

February 16, 2012

Northern & Central Iron Ore

Dividend miners

The two high dividend paying Ukrainian iron ore producers, Northern Iron Ore and Central Iron Ore, are planning to announce their AGMs by the end of February – beginning of March. With moderate CapEx needs, we expect they will again pay out up to 100% of 2011 profits as dividends. Last year was a banner year, with profits nearly doubling yoy, according to our estimates. Based on current prices, we project the dividend yield for Northern Iron Ore will be 23% and for Central 26%. We recommend investing in these stocks as dividend plays (yielding estimated IRR of 24-27%).

- Earnings grew more than 1.6x yoy in 2011E.** Both Northern and Central Iron Ore benefited from a 33-55% yoy increase in average annual domestic prices for iron ore concentrate and pellets in 2011. We estimate both companies boosted EBITDA 1.6x yoy in 2011. We also expect net income for Northern Iron Ore will be USD 769 mln (+2.3x yoy) and for Central Iron Ore will be USD 300 mln (+1.9x yoy).
- Strong dividend yield.** Based on their history of high dividend payouts and modest expected CapEx needs for 2012, we believe majority shareholder Metinvest will vote for near 100% dividend payouts at both Northern and Central Iron Ore. This implies a dividend per share of USD 0.33 for Northern Iron Ore (dividend yield of 23%), and USD 0.26 for Central Iron Ore (26% yield). For comparison, the companies' dividend yields were 9% and 16%, respectively, last year as of the date their AGMs were announced.
- Long-term dividend plays.** As both companies are key cash-generating assets for parent Metinvest and continue to be treated by the holding as cash-cows, we believe both will pay out high dividends in the foreseeable future. Our DDM model implies a 12M target price of USD 1.79 for Northern Iron Ore (21% upside) and IRR (assuming buying today to perpetuity) of 24%. Our 12M target price for Central Iron Ore is USD 1.23 (25% upside) and implied IRR is 27%. Unlike in previous years, when these companies paid out dividends over three years, new legislation stipulates dividends be distributed no later than six months after a respective AGM decision. Moreover, Northern and Central Iron Ore's businesses are secured from exchange rate shocks as more than a third of production costs are denominated in Ukrainian hryvnyas, while output prices are linked to the US dollar.
- Speculative play is possible before the ex-dividend date.** The market seems to have anticipated high dividend payments this year: Northern Iron Ore is +29% and Central +23% YTD vs. UX Index's +4%. Still, given the unusually high dividend yields expected, there could still be some room for speculative price growth prior to the ex-dividend date. For those looking to capitalize solely on the story of 2012 dividend, we recommend exiting before the ex-dividend date. As the experience of last year suggests, selling after that point might be much less profitable.

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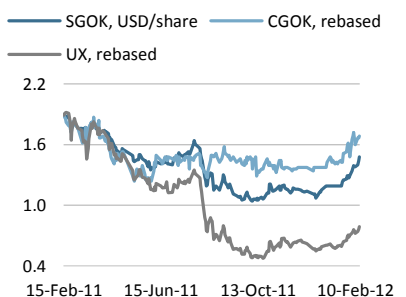
Northern Iron Ore

| | |
|-----------------------|------------|
| Bloomberg | SGOK UK |
| Reuters | SGOK.UAX |
| Recommendation | BUY |
| Current price, USD | 1.48 |
| 12M target, USD | 1.79 |
| Upside | 21% |
| Market Cap, USD mln | 3410 |
| Free float, USD mln | 19 |

Central Iron Ore

| | |
|-----------------------|------------|
| Bloomberg | CGOK UK |
| Reuters | CGOK.UAX |
| Recommendation | BUY |
| Current price, USD | 0.98 |
| 12M target, USD | 1.23 |
| Upside | 25% |
| Market Cap, USD mln | 1148 |
| Free float, USD mln | 6 |

 Prices as of Feb. 15, 2012
 Source: Bloomberg

Share price performance vs. UX


Source: Bloomberg

Strong dividend plays

We recommend investing in these stocks as perpetual dividend plays (yielding estimated IRR of 24-27%).

High dividend payouts should continue to be the norm

We see three reasons for these two miners' high dividends:

- The two producers are cash cows for parent Metinvest: the Iron Ore segment's cumulative EBITDA accounts for more than 80% of the consolidated holding's EBITDA, while estimated CapEx needs account for only a third of Metinvest's total CapEx in 2011E. Our CapEx projection for the two iron ore producers until 2016 combined is USD 110 mln p.a., compared to Metinvest's declared plans to invest up to USD 1 bln p.a. into its two steelmaking subsidiaries, Azovstal and MMK Illich Steel, by 2020.
- The other popular alternative for Ukrainian companies to pump out cash – transfer pricing (selling iron ore at below market prices) - is not practiced by Metinvest at SGOK and CGOK as: 1) the holding sells part of its iron ore to external customers and treats both external and related consumers equally, as a matter of policy; and 2) the holding's management is trying to run its business transparently.
- Minority shareholders own just 0.55% of Northern Iron Ore and 0.52% of Central Iron Ore, which makes sharing dividends with minorities not that costly for Metinvest.

These factors should remain in play for the foreseeable future given Metinvest's business model.

New legislation shortens dividend payout timeline

Traditionally, the drawback of Northern & Central Iron Ore's hefty dividends has been a long payout period - usually three years. For instance, many of eligible shareholders have still not received dividends from 2010.

Under amendments to the Law on Joint Stock Companies, which came into effect in mid-2011, Ukrainian companies are obliged to execute dividend payments no later than six months after approval at an AGM. We believe Metinvest will adhere to the new rules.

Hryvnya devaluation would pose little threat to iron ore producers' businesses

Notably, hryvnya devaluation would have positive impact on iron ore producers' profits (even in hard currency terms) as iron ore sales prices are set in US dollars, while more than 30% of production costs are in hryvnyas.

Dividend discount model

Key assumptions

We believe a dividend discount model is the most appropriate tool to value Northern and Central Iron Ore. We assume the most of operating cash flow, less CapEx, will be distributed to the company's shareholders.

In our DDM model, we assume dividends will be paid in late September, close to the 6M dividend distribution deadline (assuming AGMs will be held in late March). This makes forecasting dividend payments more reliable.

We forecast a decrease in profitability (EBITDA margin for Northern Iron Ore from 65% in 2011E to 47% by 2017, and for Central Iron Ore from 60% to 40%), which will be caused by stable and then weakening iron ore prices, against a background of steadily increasing costs.

Our CapEx assumptions foresee investments of USD 400 mln in Northern Iron Ore and USD 150 mln in Central Iron Ore over the next five years. We expect most CapEx to be covered by depreciation.

We assume production will remain flat at Northern Iron Ore until 2016, when the company will commission a new pelletizing machine, which should add 2 mmt of pellets p.a. Meanwhile, we assume stable output from Central Iron Ore throughout our forecast horizon, as Metinvest has not announced any plans to increase capacity.

In addition, a gradual decreasing corporate tax rates from 24% in 2011 to 16% in 2014, as per tax reform passed by parliament in 2010, should have a positive effect on net income and increase potential dividend payments.

We assume a stable UAH/USD exchange rate in our model, but underline that UAH devaluation poses upside risk: iron ore prices are linked to the US dollar, even on domestic market, while at least 30% of both iron ore producers' costs are denominated in hryvnyas.

Our assumptions on prices and cash cost growth are summarized below.

Key assumptions

| | 2012E | 2013E | 2014E | 2015E | 2016E | 2017E | 2018E |
|--|-------|-------|-------|-------|-------|-------|-------|
| Iron ore concentrate price on domestic market, USD per ton | 118 | 124 | 126 | 126 | 122 | 116 | 108 |
| Pellet price on domestic market, USD per ton | 133 | 140 | 142 | 142 | 138 | 131 | 122 |
| Concentrate and pellet price chg, yoy | -5% | 5% | 2% | 0% | -3% | -5% | -7% |
| Cash cost growth, yoy | 10% | 7% | 6% | 5% | 5% | 5% | 5% |
| Statutory tax rate | 21% | 19% | 16% | 16% | 16% | 16% | 16% |

Source: Concorde Capital estimates

DDM valuation summary

Our DDM model for Northern Iron Ore yields an IRR of 24%. We set our 12M target price at USD 1.79/share, which suggest an upside of 21%.

DDM valuation for Northern Iron Ore

| | | 2012E | 2013E | 2014E | 2015E | 2016E | 2017E | 2018E |
|---|---------------|-------|------------|-------|-------|-------|-------|-------|
| Operating and financial projections | | | | | | | | |
| Total sales | mmt | 13.7 | 13.7 | 13.7 | 13.7 | 15.7 | 15.7 | 15.7 |
| Merchant iron ore concentrate | mmt | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 |
| Pellets | mmt | 10.4 | 10.4 | 10.4 | 10.4 | 12.4 | 12.4 | 12.4 |
| Revenue | USD mln | 1,774 | 1,863 | 1,900 | 1,900 | 2,120 | 2,014 | 1,873 |
| Net income | USD mln | 704 | 762 | 788 | 759 | 801 | 682 | 533 |
| Depreciation and amortization | USD mln | 114 | 109 | 105 | 103 | 101 | 97 | 94 |
| CapEx | USD mln | 75 | 75 | 90 | 90 | 70 | 70 | 95 |
| Implied dividends | USD mln | 743 | 796 | 802 | 771 | 832 | 709 | 532 |
| Dividend payout | % | 106% | 104% | 102% | 102% | 104% | 104% | 100% |
| PPE, eop | USD mln | 846 | 812 | 797 | 785 | 754 | 727 | 728 |
| Retained earnings, eop | USD mln | 803 | 769 | 754 | 742 | 711 | 683 | 684 |
| Dividend discount model valuation | | | | | | | | |
| Annual dividends for the previous year | USD per share | 0.33 | 0.32 | 0.35 | 0.35 | 0.33 | 0.36 | 0.31 |
| Cost of equity | % | 20% | | | | | | |
| Terminal growth rate | % | 1% | | | | | | |
| Discount factor | | | 0.89 | 0.74 | 0.62 | 0.52 | 0.43 | 0.36 |
| PV of discounted dividend | USD per share | | 0.29 | 0.26 | 0.22 | 0.17 | 0.16 | 0.11 |
| Terminal value | USD per share | | 1.6 | | | | | |
| PV of terminal value | USD per share | | 0.59 | | | | | |
| Target (sum of dividend CF and terminal value PV) | USD per share | | 1.79 | | | | | |
| Current stock price | USD per share | | 1.48 | | | | | |
| Upside | % | | 21% | | | | | |
| IRR from investment in shares | % | | 24% | | | | | |

Source: Concorde Capital estimates

Our DDM model for Central Iron Ore yields an IRR of 27%. We set our 12M target price at USD 1.23/share (25% upside).

DDM valuation for Central Iron Ore

| | | 2012E | 2013E | 2014E | 2015E | 2016E | 2017E | 2018E |
|--|---------------|-------|------------|-------|-------|-------|-------|-------|
| Operating projections | | | | | | | | |
| Total sales | mmt | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 |
| Merchant iron ore concentrate | mmt | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 |
| Pellets | mmt | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 |
| Revenue | USD mln | 750 | 787 | 803 | 803 | 779 | 740 | 688 |
| Net income | USD mln | 273 | 293 | 301 | 288 | 256 | 211 | 155 |
| Depreciation and amortization | USD mln | 48 | 46 | 43 | 42 | 40 | 38 | 37 |
| CapEx | USD mln | 30 | 30 | 30 | 30 | 30 | 25 | 38 |
| Implied dividends | USD mln | 291 | 308 | 315 | 300 | 266 | 224 | 154 |
| Dividend payout | % | 107% | 105% | 104% | 104% | 104% | 106% | 99% |
| PPE, eop | USD mln | 320 | 304 | 291 | 280 | 270 | 256 | 258 |
| Retained earnings, eop | USD mln | 330 | 314 | 301 | 289 | 279 | 266 | 267 |
| Dividend discount model valuation | | | | | | | | |
| Annual dividends for the previous year | USD per share | 0.26 | 0.25 | 0.26 | 0.27 | 0.26 | 0.23 | 0.19 |
| Cost of equity | % | 20% | | | | | | |
| Terminal growth rate | % | 0% | | | | | | |
| Discount factor | | | 0.89 | 0.74 | 0.62 | 0.52 | 0.43 | 0.36 |
| PV of discounted dividend | | | 0.22 | 0.20 | 0.17 | 0.13 | 0.10 | 0.07 |
| Terminal value | | | 1.0 | | | | | |
| PV of terminal value | | | 0.34 | | | | | |
| Sum of dividend CF and terminal value | | | 1.23 | | | | | |
| Current stock price | | | 0.98 | | | | | |
| Upside | | | 25% | | | | | |
| IRR 30Y | | | 27% | | | | | |

Source: Concorde Capital estimates

Relative valuation

Northern Iron Ore, one of the most profitable iron ore producers in Ukraine and globally (with an EBITDA margin of 66% in 1H11), trades at 3.3x on EV/EBITDA 2012E, i.e. at a 34% discount to global peer median. Central Iron Ore trades at 2.9x on EV/EBITDA 2012E: a 43% discount.

Northern Iron Ore trades at 4.8x on P/E 2012E and Central Iron Ore at 4.2x, implying discounts of 44% and 52%, respectively.

Peer valuation for Northern Iron Ore and Central Iron Ore

| | EV | | EV/EBITDA | | | P/E | | |
|---------------------------|--------------|-----------------|------------|------------|------------|-------------|------------|------------|
| | USD mln | MCap USD mln | 2010 | 2011E | 2012E | 2010 | 2011E | 2012E |
| Vale | 153,105 | 133,808 | 7.9 | 4.2 | 4.3 | 10.0 | 5.4 | 6.1 |
| BHP Billiton | 214,761 | 192,897 | 6.1 | 5.7 | 5.7 | 11.2 | 8.6 | 9.7 |
| Rio Tinto | 132,675 | 114,457 | 6.5 | 4.8 | 4.9 | 9.0 | 7.4 | 7.8 |
| Kumba Iron Ore | 23,285 | 22,888 | 6.0 | 5.3 | 5.0 | 8.3 | 9.9 | 9.5 |
| Fortescue | 22,373 | 18,456 | 10.3 | 7.8 | 7.3 | 18.7 | 11.3 | 11.2 |
| Cliffs Natural Resources | 14,321 | 9,792 | 6.8 | 5.2 | 5.0 | 10.4 | 6.2 | 6.7 |
| MmxMineracao | 3,333 | 3,125 | 32.0 | 20.7 | 13.8 | 87.0 | 40.8 | 31.9 |
| Ferrexpo | 3,097 | 3,106 | 6.9 | 4.0 | 4.7 | 9.0 | 5.4 | 6.5 |
| Median | | | 6.8 | 5.3 | 5.0 | 10.2 | 8.0 | 8.7 |
| Northern Iron Ore | 3,402 | 3,410 | 4.4 | 2.8 | 3.3 | 10.2 | 4.4 | 4.8 |
| Discount to peers' median | | | -36% | -47% | -34% | 0% | -45% | -44% |
| Central Iron Ore | 1,144 | 1,148 | 3.8 | 2.4 | 2.9 | 7.1 | 3.8 | 4.2 |
| Discount to peers' median | | | -44% | -54% | -43% | -30% | -52% | -52% |

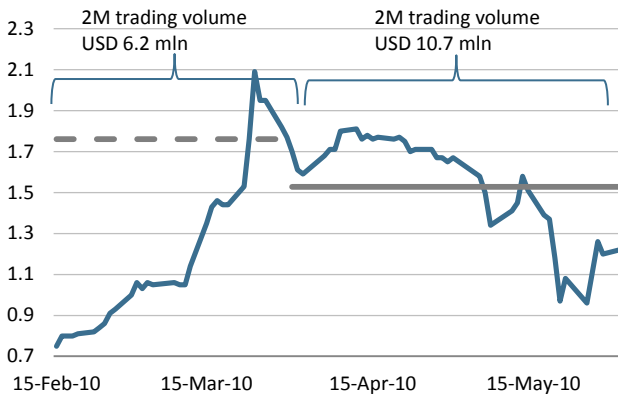
Source: Bloomberg, Concorde Capital estimates

Speculative opportunity possible, but exit before ex-dividend date

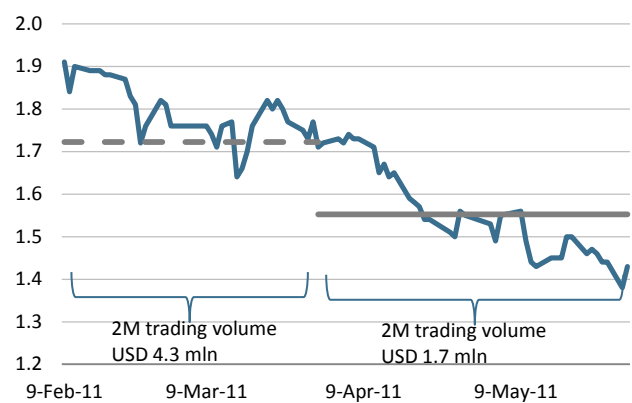
A look at price performance in the past two years indicates buying these stocks when their AGMs are announced and selling after the ex-dividend date was generally less profitable in 2011 than 2010. Given the unusually high dividend yields expected, there could still be some room for speculative price growth prior to the ex-dividend date. For those looking to capture this short-term gain, we recommend exiting before the ex-dividend date, when trading activity should remain high. In our view, selling after the ex-dividend date is a more risky tactic; if history is a guide, there is likely to be a sharp decline in turnover, and the price correction could exceed dividend gains.

Stock performance before and after AGM that approves dividends, USD/share

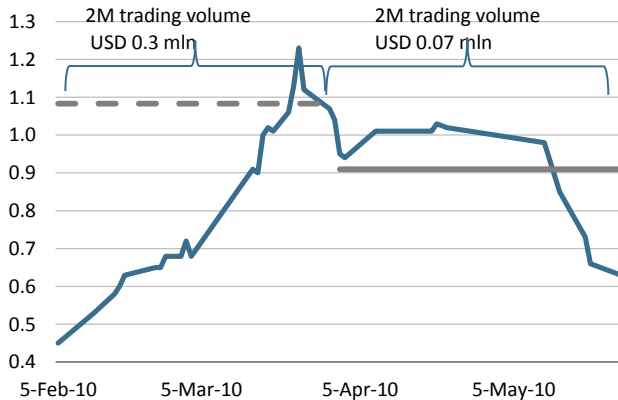
SGOK, 2010



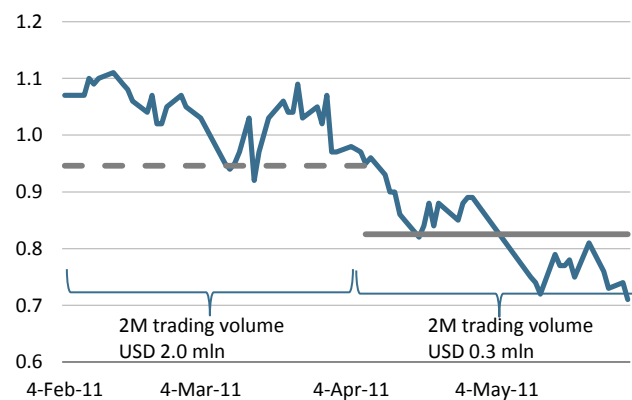
SGOK, 2011



CGOK, 2010



CGOK, 2011



Note: Dashed line is the maximum average entry price at which an investor would break even if buying on AGM announcement and selling two months after the ex-dividend date (i.e. selling at 2M ex-dividend average price, marked by the grey line).

Source: Bloomberg, Concorde Capital estimates

Iron ore market of Ukraine

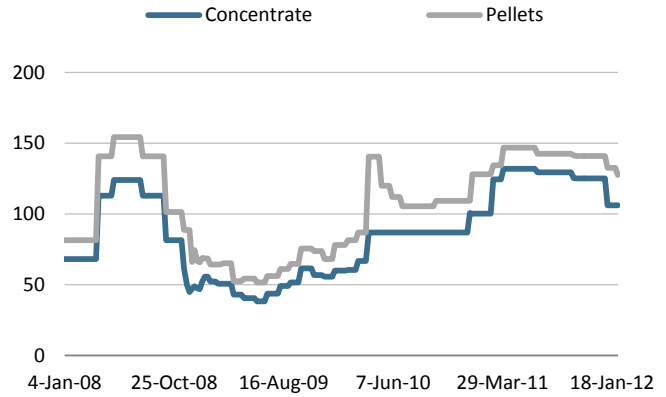
Iron ore concentrate prices in Ukraine grew on average 53% yoy to USD 124/t in 2011, while average pellet prices rose 33% yoy to USD 140/t. At the same time, the international benchmark for spot prices, 63.5% Fe fines in China, increased 14% yoy to USD 176/t (CFR basis). Ukraine's higher price growth reflects a lagged advance in global prices from 2010 (when domestic prices rose only 63-66% versus a global increase of 81-88%). We forecast iron ore prices on the domestic market to correct up to 5% yoy due to a global slowdown in demand in 2012.

Iron ore Fe 63.5% fines spot price, CFR, Chinese port, USD/ton



Source: Bloomberg

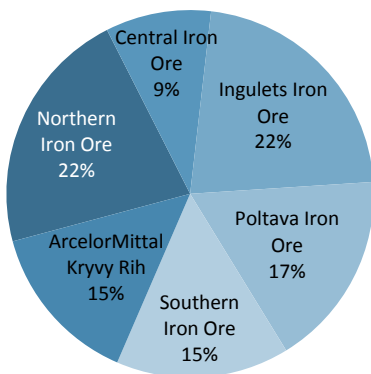
Iron ore prices on Ukraine's domestic market, USD/ton



Source: Metal Courier

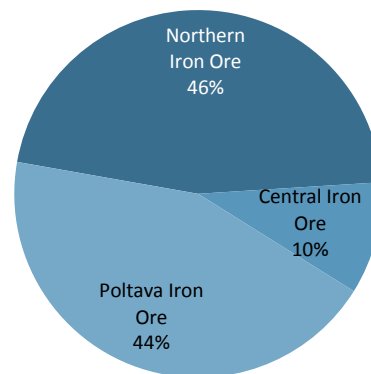
Production of iron ore concentrate and pellets in Ukraine remained stable in 2011 at 66.5 mmt (up 3% yoy) and 22.4 mmt (up 1% yoy), respectively. Northern and Central Iron Ore are the largest domestic iron ore producers, together accounting for 31% of concentrate, and 56% of pellets in 2011.

Ukraine's iron ore concentrate output in 2011 by producer



Source: Metal Courier, Concorde Capital estimates

Ukraine's pellet output in 2011 by producer



Source: Metal Courier, Concorde Capital estimates

Northern Iron Ore

- Record financials expected for 2011.** We forecast record EBITDA (USD 1.21 bln, up 62% yoy) and net income (USD 769 mln, up 131% yoy) in 2011. This should allow it to remain the most profitable Ukrainian iron ore producer (EBITDA margin will grow from 59% in 2010 to 65% and net margin from 26% to 41%).
- History of solid dividends.** We expect the company to distribute all of its 2011 earnings as dividends, as it did in 2010. This implies a payout of USD 0.33 per share (23% dividend yield).
- Metinvest's growth plans.** Parent Metinvest plans to increase steel output from ~15 mmt to 25 mmt within a decade. This implies iron ore producing subsidiaries will increase capacity and output. Reconstruction of a LURGI 278-B pelletizing machine, which should raise pellet production capacity by 17% to 14.2 mmt, is expected to start in mid-2013.
- We reiterate our BUY rating, and recommend it as a long-term high-dividend paying investment (with IRR of 24%).

Company description

Northern Iron Ore is the largest iron ore pellet producer in Ukraine, and is part of Metinvest, the vertically integrated steel and mining group. Sells products not only to related steel producers of Metinvest, but to other Ukrainian steel companies and customers abroad. Around 65% of revenue in 2011 was generated on the local market. Increased iron ore concentrate production 1% yoy to 14.4 mmt and pellet output 4% yoy to 10.3 mmt in 2011.

Selected financials and ratios

| | 2010 | 2011E | Chg,yoy | 2012E | Chg,yoy |
|------------------|-------|-------|---------|-------|---------|
| Net revenue, mln | 1,256 | 1,862 | 48% | 1,774 | -5% |
| Gross margin, % | 56% | 63% | +7pp | 57% | -6pp |
| EBITDA, mln | 747 | 1,211 | 62% | 1,044 | -14% |
| EBITDA margin, % | 59% | 65% | +6pp | 59% | -6pp |
| Net income, mln | 333 | 769 | 131% | 704 | -8% |
| Net margin, % | 26% | 41% | +15pp | 40% | -6pp |

Source: Company Data, Concorde Capital estimates

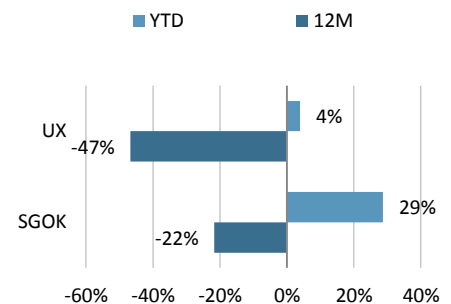
Operations

| | 2010 | 2011E | Chg,yoy | 2012E | Chg,yoy |
|--|------|-------|---------|-------|---------|
| Total iron ore concentrate output, mmt | 14.2 | 14.4 | 1% | 14.5 | 1% |
| Pellets output, mmt | 9.9 | 10.3 | 4% | 10.4 | 1% |

Source: Company data, Concorde Capital estimates

SGOK UK Current: USD 1.48
Target: USD 1.79 **BUY**

12M share price performance⁽¹⁾



(1) Hereafter, share prices as of Feb. 15, 2012

Source: Bloomberg

Market data

| | SGOK UK |
|--------------------------------|----------|
| Bloomberg | SGOK.UK |
| Reuters | SGOK.UAX |
| Current price, USD | 1.48 |
| Target price, USD | 1.79 |
| Upside | 21% |
| MCap, USD mln | 3,410 |
| Net Debt, USD mln | -8.2 |
| EV, USD mln | 3,402 |
| Free float, % | 0.55% |
| Free float, USD mln | 19 |
| Common shares outstanding, mln | 2,304 |
| Change from 52W low, % | 42% |
| Change from 52W high, % | -22% |
| 1M change, % | 20% |
| 3M change, % | 26% |
| 12M change, % | -22% |

Source: Bloomberg

Ownership structure

| | |
|------------|--------|
| Metinvest | 99.45% |
| Minorities | 0.55% |

Source: Company data, Concorde Capital estimates

Multiples and per-share data

| | 2010 | 2011E | 2012E |
|---------------------------|-------|-------|-------|
| EV/Capacity (concentrate) | 234.6 | 234.6 | 234.6 |
| EV/Output (concentrate) | 239.2 | 235.8 | 234.6 |
| EV/Revenue | 2.7 | 1.8 | 1.9 |
| EV/EBITDA | 4.4 | 2.8 | 3.3 |
| P/E | 10.2 | 4.4 | 4.8 |
| EPS, USD | 0.14 | 0.33 | 0.31 |
| DPS, USD | 0.17 | 0.33 | 0.32 |

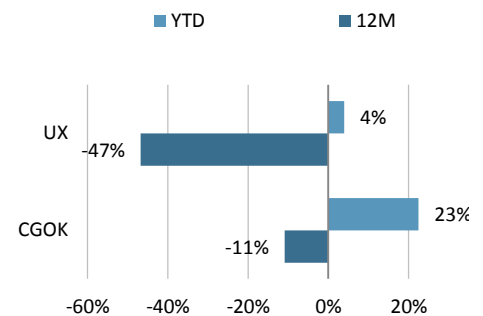
Source: Bloomberg, Company data, Concorde Capital estimates

Central Iron Ore

CGOK UK Current: USD 0.98
Target: USD 1.23 **BUY**

- **Strong earnings expected.** We project the company to double EBITDA in 2011 to USD 476 mln (+59% yoy), and increase its bottom line 85% yoy to USD 300 mln.
- **High dividend payout.** Assuming 100% of 2011 net income is paid out as dividends, the dividend yield will reach at least 26% (DPS of USD 0.26/share).
- We reiterate our BUY rating, and recommend it as a long-term high-dividend paying investment (with IRR of 27%)

12M Share price performance ⁽¹⁾



1) Hereafter, share prices as of Feb. 15, 2012

Source: Bloomberg

Company description

Central Iron Ore, part of Metinvest, is Ukraine's #3 iron ore pellet producer. It increased iron ore concentrate production 2% yoy to 6.2 mmt in 2011, while pellet output was flat at 2.2 mmt. All pellets (39% of revenues) are supplied to related Azovstal steel mill. The rest of revenues is earned on ore concentrate sold to other Ukrainian steel companies not affiliated with Metinvest and abroad.

Selected financials and ratios

| | 2010 | 2011E | Chg,yoy | 2012E | Chg, yoy |
|------------------|------|-------|---------|-------|----------|
| Net revenue | 558 | 789 | 41% | 750 | -5% |
| Gross margin, % | 53% | 59% | +6pp | 53% | -6pp |
| EBITDA | 300 | 476 | 59% | 401 | -16% |
| EBITDA margin, % | 54% | 60% | +6pp | 53% | -7pp |
| Net income | 162 | 300 | 85% | 273 | -9% |
| Net margin, % | 29% | 38% | +9pp | 36% | -6pp |

Source: Company Data, Concorde Capital estimates

Operations

| | 2010 | 2011E | Chg,yoy | 2012E | Chg, yoy |
|--|------|-------|---------|-------|----------|
| Total iron ore concentrate output, mmt | 6.1 | 6.2 | 2% | 6.2 | 0% |
| Pellets output, mmt | 2.2 | 2.2 | 0% | 2.2 | 0% |

Source: Company data, Concorde Capital estimates

Market data

| | CGOK UK |
|--------------------------------|----------|
| Bloomberg | CGOK UK |
| Reuters | CGOK.UAX |
| Current price, USD | 0.98 |
| Target price, USD | 1.23 |
| Upside | 25% |
| MCap, USD mln | 1,148 |
| Net Debt, USD mln | -4.8 |
| EV, USD mln | 1,144 |
| Free float, % | 0.52% |
| Free float, USD mln | 6.0 |
| Common shares outstanding, mln | 1,172 |
| Change from 52W low, % | 38% |
| Change from 52W high, % | 11% |
| 1M change, % | 20% |
| 3M change, % | 23% |
| 12M change, % | -11% |

Source: Bloomberg

Ownership structure

| | |
|------------|--------|
| Metinvest | 99.48% |
| Minorities | 0.52% |

Source: Company data, Concorde Capital estimates

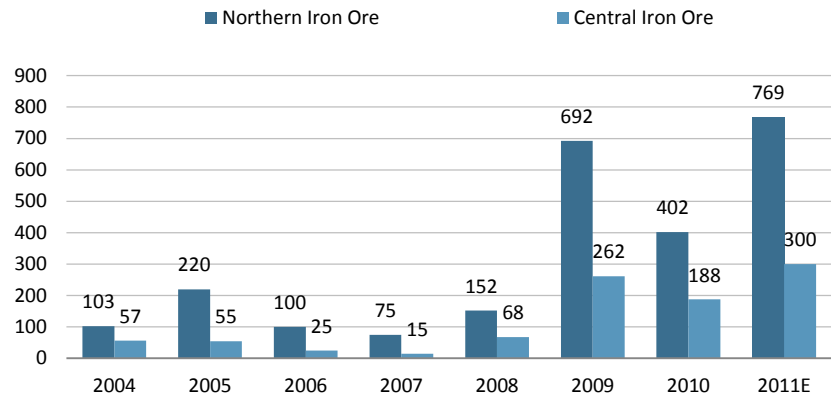
Multiples and per-share data

| | 2010 | 2011E | 2012E |
|---------------------------|-------|-------|-------|
| EV/Capacity (concentrate) | 184.5 | 184.5 | 184.5 |
| EV/Output (concentrate) | 188.3 | 184.9 | 184.9 |
| EV/Revenue | 2.1 | 1.4 | 1.5 |
| EV/EBITDA | 3.8 | 2.4 | 2.9 |
| P/E | 7.1 | 3.8 | 4.2 |
| EPS, USD | 0.14 | 0.26 | 0.23 |
| DPS, USD | 0.05 | 0.26 | 0.25 |

Source: Bloomberg, Company data, Concorde Capital estimates

APPENDICES

Northern and Central Iron Ore: Historical and projected dividends, USD mln



Source: Company data, Concorde Capital estimates

Analyst certification

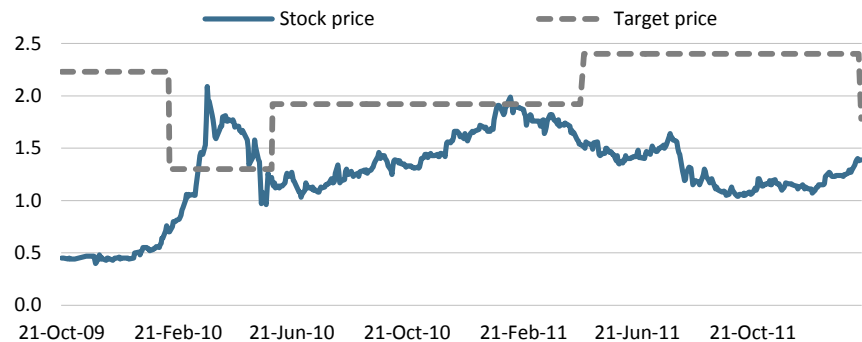
I, Roman Topolyuk, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views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

Northern Iron Ore: Rating history

| Date | 12M target price, USD | Market price, USD | Rating | Action |
|--------------|-----------------------|-------------------|--------|----------|
| 16-Feb-2012 | 1.79 | 1.48 | BUY | Maintain |
| 08-Sept-2011 | 2.40 | 1.19 | BUY | Maintain |
| 10-Jun-2011 | 2.40 | 1.46 | BUY | Maintain |
| 26-Apr-2011 | 2.40 | 1.50 | BUY | Maintain |
| 01-Sept-2010 | 1.92 | 1.28 | BUY | Maintain |
| 01-Jun-2010 | 1.92 | 1.16 | BUY | Maintain |
| 12-Feb-2010 | 1.30 | 0.71 | BUY | Upgrade |
| 09-Jul-2008 | 2.23 | 2.01 | HOLD | Upgrade |
| 12-Mar-2008 | 2.23 | 3.22 | SELL | Initiate |

Source: Concorde Capital

Northern Iron Ore: Target price vs. share performance, USD per share



Covered by Roman Topolyuk since February 2012

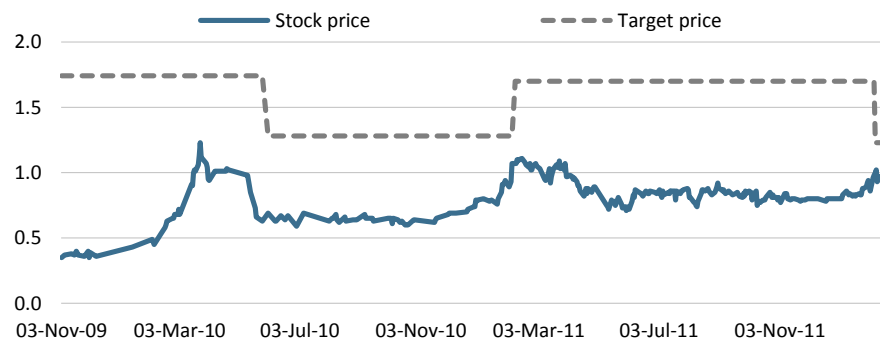
Source: Bloomberg, Concorde Capital

Central Iron Ore: Rating history

| Date | 12M target price, USD | Market price, USD | Rating | Action |
|--------------|-----------------------|-------------------|--------|----------|
| 16-Feb-2012 | 1.23 | 0.98 | BUY | Maintain |
| 08-Sept-2011 | 1.70 | 0.87 | BUY | Maintain |
| 10-Jun-2011 | 1.70 | 0.83 | BUY | Maintain |
| 26-Apr-2011 | 1.70 | 0.85 | BUY | Maintain |
| 07-Feb-2011 | 1.70 | 1.06 | BUY | Maintain |
| 01-Sept-2010 | 1.28 | 0.64 | BUY | Maintain |
| 01-Jun-2010 | 1.28 | 0.69 | BUY | Maintain |
| 12-Feb-2010 | 1.74 | 0.53 | BUY | Maintain |
| 09-Jul-2008 | 1.74 | 1.28 | BUY | Upgrade |
| 12-Mar-2008 | 1.74 | 1.85 | SELL | Initiate |

Source: Concorde Capital

Central Iron Ore: Target price vs. share performance, USD per share



Covered by Roman Topolyuk since February 2012

Source: Bloomberg, Concorde Capital

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 20% 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 20%. 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.

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