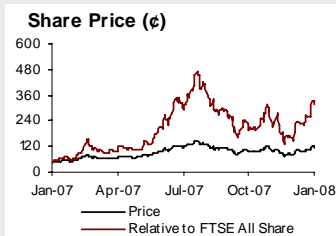


## BUY

Current Share Price	118p
Target Price	170p
Market Capitalisation	£592m
Shares in Issue	504m
RIC/BLBG	IFL.L / IFL.LN
Avg. Daily Volume (3M)	2,799,170
Net Cash (Debt) (6/08F)	(\$33m)
Gearing	0%
Broker/Adviser	Yes

Current share price(s) timed at 4.30pm on 2/1/2008



Performance %	1M	3M	12M
Absolute	43	22	170
Relative	42	24	170

Source: Datastream

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## International Ferro Metals

## Finessing estimates post Q1 FeCr price settlement

Q1 FeCr prices have settled at US\$1.21/lb, a 21% increase over the Q4 2007 contract. The high carbon spot price (which has historically tracked close to the charge contract price) remains at US\$1.81/lb. For IFM's ferrochrome product ('charge' chrome) we now assume US\$1.21/lb in Q1 2008 followed by US\$1.25/lb in Q2 2008 (vs US\$1.10/lb and US\$1.20/lb respectively before). For IFM's FY09 and FY10 (June yr end) we now assume FeCr prices of US\$1.25/lb and US\$1.20/lb respectively vs previous estimates of US\$1.20 and US\$1.15/lb. We have also slightly increased costs to reflect the growth in South African CPIX to 7.9% in November 2007. As such we upgrade net profit in FY08/9/10 by 0.7%, 3.0% and 4.3% respectively. A slightly higher longer term cost trajectory means our valuation remains at 170p. We expect key newsflow going forward to be finalisation of an agreement with a Chinese bank for financing the expansion to 665ktpa and interim results for the half year to Dec'07.

- Ferrochrome forecast update:** The Q1 settlement of US\$1.21/lb for charge chrome represents a new record. Given the high carbon spot price of US\$1.81/lb, we believe the direction for contract charge pricing remains clearly upwards, helped by a recovery (albeit fragile) in stainless steel in our view, though we do not believe spot prices indicate an achievable price for charge contracts for at least the next couple of quarters. We increase our Q2 2008 estimate to US\$1.25/lb and set this as the average for IFM's FY09 (June yr end), which we believe is conservative. For FY10, we marginally increase our estimated ferrochrome price to US\$1.20/lb. Beyond that, we continue to forecast the price reverting to a long term level of 85c/lb by FY2013.
- Estimate impact:** The impact on net profit forecasts is modest, being partially offset by slightly higher cost assumptions. We note that South African CPIX has risen sharply to 7.9% in November 2007 from 5.3% at the beginning of the year. We now assume unit costs of 53.8c/lb in FY08 and 53.4c/lb in FY09 including depreciation, at Rand/US\$ rates of R6.9/US\$ and R7.1/US\$ respectively. Combining slightly higher near term forecasts with a slightly higher long term cost trajectory, our valuation remains at 170p and we reiterate a Buy recommendation.

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As from 14 February 2005, the formula is:	Prior to 14 February 2005, the formula was:
Buy > +20%	Buy > +15%
Add +10% to +19.99%	Add +5% to +15%
Hold 0% to +/-9.99%	Hold -5% to +5%
Reduce -10% to -19.99%	Reduce -5% to -15%
Sell > -20%	Sell > -15%

## Distribution of Ratings

	US Requirement		UK Requirement	
	All Securities	Corporate Clients	All Securities	Corporate Clients
Buy	42%	74%	47%	12%
Add	28%	22%	28%	6%
Hold	25%	4%	21%	3%
Reduce	3%	0%	3%	0%
Sell	2%	0%	1%	0%
	100%	100%	100%	

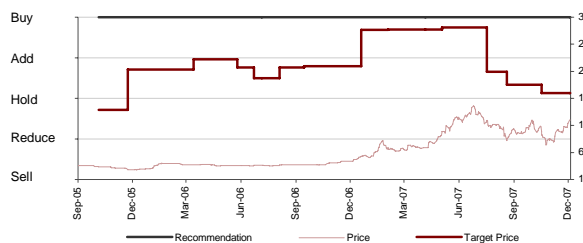
*The above table shows the split of recommendations based on the last recommendation for each research stock during the last four calendar quarters.*

*The above table shows the split of recommendations based on all recommendations during the last calendar quarter.*

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## Three Year - Recommendation, Target Price & Share Price History

### International Ferro Metals (ord)



Source: Numis Securities Research Department

On 14 February 2005, the basis for making recommendations changed. Details are contained in the Ratings Key.