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**Poltava Iron Ore**

Bloomberg	PGOK UZ
	UVT GR
Reg S GDR to Ord.	1:1
No of Shares, mln	115.4
Market price, USD	14.9
Discount to Ferrexpo*	28%
MCap, USD mln	1713.7
Free float	4%
FF MCap, USD mln	68.6

**Poltava Iron Ore Stock Ownership**

Ferrexpo AG	86%
Other	14%

**Ferrexpo PLC**

Bloomberg	FXPO LN
No of Shares, mln	606.1
Market price, USD	3.2
MCap, USD mln	1921.3
Free float	24%
FF MCap, USD mln	461.1

**Ferrexpo Stock Ownership**

Kostyantyn Zhevago	76%
Other	24%

\*Discount calculation:  $(MCap_{FXPO} / 86\%) / MCap_{PGOK} - 1$

With the completion of the Ferrexpo IPO, the market has received a benchmark to value Poltava Iron Ore, its key underlying asset. We believe the current discount to Ferrexpo of 28% is still not enough and expect the market will continue to correct Poltava's price, which had leaped upward prior to the offering.

**Ferrexpo: Ukraine's largest IPO**

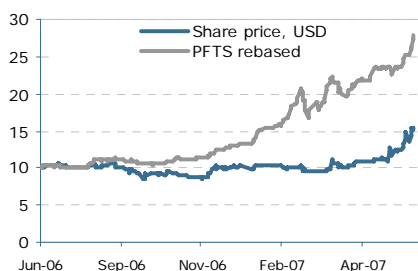
On June 15, 2007 shares in Ferrexpo were placed from two sources: Ferrexpo PLC (Poltava Iron Ore's parent) placed 12% of its shares on the LSE, and another 11% was sold by major shareholder, Fevamotinic, which is affiliated with Kostyantyn Zhevago (controlling owner of Ferrexpo). In total, USD 401 mln (MCap of USD 1671 mln) was raised, close to the upper bound of the USD 1.4-1.8 bln offering range.

According to Ferrexpo's press release of June 15 only conditional dealings on the LSE were possible until the stock's listing becomes effective on June 20.

**Bet on 40% discount for Poltava Iron Ore**

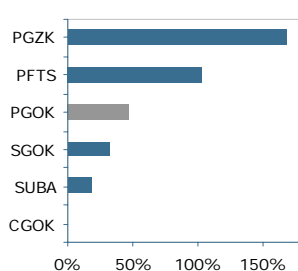
We believe, given the lower liquidity and higher risks for minority shareholders of Poltava Iron Ore, its discount to Ferrexpo should be somewhere around 40%. After two days of trading, Ferrexpo's price has grown to what we believe is fair – USD 3.2 per share. At the same time, PGOK's price started declining (down 3% from its historical peak of USD 15.4 per share on June 13 to USD 14.9 per share on June 18), widening the discount from 10% at offering to 28%.

**Stock performance vs. PFTS**

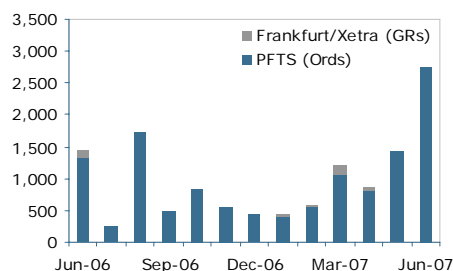


Source: PFTS, Bloomberg

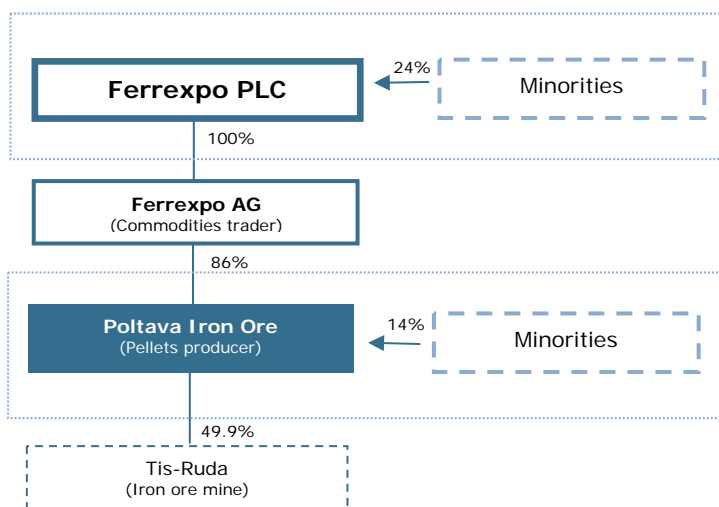
**Sector performance, YTD**



**Trading volume, USD ths**



## Ferrexpo group



## Peer comparison

	MCap, USD mln	EV/S		EV/EBITDA		P/E	
		2007E	2008E	2007E	2008E	2007E	2008E
<b>International peers</b>							
BHP Billiton	98,868	2.3	2.2	4.7	4.2	7.1	6.8
CVRD	109,635	3.9	3.9	7.6	6.2	10.0	9.4
Rio Tinto	77,768	3.0	2.8	6.0	5.4	10.2	9.9
Cleveland-Cliffs	2,821	1.2	1.1	5.7	5.3	9.1	9.0
Portman	1,341	2.3	2.0	6.1	4.7	10.1	9.6
Lebedinsky GOK	3,261	3.6	2.9	19.5	19.5	34.3	27.6
<b>Average</b>		<b>2.7</b>	<b>2.5</b>	<b>8.3</b>	<b>7.6</b>	<b>13.5</b>	<b>12.1</b>
<b>Poltava Iron Ore</b>	<b>1,714</b>	<b>3.6</b>	<b>3.4</b>	<b>16.0</b>	<b>14.6</b>	<b>32.6</b>	<b>30.4</b>
<b>Ferrexpo PLC</b>	<b>1,921</b>	<b>3.0</b>	<b>2.8</b>	<b>7.7</b>	<b>7.3</b>	<b>10.9</b>	<b>10.0</b>
<b>Poltava Iron Ore</b>							
Implied price, USD		<b>10.90</b>	<b>10.30</b>	<b>6.99</b>	<b>6.99</b>	<b>6.13</b>	<b>5.89</b>
Upside/Downside		-26.6%	-30.6%	-52.9%	-52.9%	-58.7%	-60.3%
<b>Ferrexpo PLC</b>							
Implied price, USD		<b>2.86</b>	<b>2.71</b>	<b>3.41</b>	<b>3.29</b>	<b>3.90</b>	<b>3.80</b>
Upside/Downside		-9.9%	-14.5%	7.7%	3.7%	23.1%	20.0%

Source: Company data, Thomson Financial, Bloomberg, Concorde Capital estimates

## Key financials

in USD mln, unless otherwise stated

	Sales		EBITDA mgn		Net mgn	
	2007E	2008E	2007E	2008E	2007E	2008E
Poltava Iron Ore	521.3	552.8	22.5%	23.4%	10.1%	10.2%
Ferrexpo PLC	695.0	737.0	38.9%	38.8%	25.3%	25.9%
<b>International Peers</b>						
BHP Billiton	44,697.5	47,023.3	49.7%	51.8%	31.3%	31.0%
CVRD	31,923.8	30,469.1	51.7%	62.4%	34.3%	38.4%
Rio Tinto	25,737.5	26,397.0	50.0%	51.3%	29.7%	29.6%
Cleveland-Cliffs	2,137.1	2,193.8	21.2%	20.1%	14.5%	14.2%
Portman	478.5	503.6	38.4%	41.7%	27.7%	27.8%
Lebedinsky GOK	917.0	1,117.0	18.2%	15.0%	10.4%	10.6%

Source: Company data, Thomson Financial, Bloomberg, Concorde Capital estimates

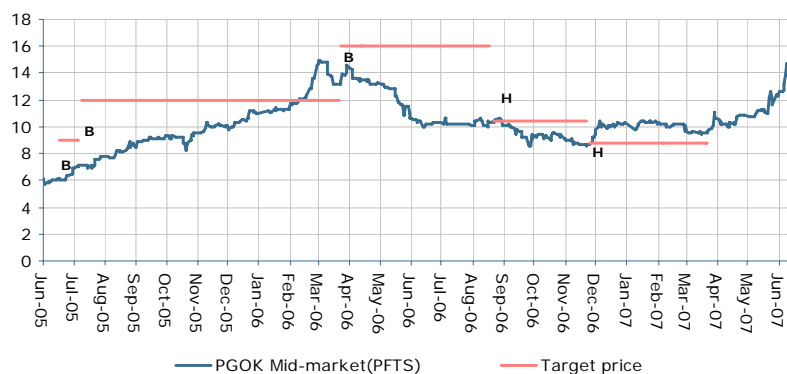
## Analyst Certification

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### Poltava Iron Ore

Date	Target price, USD	Market Price, USD	Rec'	Action
16-Jun-05	9.00	6.25	BUY	Initiating
07-Jul-05	12.00	6.93	BUY	Maintain
22-Mar-06	16.00	13.20	BUY	Maintain
18-Aug-06	10.38	10.40	HOLD	Downgrade
23-Nov-06	8.80	8.60	HOLD	Maintain
04-Dec-06	8.80	9.70	HOLD	Maintain
22-May-07	U/R	11.00	U/R	Review

### Recommendation history, USD



### Concorde Capital Rating Universe

Buy	32	38.1%
Hold	11	13.1%
Sell	5	6.0%
Pending/Suspended	26	31.0%
Not Rated	10	11.9%
<b>Total</b>	<b>84</b>	<b>100%</b>

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