19-Jun-08	7.10	8.40	HOLD	Maintain					
					9-Jul-08	7.10	7.31	HOLD	Maintain					

Recommendation history

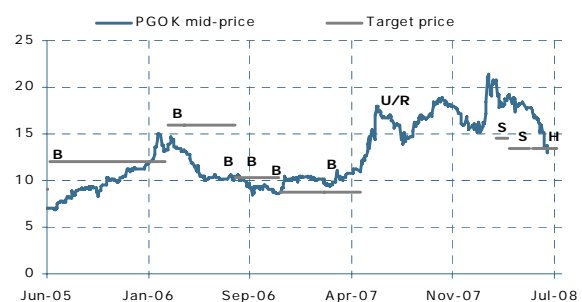
PGZK



SUBA



PGOK



CGOK



FXPO



SGOK



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Buy	59	51%
Hold	24	21%
Sell	13	11%
Under Review	19	17%
Total	115	100%

Investment banking clients*

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

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

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