



# Ferrexpo Group

Progress through volatile times

February 2009 - BMO Capital Markets 2009 Global Metals & Mining Conference



# Disclaimer

This document is being supplied to you solely for your information and does not constitute or form part of any offer or invitation or inducement to sell or issue, or any solicitation of any offer to purchase or subscribe for, any shares in the Company or any other securities, nor shall any part of it nor the fact of its distribution form part of or be relied on in connection with any contract or investment decision relating thereto, nor does it constitute a recommendation regarding the securities of the Company. No information made available to you in connection with this document may be passed on, copied, reproduced, in whole or in part, or otherwise disseminated, directly or indirectly, to any other person.

Some of the information in this document is still in draft form and is subject to verification, finalisation and change. Neither the Company nor its affiliates nor advisers are under an obligation to correct, update or keep current the information contained in this document or to publicly announce the result of any revision to the statements made herein except where they would be required to do so under applicable law.

No reliance may be placed for any purpose whatsoever on the information contained in this document. No representation or warranty, expressed or implied, is given by or on behalf of the Company or any of the Company's directors, officers or employees or any other person as to the accuracy or completeness of the information or opinions contained in this document and no liability whatsoever is accepted by the Company or any of the Company's members, directors, officers or employees nor any other person for any loss howsoever arising, directly or indirectly, from any use of such information or opinions otherwise arising in connection therewith.

This presentation and its contents are confidential. By reviewing and/or attending this presentation you are deemed to accept that you are under a duty of confidentiality in relation to the contents of this presentation. You agree that you will not at any time have any discussion, correspondence or contact concerning the information in this document with any of the directors or employees of the Company or its subsidiaries nor with any of their customers or suppliers, or any governmental or regulatory body without the prior written consent of the Company.

Certain statements, beliefs and opinions in this document and any materials distributed in connection with this document are forward-looking. The statements typically contain words such as "anticipate", "assume", "believe", "estimate", "expect", "plan", "intend" and words of similar substance. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risk, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Statements contained in the document regarding past trends or activities should not be taken as a representation or warranty (express or implied) that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast. You should not place reliance on forward-looking statements, which speak only as of the date of this document.

You should not base any behaviour in relation to financial instruments related to the Company's securities or any other securities and investments on information until after it is made publicly available by the Company or any of their respective advisers. Any dealing or encouraging others to deal on the basis of such information may amount to insider dealing under the Criminal Justice Act 1993 and to market abuse under the Financial Services and Markets Act 2000.

# Ferrexpo – a Snapshot

## Corporate outline

- UK-incorporated plc
- Full Main Board LSE listing since June 2007 - FTSE 250 member
- UK Corporate Governance in place - independent Board
- Swiss headquarters (marketing & finance) – Swiss tax domicile
- Ukrainian mining operations

## Key facts

- Produce exclusively iron ore pellets
- 44% of production is high-quality 65% Fe pellets – remainder is 62% Fe pellets
- Produced 9.0mt in both 2007 & 2008
- Processing plant capacity of 12mtpa
- Approximately 6.5 billion tonnes of JORC resources
- Average ore grade c. 30% Fe
- Further c. 14 billion tonnes of resources classified under Soviet GKZ Code
- Primarily an export business
- Supplies customers in Central and Eastern Europe and Asia



## Competitive advantages

- Operating for 30 years
- Very large iron ore resource – largest in Europe
- Location ‘on the doorstep of Europe’ - proximity to key customers
  - Continuous rail ‘just in time’ delivery service to many customers
  - Lowest cost of supply to key customers
- Very strong customer relationships in Traditional (Europe) and Growth (Asia) markets

## Growth

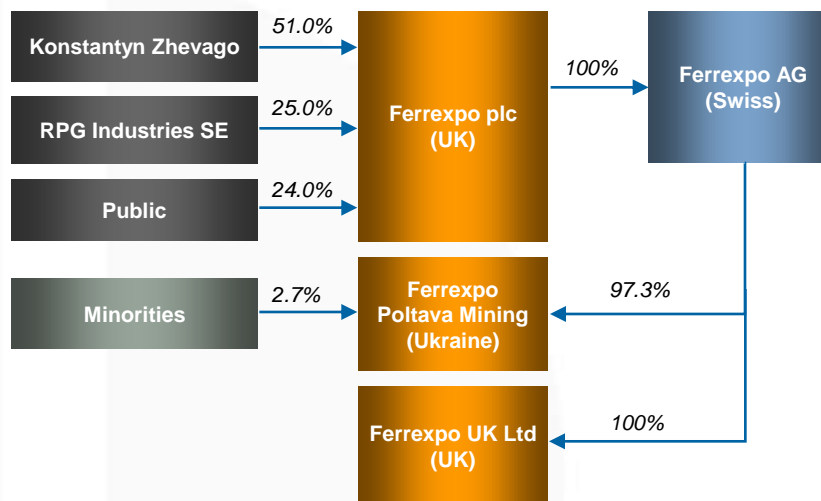
- Major capital projects on hold due to downturn
- Plans to double then quadruple production remain a priority
- Focus now on efficiency of existing operations and product quality

# History and Structure

## History and development

<b>Dec 2008</b>	DCM minority bought out of operating asset
<b>Oct 2008</b>	RPG Industries SE buys 25% of Ferrexpo
<b>June 2007</b>	Ferrexpo plc lists on the Main Board of the LSE with pre-IPO market capitalisation of US\$1,671m at 140p per share
<b>2004/05</b>	New international management team appointed to list the Company and initiate Business Improvement Programme
<b>2001</b>	Kostyantyn Zhevago buys out business partners
<b>1996 - 2000</b>	Kostyantyn Zhevago and business partners acquire majority of shares in Poltava GOK, Ferrexpo's operating asset, in a series of transactions
<b>1995</b>	Privatisation process commences
<b>1977</b>	Soviet era production of iron ore pellets
<b>1970</b>	Soviet-era mining and iron ore concentrate production
<b>1960s</b>	Mining operations commence at Poltava at current FPM site

## Current shareholdings



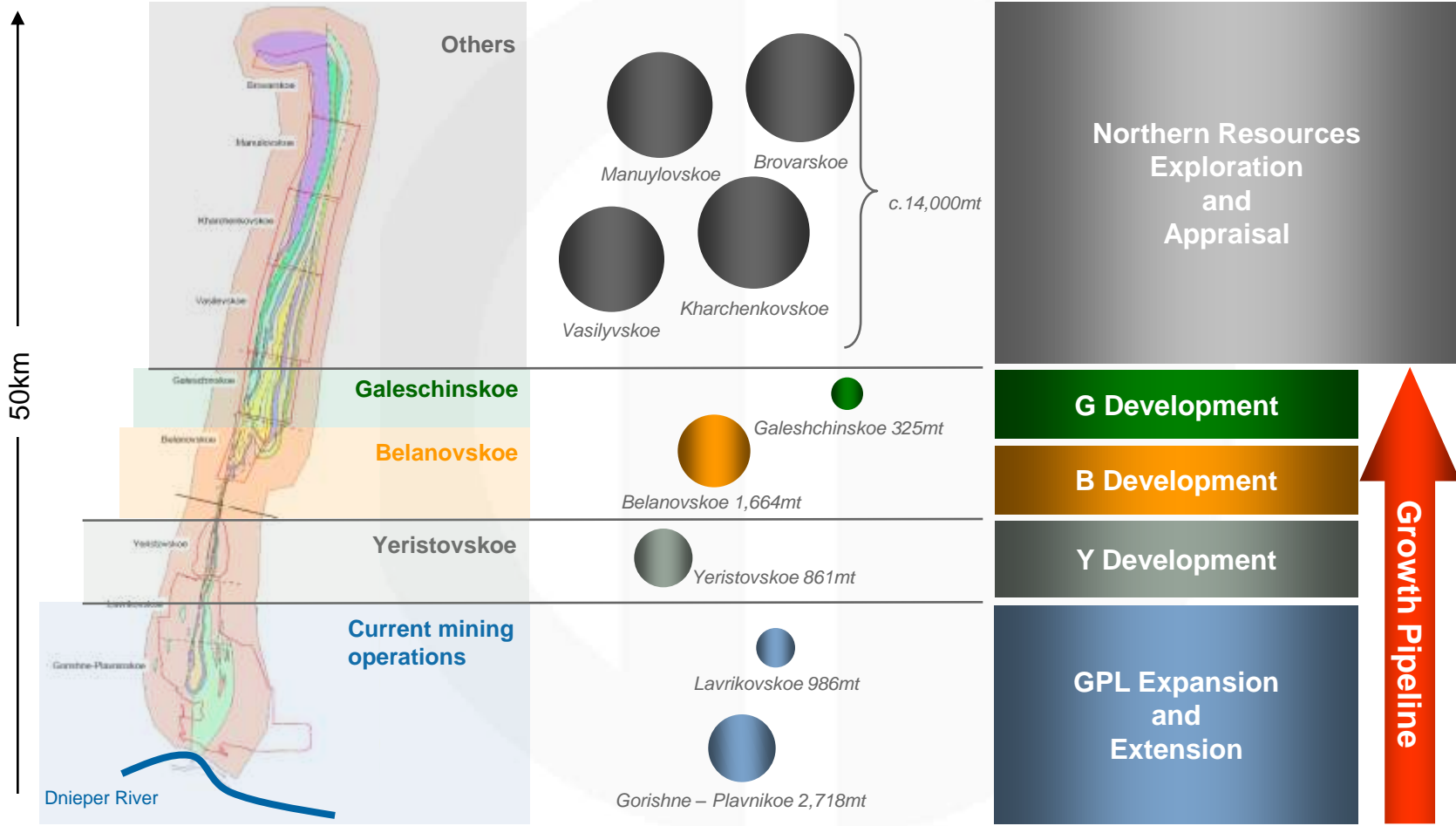
## JORC reserves and resources

	Reserves		Resources (incl. Reserves)			
	Proved and probable		Measured and indicated		Inferred	
	million tonnes	Fe grade (%)	million tonnes	Fe grade (%)	million tonnes	Fe grade (%)
Gorishne-Plavninskoye	798	29	1,443	30	1,275	31
Lavrikovskoye	157	32	812	30	174	29
<b>Total producing assets</b>	<b>955</b>	<b>30</b>	<b>2,255</b>	<b>30</b>	<b>1,449</b>	<b>31</b>
Yeristovskoye	632	34	765	27	96	17
Belanovskoye			1,627	31	37	30
Galeshinskoye			325	59	29	59
<b>Total projects</b>	<b>632</b>	<b>34</b>	<b>2,717</b>	<b>33</b>	<b>162</b>	<b>27</b>
<b>Total assets</b>	<b>1,587</b>	<b>32</b>	<b>4,972</b>	<b>32</b>	<b>1,611</b>	<b>30</b>

Source: SRK, Turgis Consulting

# Resources and Development Horizons

## Substantially under-exploited iron ore resources



# Supplier of Choice to Critical Customer Group

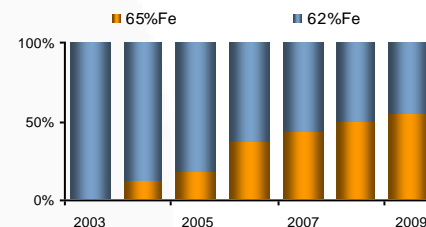
## Position of operations – location is KEY



## Competitive cash supply costs

First (lowest cost) quartile of iron ore pellet supply into existing markets in Central and Eastern Europe on a CIF basis

## Production quality increasing



Potential for DR (68% Fe) pellets under consideration

## Investments in logistics

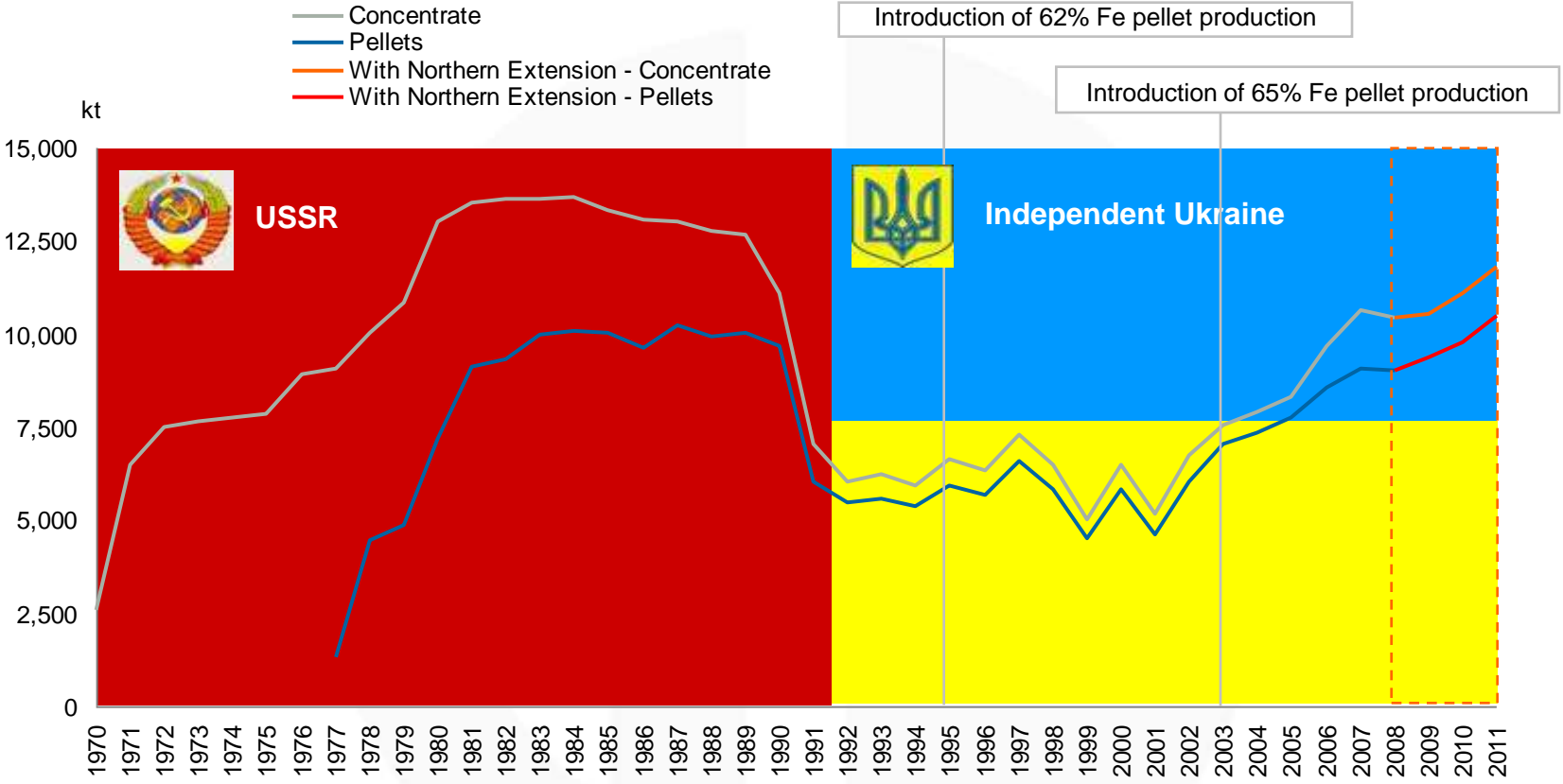
### Rail:

Own 557 railcars, with 36 more on order

### Shipping:

Own 49.9% of TIS Ruda ocean vessel port facility, with access to 100% of 5mtpa capacity

# History of Sustained Production



**Ferrexpo is in a position to exceed its historical production highs**

# Strong Focus on Strategic Marketing

## Three strategic marketing segments



- Recent demand weakness has been seen in all segments, but particularly in Traditional Markets – especially Ukraine
  - Ukraine was c.16% of sales in 2007 – less in 2008
- Strong customer relationships built through longstanding contract business have paid off in downturn
  - Loyalty – our pellets often reduced less/last
  - Small-parcel rail delivery service – allows customers to manage inventory effectively
  - Environmentally friendly – short transportation distances and pelletising process better than sintering – whole offering has fewer emissions
- Ferrexpo well placed to GAIN market share in downturn

## Marketing strategy in 2009

- Traditional**
  - Continue to build on historic relationships and logistics advantages
  - Strengthen existing reputation as regional supplier of choice due to reliability, proximity
  - Stress value-in-use marketing and environmentally friendly offering (particularly EU)
  - Ukraine: resume supply to existing customers when possible
- Growth**
  - Long term contracts with selected steel mills in China
  - Further develop relationships in China and other Asian countries providing access to seaborne spot market
  - Leverage Ferrexpo Marketing presence in Shanghai
  - Continue to build the Ferrexpo brand in Asia to maximise short term sales while preparing for future Ferrexpo products growth
- Natural**
  - Leveraging logistics, proximity
  - Grow long term supply to customer in Turkey
  - Further trials and progress in Western Europe
- c. 90% of Ferrexpo production sold on long term framework contract in 2007**
  - Likely to be less in 2008 and 2009 as crisis requires more seaborne spot business
  - Maximising number and duration of long term supply contracts remains a priority for Ferrexpo – goal is c. 90% of sales

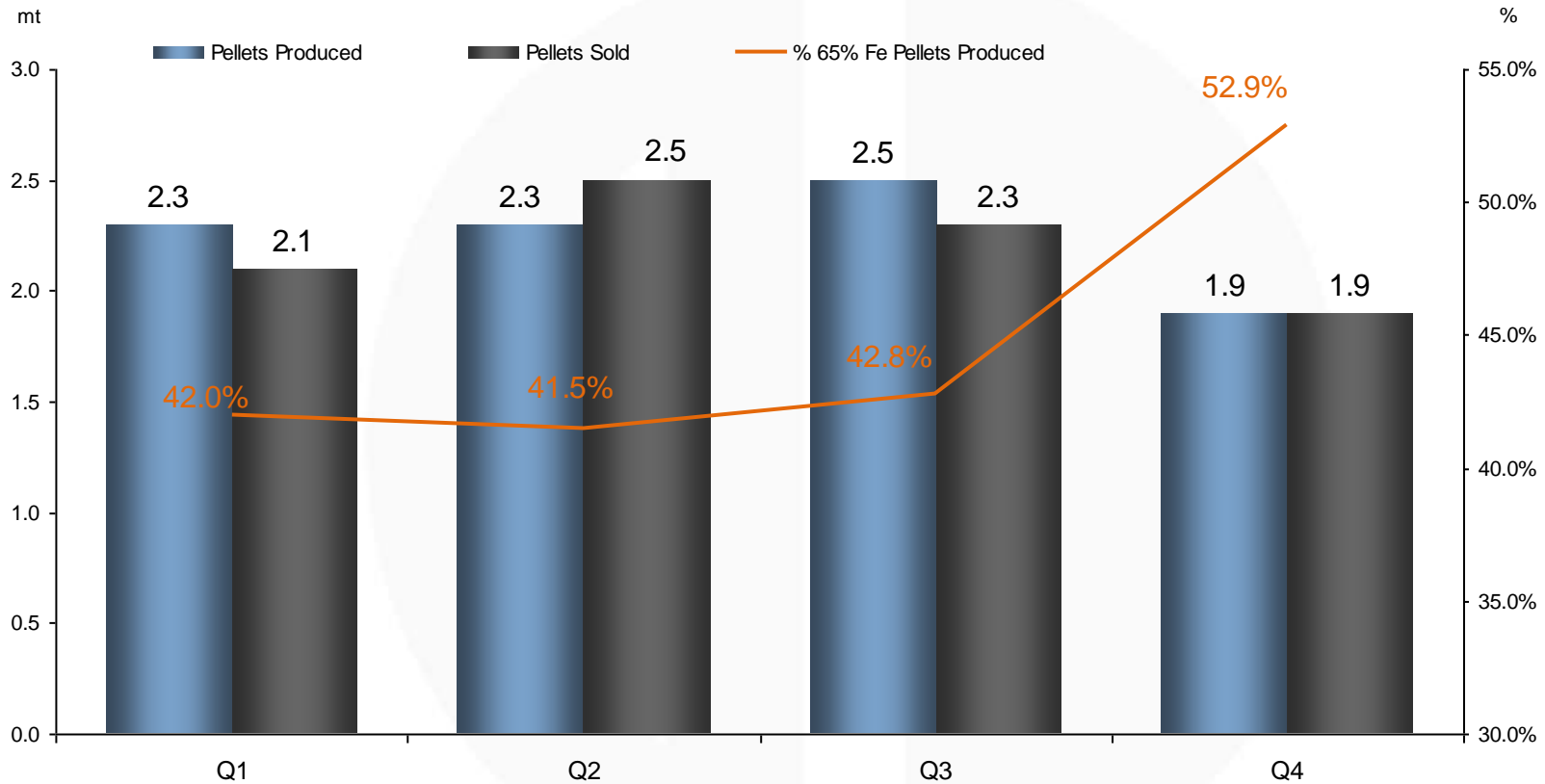
# Slowing Demand – Events of Q4 '08

- Worsening steel market environment evident from late summer 08
  - Banking crisis resulted in global economic slowdown
- In early October our only major Ukrainian contract customer suspended all purchases of iron ore
  - Prices for Ukrainian steel had fallen sharply – heavy export reliance
  - We announced our intention to attempt to divert this tonnage to other customers
- In late October several long term export customers deferred deliveries of contracted tonnage
  - Cited a rapid decline in steel demand
  - In breach of contract – but undertook to take tonnes in 2009 if possible
- In November a marked contraction in Asian spot market activity limited our ability to obtain alternative buyers for deferred tonnages
  - Again brought on by lower demand and de-stocking by steel mills worldwide
  - As a result we reduced production in November by approximately 30%
- Spot prices have since firmed and some iron ore purchasing activity resumed in December
  - In response we increased production to around 90% of normal levels in December
  - We were able to supply pellets to existing customers under long term contracts and also sell some tonnage deferred under these contracts on the seaborne spot market
- Production was running at a record rate in 2008 –
  - This planned decrease in production volumes in November and December resulted in flat total year-on-year production

**Production and marketing flexibility reduced the impact of the Q4 demand slowdown**

# Production and Sales Performance - 2008

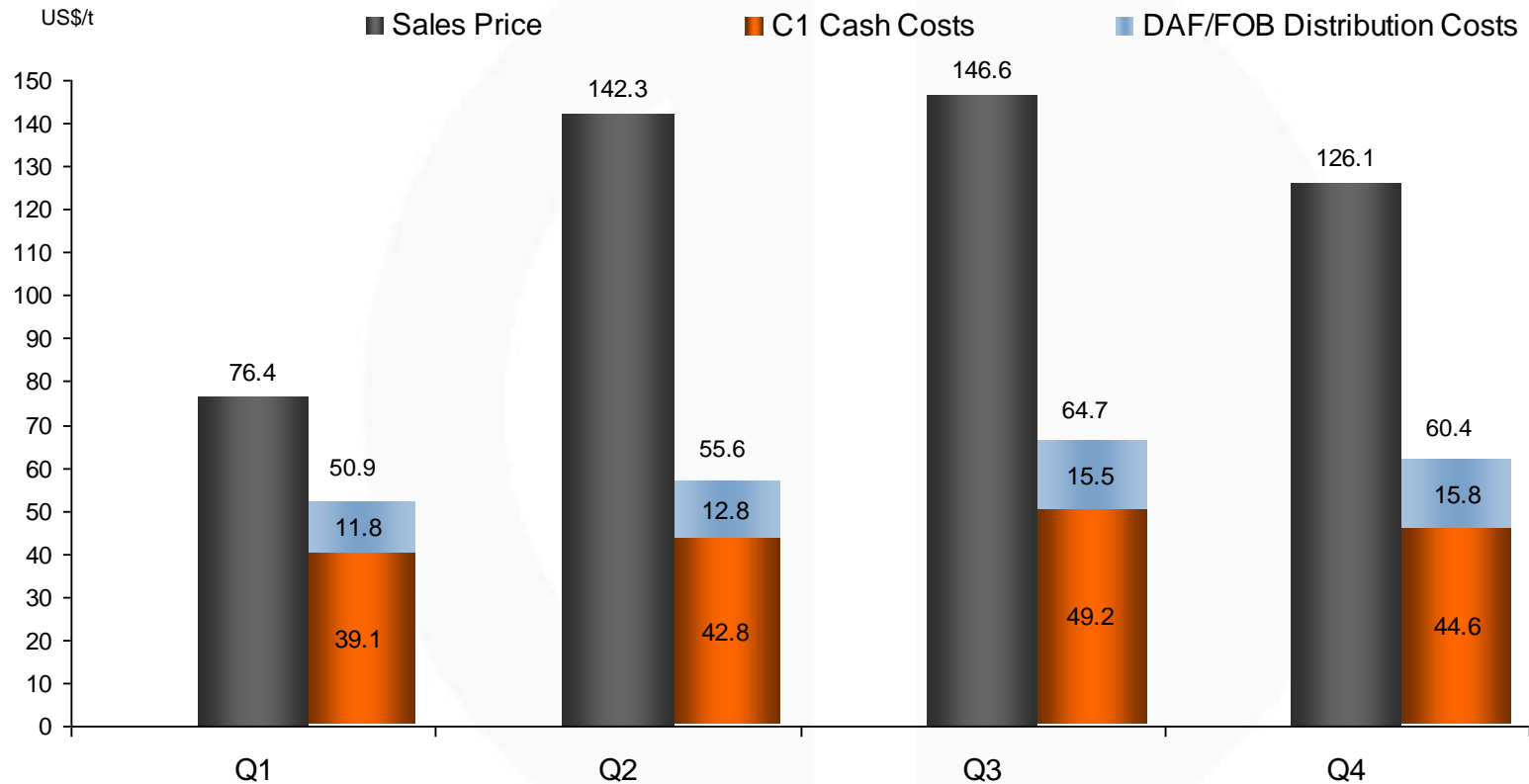
## Production stable and quality improved



- Record production in the first 10 months of 2008 – deliberate decrease thereafter
- Record price settlements (in excess of the Benchmark) for the 2008/2009 contract year
- Substantially all 2008 production sold

# 2008 Results Preview

## Dollar per tonne statistics for 2008 by quarter<sup>1,2</sup>

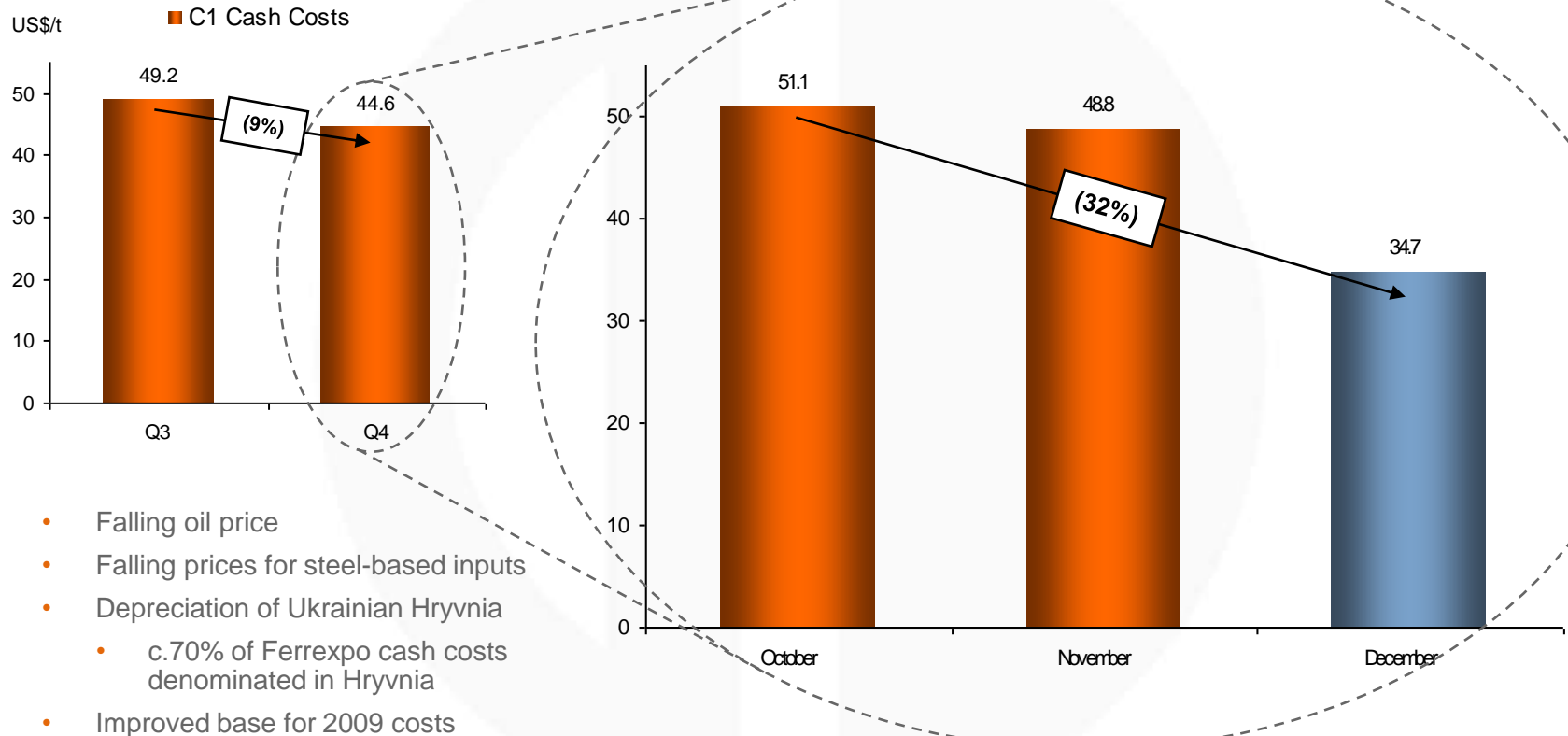


<sup>1</sup> C1 costs are total cash costs of production of pellets from produced concentrate, ex-works

<sup>2</sup> Does not reflect administrative and other cash costs

# C1 Costs came down rapidly in Q4 '08

## C1 Cash Costs of Production per tonne by month for Q4 2008



Cash costs of production down 13% in December vs 2008 average

# Debt Facilities and Funding

- Ferrexpo's principal debt facility is a US\$335 million pre-export financing facility
  - Priced at LIBOR + 235bps
  - Facility requires refinancing in December 2010
  - Facility is fully drawn down
  - Net debt at 31 December 2008 was approximately US\$220 million
  - Cash headroom of approximately US\$85 million
- Small amounts of other debt funding available
- Ferrexpo is in cash conservation mode
  - Development capital expenditure on hold
  - Sustaining capital expenditure reduced to minimum
  - Focus on cost reduction, sales maximisation
- Ferrexpo is operating comfortably within its existing facilities

# Strategy

- Conserve cash and protect margins through:
  - Aggressive cost and capital expenditure reduction
  - Maintaining the cost competitiveness of our existing operations
- Leverage our marketing platform using our strong customer relationships and beneficial location to maintain sales volumes and increase market share in our Traditional Markets
- Retain flexibility to react quickly to changes in the iron ore market
  - Manage production and investment in growth
- Pursue best practice in our mining operations, financial and risk management, and corporate governance
- Ultimately resume the commercialisation of our extensive undeveloped ore deposits when it is prudent to do so

# Outlook for Ferrexpo

- The short-term outlook for the global economy and for Ferrexpo's iron ore markets is likely to remain volatile for some time
  - Over the long term we are optimistic about the demand picture for global iron ore as economies recover and return to the steel-GDP relationship trend
- Following our strong performance in 2008, we have started the new year profitably
  - We are nonetheless trading at lower margins in view of the changed price regime
- We remain confident about trading in 2009 because of our unique competitive advantages, most notably:
  - Advantageous location opposite our customers
  - Strong customer relationships
  - Falling cost base
- In spite of weak demand from our long term contract customers as downstream inventory de-stocking continues, the resumption of iron ore spot market activity and firmer seaborne spot prices is enabling us to continue to maintain positive margins
- Ferrexpo remains flexible, resilient and efficient and is well placed to benefit from any upturn
  - We believe we are well placed to increase market share and continue to trade profitably

# Compelling investment case



One of two pure play iron ore companies in the FTSE UK indices

One of the largest iron ore resources in the world

Location, location, location

Strong strategic marketing capability and customer relationships

Capacity to accelerate growth when prudent