

Poltava Iron Ore

Ferrexpo Announces Ukraine's Largest Ever IPO

U/R

May 22, 2007
12M Target: U/R

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Market information

Bloomberg	PGOK UZ
Frankfurt/Xetra	UVT GR
No of Shares, mln	115.4
Reg S GDR to Ord.	1:1
Market price, USD	11.0
52Wk H/L, USD	12.3/8.5
MCap, USD mln	1272.8
Free float	4%
FF MCap, USD mln	50.9

Mo avg tr volume*, USD mln	0.75
MCap turnover*	1.5%

* 6M trailing, PFTS & Frankfurt

Stock ownership

Ferrexpo AG	85.8%
Other	14.2%

Ratios, 2005

EBITDA Margin	24%
Net Margin	13%
Net Debt/Equity	0.7

Today Ferrexpo, the holding company for Poltava Iron Ore (PGOK), announced its intention to proceed with a listing and IPO on the LSE. We expect the placement to trigger greater transparency for the group, thus justifying larger weight to the "transparency" scenario in our PGOK valuation. We place our target and recommendation under review.

The company says it hopes to raise about USD 500 mln, twice the total amount raised by all five Ukrainian IPOs over 2002-2006.

Company	Ticker	Period	Amount raised USD mln	MCap at placement USD mln	P/E at placement
Regal Petroleum	RPT	Sep.02	15.6	54.6	neg
Ukrproduct Group	UKR	Feb.05	11.5	78.7	15.8
Cardinal Resources	CDL	Apr.05	20.2	52.0	n/a
XXI Century Inv.	XXIC	Dec.05	138.7	239.7	3.8
Astarta Holding	AST	Aug.06	30.6	158.2	13.3
Ferrexpo	TBD	TBD	*500.0	*2,000.0	n/a

* Expected

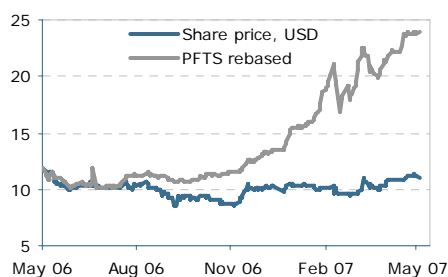
Source: The PBN Company, company data, Concorde Capital estimates

According to the announcement, proceeds from the placement will be used to fund iron ore projects, pay off existing debt and prospective acquisitions. The company plans to continue exploration of the Yeristovskoye iron ore deposit, adding 632 mln mt to the company's current reserves of 491 mln mt, and to double pellet production by 2014 to 16 mln mt.

We were advised by Ferrexpo corporate communication representative that the holding does not intend to issue additional shares of Poltava Iron Ore, so the placement will not going to be dilutive for minority shareholders.

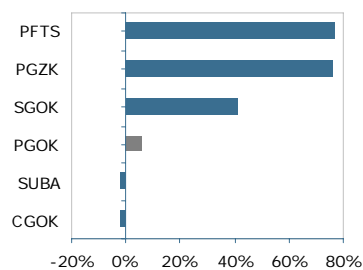
The company intends to sell new and existing shares. We were informed that Kostyantyn Zhevago, majority owner of Ferrexpo, intends to retain a 75% stake. This means that the remaining 25% stake is valued at around USD 500 mln, or USD 2 bln total capitalization. According to the release, there will be also a 15% over-allotment option. The prospectus will be available by the end of June.

Stock performance vs. PFTS

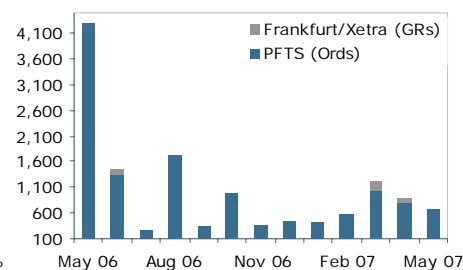


Source: PFTS, Bloomberg

Sector performance, YTD



Trading volume, USD thousand



Key financials & ratios

(in USD mln)	Sales	EBITDA Margin	Net Margin	EV/S	EV/EBITDA	P/E
2006E	451.7	21.7%	7.4%	3.3	15.3	37.9
2007E	564.8	23.7%	9.3%	2.8	11.7	24.3
2008E	663.3	27.1%	11.9%	2.4	8.7	16.1

Spot exchange rate: 5.05

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