

30 June 2010

**Ferrexpo plc**  
**(“Ferrexpo” or the “Group” or the “Company”)**

**Disclosure of First Quarter Results**

Ferrexpo is releasing its results as at and for the three months ended 31 March 2010. Shareholders should note that Ferrexpo has no current plans to release quarterly results with respect to any future periods.

**Financial Highlights**

- Revenue up by 34% to US\$188.9 million
- EBITDA up by 30% to US\$46.0 million
- Underlying profit for the period up by 28% to US\$26.2 million
- Exceptional write down on VAT receivable of US\$15.0 million
- Reported profit for the period down by 46% to US\$11.6 million
- Underlying diluted earnings per share up 28% to 4.47 US cents
- Reported diluted earnings per share down 47% to 1.96 US cents

**Operating Highlights**

- Material improvement in demand for our pellets
- Production up by 24% to 2.3 million tonnes of pellets
- Production of 65% iron content pellets and 62% iron content pellets each accounted for approximately 50% of output
- Average C1 cash cost of US\$38.48/tonne
- Prices were in-line with the agreed 2009/10 Benchmark price
- Geographical sales mix normalised – 65% Traditional markets
- Over 90% of sales volume based on long term framework contracts

**Outlook**

- Iron ore demand has recovered from its 2009 lows, suggesting that iron ore pellet prices should remain well above 2009 levels for the remainder of 2010. For the April to June 2010 quarter, Ferrexpo has already or expects to secure significant average DAF/FOB price increases in line with international pricing for all of its production.
- Due to the improved pricing environment and through continued effective management of the cost base the Board expects the Group to realise a strong financial performance for the remainder of the year compared with 2009 levels.

**Kostyantyn Zhevago, Chief Executive Officer of Ferrexpo commented:**

"I am delighted to report consistently strong production levels. We are maintaining disciplined cost control and the Group is well positioned to capitalise on current conditions in the iron ore market. As such, the Group is actively engaged in re-evaluating growth project budgets and schedules in order to realise full value for our shareholders."

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Notes to Editors:

Ferrexpo is a Swiss headquartered resources company with assets in Ukraine, principally involved in the production and export of iron ore pellets, used in producing steel. Current output is approximately 9 million tonnes, most of which is exported to steelmakers around the world. The Group is listed on the main market of the London Stock Exchange under the ticker FXPO. For further information please visit [www.ferrexpo.com](http://www.ferrexpo.com).

## **Summary**

The Group's results for the first quarter of 2010 reflected improving industry fundamentals after the severe global downturn witnessed in 2009. Renewed sales demand resulted in a 29% increase in sales volumes compared with the first quarter of 2009.

Following a recovery in our Traditional customers' end markets, we witnessed an immediate and continued improvement of our sales profile with over 65% of our sales volume made to Traditional customers as opposed to 26% in the first quarter of 2009. Over 90% of our sales volumes were based on long-term volume framework agreements compared with 44% in the first quarter of 2009.

Pricing for the first quarter of 2010 predominantly reflected the annual Benchmark price from 1 April 2009 to 31 March 2010, while disciplined cost management ensured that our C1 cost of production was in line with the comparable 2009 period despite cyclical price increases for commodity based inputs and inflationary pressures in Ukraine.

## **Results**

Our mining operations and marketing division were able to produce and sell at full capacity throughout the period. Higher average DAF/FOB prices, increased volumes and contained cost pressures resulted in a significant improvement in the underlying financial performance for the first quarter of 2010 compared with the corresponding period in 2009.

As a result, revenues in the period under review were US\$188.9 million, 34% above those achieved in the first three months of 2009 (1Q 2009: US\$141.3 million). EBITDA for the period rose 30% to US\$46.0 million (1Q 2009: US\$35.5 million) and underlying Group profit for the period increased 28% to US\$26.2 million (1Q 2009: US\$20.4 million). On a reported basis, Group profit for the period declined to US\$11.6 million (1Q2009: US\$21.6 million) due to an exceptional write down on VAT receivables of US\$15.0 million.

## **Market Environment and Pricing**

The global recession, that began in the final quarter of 2008 and commenced a slow recovery in the latter part of 2009, has had a marked effect on industry fundamentals, specifically on annual iron ore benchmark pricing arrangements. Reliance on iron ore spot market prices during the downturn increased dramatically notwithstanding agreed benchmark pricing between steel producers and iron ore suppliers. As a result, the largest iron ore producers have now substantially agreed quarterly pricing with their customer base from 1 April 2010. This represents a fundamental change to the previous annual pricing system which had been in place for 40 years.

The industry, however, remains in a period of transition with regard to establishing a new pricing methodology, and there is at the moment no clarity with respect to the frequency with which benchmark price settlements will occur going forward. We currently expect that it could take several quarters before a generally accepted methodology emerges and the transparency that existed under annual benchmark price arrangements returns. In the meantime we are focusing on establishing provisional pricing with our customers at current market levels. These provisional prices will generally be subject to adjustment once finalised industry prices are available. While it is impossible at this time to predict whether more frequent re-pricing would have any effect on the overall average annual pellet prices we achieve, it would likely give rise to a greater degree of short term period-to-period variability in our results than has previously been the case.

## **Marketing**

The impact of the recovery in demand can be seen in our first quarter results. Our geographic sales mix reverted to more normal patterns with 65% of total pellet sales volumes to our Traditional

markets, 23% to Growth markets and 12% to Natural markets. By comparison in the first quarter of 2009, only 26% of sales were made to Traditional markets, with 65% to Growth markets, 6% to Natural markets and 3% to our Domestic market.

Our geographical proximity to our Traditional customers via rail and river infrastructure in Eastern and Central Europe give us a significant freight cost advantage over international competitors. Moreover, we enjoy supply chain flexibility and can make smaller and more frequent deliveries that meet our Traditional customers' timing needs and storage constraints. These factors have historically enabled us to negotiate higher DAF/FOB per tonne pellet prices in our Traditional markets than elsewhere. Absent significant changes in the supply-demand environment, we have no reason to expect that this will not continue to be the case.

## Operations

### Production

Ferrexpo's mining operations continued to perform consistently well in the first quarter of 2010. The Group produced at full capacity through-out the period under review, increasing production by 24% relative to the first quarter of 2009, when unusually severe weather conditions affected production. As a result the volume of pellets produced from own ore increased 15% during the period to 2.2 million tonnes compared to the first three months of 2009 (1Q 2009: 1.9 million tonnes). The Group also purchased third party concentrate producing 0.2 million tonnes of pellets (1Q 2009: nil). We will continue to purchase third party concentrate provided we can ensure a sufficient margin is realised.

In total, the Group produced 1.1 million tonnes of higher grade 65% iron content pellets during the period, a 15% increase compared to the same period last year (1Q 2009: 0.9 million). The split between 62% and 65% iron content pellets was broadly similar to the split in the first quarter of 2009 – around the 50% level. The Company does not anticipate a significant change to this ratio for the remainder of the year. A further breakdown of our production statistics for the quarter can be seen below.

### Production statistics

*('000t unless otherwise stated)*

<b>Production in Tonnes '000</b>	<b>1Q 2010</b>	<b>1Q 2009</b>	<b>% Change</b>
<b>Production from own raw materials</b>			
Iron Ore	7,213.0	6,192.1	16.5
Concentrate	2,694.9	2,287.6	17.8
<b>Pellets</b>			
62% Fe	1,172.1	905.9	29.4
65% Fe	990.2	977.4	1.3
<b>Total Pellets</b>	<b>2,162.3</b>	<b>1,883.3</b>	<b>14.8</b>
<b>Production/reprocessing from purchased raw materials</b>			
<b>Pellets</b>			
62% Fe	47.7	0.0	
65% Fe	129.6	0.0	
<b>Total Pellets</b>	<b>177.3</b>	<b>0.0</b>	
<b>Total Pellets Produced</b>	<b>2,339.6</b>	<b>1,883.3</b>	<b>24.2</b>
62% Fe	1,219.8	905.9	34.7
65% Fe	1,119.8	977.4	14.6

## Costs

Cost pressures increased in the first quarter of 2010. Local PPI inflation of 7% and cyclical price increases for inputs such as oil and steel resulted in an increase in the Group's C1 cash cost. This was mitigated by a 4% depreciation of the hryvnia to the US dollar. The average UAH/US\$ exchange rate for the period ended 31 March 2010 was UAH/US\$8.0 compared to UAH/US\$7.7 for the equivalent 2009 period. Furthermore, operating efficiencies from the Business Improvement Programme ("BIP"), helped to further offset local cost inflation. Overall, the Group's C1 cash cost increased 3% to US\$38.48 per tonne compared with US\$37.38 for the equivalent 2009 period.

Higher sales volumes of 29% resulted in a 3% reduction in the Group's DAF/FOB selling and distribution expense per tonne. Selling and distribution expenses also reflected the change in our geographic sales profile as more product was shipped by rail to our Traditional customers and less product was shipped to our Growth markets.

## Capital Expenditure

The Group placed all significant capital expenditures on hold in October 2008 in response to the global financial crisis. In 2009 we did, however, continue to moderately invest in our growth projects so as to progress critical path items and maintain value.

With the subsequent material improvement in iron ore markets and current pricing levels the Group is in a position to increase its level of expenditure and is actively engaged in a process of re-evaluation of project budgets and schedules. The projects described below are discretionary and can be undertaken when funding and market conditions allow.

### ***Northern Pushback and mine life extension of existing pit (Ferrexpo Poltava mine)***

The Northern Pushback project focuses on extending the current pit to access additional high quality K22 ore at the northern end of the Lavrikovskoe deposit. The extension is expected to increase mine capacity by approximately 3.5 million tonnes per annum of ore which, after processing, should convert into approximately 1.2 million tonnes per annum of 65% iron content pellets. The project primarily involves an additional mining fleet as well as mine stripping operations.

The Northern Pushback project was initiated in 2007 and subsequently put on hold in October 2008 before any significant level of stripping activity had been undertaken. The projected overall cost was initially estimated at US\$159 million. The Group is engaged in revaluating the project's schedule and budgets, and is expected to resume the project when market conditions allow.

Ferrexpo is also conducting a program of additional stripping to extend the life of the existing pit. Combined with the Northern Pushback project, management estimates this could deliver production of 32 million tonnes per annum of iron ore compared to current level of approximately 28.5 million tonnes per annum, and extend the life of the Poltava mine until approximately 2038. The additional mining fleet is expected to be delivered in the second half of 2010, following which Ferrexpo Poltava will re-initiate stripping operations.

### ***Quality upgrade at current processing facilities***

We are implementing a plan to improve the grade of iron ore concentrate by implementing additions to and modifications of the existing crushing and concentrating facilities with the aim of providing the capability to produce up to 100% proportion of 65% iron content pellets. Our facilities are currently limited to producing up to 50% proportion of 65% iron content pellets. Development will include additional grinding facilities within the current concentrator plant to achieve a finer grade as well as a second flotation plant to allow the concentrate to be processed through the flotation stage producing a single grade suitable for 65% iron content pellets. The expected timeframe for this project is three

years. Once the project is completed the Group envisages a step change to 100% proportion of 65% iron content pellet production, or that it will be able to vary the proportions of 65% and 62% iron content pellets to optimise profitability.

### ***Developing the Yeristovo deposit***

We hold a licence to mine the Yeristovo iron ore deposit, which is adjacent to the current Poltava mine. The deposit has probable reserves of approximately 632 million tonnes of iron ore, with an average total iron content of approximately 34%. Yeristovo will be managed and operated independently from the existing mine, although its proximity to the existing pit will facilitate the sharing of certain facilities and resources, particularly during the early stages of operation, and should allow current best practice being used in the Poltava mine to be introduced immediately at the Yeristovo mine.

The Yeristovo project was initiated in 2006. In 2008 we completed a feasibility study for the development of this deposit. Management currently estimates the total cost for the completion of the mine, processing plant and pelletiser at around US\$1.5 billion. However, this estimate is currently being re-evaluated and re-engineered and will be presented to the Board in the later part of 2010 with a view to increasing our level of activity. Currently, only capital expenditure for mining has been approved, with a projected cost of US\$225 million in order to achieve first ore in 2013.

In terms of minimising the execution risk to the financial position of the Group, we have the ability to develop Yeristovo in stages, first developing the mine, then adding concentrating and processing capacity and finally pelletising capacity. This will provide both investment flexibility should market conditions or the Group's cash flow position vary from plan, and allow the Group to benefit from increases in incremental production.

Accordingly, we anticipate that the project will increase the production of pellets initially processed by the existing Poltava mining facility from the current 9.0 million tonnes to 12.0 million tonnes per annum. This will be due to additional ore from the new Yeristovo mine supplemented by ore from the Northern Pushback expansion project currently planned at the Poltava mining facility.

Once completed, it is anticipated that the Yeristovo open cut mine will produce sufficient new ore for the production of around 10 million tonnes per annum of merchant concentrate on a standalone basis, with the addition of crushing and concentrating facilities estimated to cost around US\$750 million. Depending on further investment a pelletising plant estimated at around US\$500 million, could be constructed to convert merchant concentrate into between 5.0 and 7.5 million tonnes of pellets should anticipated market conditions allow a premium for pellets.

As a result, it is anticipated that ore from Yeristovo will allow annual pellet production to increase by 2018 from current levels of approximately 9.0 million tonnes of pellets per annum to between 12.0 million tonnes and 19.5 million tonnes of pellets per annum, with the balance of any iron ore output to be processed and sold as merchant concentrate.

### **Health and Safety**

As with the 2009 financial year, there were no fatalities at our operations during the first quarter of 2010. We continue to work with Du Pont Safety Resources to strive for further improvements across all areas of corporate social responsibility, especially safety. One aspect of our increasing focus on health and safety is more frequent reporting of Lost Time Injuries ("LTI") although this does not necessarily mean that the underlying rate increased during the period. For the first quarter of 2010, 11 LTI's were reported compared with 1 LTI in the first quarter of 2009.

## **Strategy and Outlook**

Ferrexpo intends to continue to produce at full capacity and to manage its cost position. Provided there is not a repeat of the collapse in demand witnessed in 2009, this should allow us to benefit from the improved pricing environment in 2010. The Group is also re-evaluating the costs and schedules for implementation of its medium term growth projects.

## Operating and financial performance

### Sales and iron ore pellet prices

The following table provides a breakdown of revenue per product type sold.

<i>(US\$ million)</i>	<b>3 months ended 31.03.10</b>	<b>3 months ended 31.03.09</b>
<b>Export sales:</b>		
62% iron content pellets	92.0	70.0
65% iron content pellets	95.3	67.5
<b>Total</b>	<b>187.4</b>	<b>137.8</b>
<b>Domestic sales:</b>		
62% pellets	0.1	3.3
<b>Non-pellet sales:<sup>1</sup></b>	<b>1.5</b>	<b>0.2</b>
<b>Total revenue</b>	<b>188.9</b>	<b>141.3</b>

<sup>1</sup> Non-pellet sales primarily relate to the sale of gravel.

Revenue increased by 33.7% to US\$188.9 million for the three months ended 31 March 2010 (1Q 2009: US\$141.3 million). This was driven by the global economic recovery following the downturn in 2009, with improved demand from our core customer base in our Traditional markets in Central and Eastern Europe. Sales volumes increased 29.2% to 2,226 kilotonnes in the first three months of 2010 compared with 1,722 kilotonnes in the in the corresponding three month period.

### Production

<i>(in thousand tonnes)</i>	<b>3 months ended 31.03.10</b>	<b>3 months ended 31.03.09</b>	<b>Year ended 31.12.09</b>
62% iron content pellets	1,220	906	4463
65% iron content pellets	1,120	977	4304
<b>Total pellets (incl. 3rd party concentrate)</b>	<b>2,340</b>	<b>1,883</b>	<b>8,767</b>

Ferrexpo mined iron ore at full capacity through-out the first quarter of 2010 producing 2.2 million tonnes of pellet from own ore, a 14.8% increase compared with the first quarter of 2009. It also purchased 177 thousand tonnes of pellet equivalent third party concentrate in the first quarter of 2010 (1Q 2009: nil). Third party iron ore concentrate is converted into pellets to utilise spare pelletising capacity where this provides adequate margins. In total, pellet production increased 24.2% over the comparable period. The production split between 62% and 65% iron content pellets was 52.1% and 47.9% respectively broadly similar to 2009 levels.

### Geographic breakdown of pellet sales volumes

	<b>3 months ended 31.03.10</b>	<b>3 months ended 31.03.09</b>	<b>Year ended 31.12.09</b>
Traditional <sup>1</sup>	65%	26%	45%
Natural <sup>2</sup>	12%	6%	8%
Growth <sup>3</sup>	23%	65%	39%
Domestic	0%	3%	7%
Total	100%	100%	100%

<sup>1</sup>Traditional markets include Austria, Ukraine, Czech Republic, Poland, Slovakia, Romania, Bulgaria and Russia.

<sup>2</sup>Natural markets include Western Europe, Turkey and the Middle East

<sup>3</sup>Growth markets include China, India, Japan and South Korea

The geographic mix of pellet sales volumes switched between Growth and Traditional markets in the first quarter of 2010 compared with the first quarter of 2009 reflecting renewed demand growth from our customers in Central and Eastern Europe.

### **Average pellet prices (US\$ per tonne)**

	<b>3 months ended 31.03.10</b>	<b>3 months ended 31.03.09</b>	<b>Year ended 31.12.09</b>
<i>(US\$ per tonne)</i>			
62% iron content pellets	83.9	78.2	68.6
65% iron content pellets	84.6	85.9	73.5
<b>Average total pellet price (incl freight)</b>	<b>84.2</b>	<b>81.8</b>	<b>71.8</b>
<b>Average total DAF/FOB pellet price</b>	<b>80.2</b>	<b>76.7</b>	<b>71.3</b>

Average pellet prices on a DAF/FOB basis increased 4.6% to US\$80.2 per tonne compared with the first quarter of 2009 (US\$76.7 per tonne) and 12.5% when compared to the average achieved price for the 2009 full year (US\$61.3 per tonne). As most of the pricing for the quarter was at the annual (1 April 2009 to 31 March 2010) agreed Benchmark level, the improvement in the average pellet price was due to a price increase for a customer priced on a calendar year basis together with incremental sales on the spot market and an improvement in customer mix as the geographic sales returned to a normal mix.

### **Cost of sales C1 cash costs**

The Group defines the C1 cost of production per tonne as the cash costs of production of iron ore divided by production volume of iron ore. This excludes costs such as depreciation, pension costs, stock movement, costs of purchased ore and concentrate, production cost of gravel, and one-off items.

For the three months ended 31 March 2010, Ferrexpo's average C1 cash cost increased 2.9% to US\$38.48 per tonne compared with US\$37.38 for the comparable 2009 period. The increase was, however, lower than local inflation rate of 6.9 per cent for the period. The Group also experienced cost increases from cyclical inputs such as oil and steel. The Business Improvement Programme ("BIP"), which focuses on operational efficiencies and productivity initiatives, has continued to partly mitigate these pressures and the Group also benefitted from a 3.7% depreciation of the hryvnia against the US dollar.

	<b>3 months ended 31.03.10</b>	<b>3 months ended 31.03.09</b>	<b>Year ended 31.12.09</b>
<i>(US\$ per tonne of pellets)</i>			
Other materials	3.23	2.93	2.61
Electricity	10.37	9.37	9.12
Salary	4.54	4.87	4.38
Spare parts and replaceable equipment	3.1	3.32	3.15
Maintenance services and consumables	3.15	2.34	2.56
Fuel (incl. diesel fuel)	3.67	3.17	3.17
Gas	5.20	5.35	4.29
Taxes	0.69	0.75	0.73
Grinding media	3.74	4.10	3.37
Explosives and blasting materials	0.77	1.19	1.05
<b>Total C1 cost per tonne</b>	<b>38.48</b>	<b>37.38</b>	<b>34.44</b>
<b>Production from own ore, kt</b>	<b>2,162</b>	<b>1,883</b>	<b>8,609</b>

Energy requirements including electricity, fuel and natural gas accounted for 50.0% of total C1 costs for the period, this was at a similar level to 2009 where energy accounted for 47.9% of total costs. Gas requirements generally increase in the first quarter of a year due to colder weather conditions. The electricity price per tonne of pellets produced was in line with the fourth quarter of 2009 due to a

tariff increase in December 2009. Other commodity inflation in the first quarter related to increased steel prices for grinding media.

Local inflation, as shown in the table below, of approximately 6.9% contributed to cost increases during the period although this was offset to some extent by a 3.7% depreciation of the hryvnia to the US dollar. The average UAH/US\$ exchange rate for the period ended 31 March 2010 was UAH/US\$8.0 compared to UAH/US\$7.7 for the period ended 31 March 2009. Operating efficiencies from the BIP also helped to mitigate local cost inflation.

	<b>3 months ended</b>	<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>
	<b>31.03.10</b>	<b>31.12.09</b>	<b>31.12.08</b>	<b>31.12.07</b>
Consumer price index	4.7	15.9	25.2	12.8
Producer price index	6.9	6.5	35.5	19.5

Source: National Bank of Ukraine.

The table below illustrates over a number of years how the BIP has contributed to improved operational performance.

	<b>UOM</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Electricity</b>	kWt per ton of pellets	184.6	183.7	190.9	195.6	205.5
<b>Gas</b>	m3 per ton of pellets	16.3	17.4	18.4	19.2	22.0
<b>Employees</b>	Volume of pellets per employee	1.4	1.3	1.2	1.0	0.7

Overall, cost of sales for the three months ended 31 March 2010 was US\$100.4 million (1Q 2009: US\$70.9 million). Apart from the impact of C1 cash costs discussed above cost of sales also includes third-party iron ore concentrate purchases which were converted into pellets (in the first quarter of 2009 no third part concentrate was processed). During the three months ended 31 March 2010, Ferrexpo Poltava produced 177 kilotonnes of pellets from third-party materials.

### ***Selling and distribution expenses***

The main components of Ferrexpo's marketing and distribution costs are railway freight costs to the Ukrainian border as well as port charges and international freight expenses for pellets shipped by sea and ocean vessels to customers on DES/CFR basis.

The following table highlights the selling and distribution expenses for the periods indicated:

	<b>3 months ended</b>	<b>3 months ended</b>	<b>Year ended</b>
<i>(US\$ million unless otherwise stated)</i>	<b>31.03.10</b>	<b>31.03.09</b>	<b>31.12.09</b>
Railway transportation	20,231	14,115	69,477
Port charges	7,820	8,955	35,295
International freight	8,581	8,822	45,156
Other (commissions, insurances, personnel, d	2,750	1,859	12,338
<b>Total Selling and Distribution expenses</b>	<b>39,382</b>	<b>33,751</b>	<b>162,266</b>
<b>Total Sales volume, kt</b>	<b>2,225</b>	<b>1,722</b>	<b>9,015</b>
<b>Cost per tonne of pellets sold (incl freight)</b>	<b>17.7</b>	<b>19.6</b>	<b>18.0</b>
<b>DAF/FOB per tonne of pellets sold</b>	<b>13.9</b>	<b>14.4</b>	<b>13.0</b>

Total selling and distribution expenses increased 16.7% to US\$39.4 million, compared to US\$33.8 million in the three months ended 31 March 2009. The increase was a function of higher sales volumes and a return of our geographic sales mix to more normal patterns. There was no change to railway tariffs in the first quarter of 2010 or 2009.

Sales volumes increased 29.2% in the period under review. We sold 2.2 million tonnes of pellets in the first quarter of 2010 compared with 1.7 million tonnes in the first quarter of 2009.

Of the volumes sold, 64.7% was sold to our Traditional customers in Central and Eastern Europe compared with only 26.4% in the first quarter of 2009. This resulted in a 43.3% increase in railway transportation costs to US\$20.2 million in the first quarter of 2010, compared to US\$14.1 million in the first quarter of 2009, as our Traditional customers largely receive their product by rail. Port charges correspondingly reduced 12.7% to US\$7.8 million, compared to US\$9.0 million in the first quarter of 2009, reflecting lower seaborne sales to Growth markets as their share of sales volume fell to 22.8% in the first quarter of 2010 compared with 64.8% in the first quarter of 2009.

International freight costs were US\$8.6 million, in line with the equivalent 2009 period. Although we did not ship as much to Growth markets during the quarter we increased barge shipments to a customer in Central Europe. We also increased shipments to Natural markets, which accounted for 12.4% of sales for the period compared to 5.6% in the first quarter of 2009.

When combined with the effect of a 29.3% increase in sales volumes, the selling and distribution expenses per tonne (excluding international freight and insurance) decreased by 3.5% to US\$13.9 per tonne compared with US\$14.4 per tonne for first quarter of 2009.

#### ***General and administrative expenses***

General and administrative expenses were US\$11.4 million for the three months ended 31 March 2010 (1Q 2009: US\$10.7 million) due to inflation in Ukraine and increased activity related to projects and business development.

#### ***Other income and expense***

Other income was US\$0.8 million for the three months ended 31 March 2010 (1Q 2009: US\$1.7 million). The decrease was primarily related to lower sales of equipment spare parts. Other expenses decreased US\$0.1 million to US\$0.5 million for the three months ended 31 March 2010 compared with the equivalent 2009 period.

#### ***EBITDA***

We define EBITDA as profit from continuing operations before tax and finance plus depreciation and amortisation (included in cost of sales, administrative expenses and selling and distribution costs) and non-recurring cash items included in other income and other expenses plus the net gains and losses from disposal of investments and property, plant and equipment.

EBITDA increased by 29.6% to US\$46.0 million for the three months ended 31 March 2010 compared with US\$35.5 million for the three months ended 31 March 2009. The increase was due to 29.2% higher sales volumes and a 4.5% higher average DAF/FOB sales price. This was offset by a 2.9% increase in C1 cash costs per tonne. The EBITDA margin for the first quarter of 2010 was 24.3% compared with 25.1% for the first quarter of 2009.

#### ***Write down of VAT receivable***

The Ukrainian Cabinet of Ministers published on 1 June 2010 that the government intends to convert outstanding overdue VAT balances into government bonds with a coupon interest rate of 5.5% per annum paid semi annually with 10 half-yearly principal repayments.

Until further information is provided uncertainty exists as to the tradability of the bonds, the exact timing and the process of conversion. It is expected that the amount available for conversion into VAT bonds will relate to the outstanding VAT receivable as at 31 December 2009 amounting to US\$81.3 million.

Accounting standards require such financial instruments, when issued, to be fair valued, or, if no market exists, an estimate to be made as to the market value. Market yields on Ukrainian domestic hryvnia debt currently range between 12.0% to 16.0% and have recently been volatile. If these yields were to continue at these levels, they would be higher than the coupon interest rate on the proposed new bond issue. As a result, a one off fair value adjustment could be realised on the initial recognition of this financial instrument. Whilst it is not possible to value this instrument exactly prior to its issue, an estimated gross charge, before any tax deductions of US\$15.0 million, has been recorded in the income statement to reflect management's estimate of the difference between the amount of the VAT receivable that is refundable and the expected fair value of the government bond to be issued in settlement of this debt. This estimate will be revised when the final terms, conditions and features of the new financial instrument are known.

Management believe that the write-down is an exceptional occurrence which is unlikely to be repeated, and that this should be taken into account in order to obtain a proper understanding of the Group's financial performance. The write-down has accordingly been disclosed as a separate line item in the Group's consolidated income statement.

### ***Finance income and expense***

Finance income decreased by US\$0.5 million to US\$0.3 million for the three months ended 31 March 2010 (1Q 2009: US\$0.8 million) due to lower cash balances following reduced operating cashflows in 2009 and higher trade receivables outstanding. At the end of the first quarter 2010 the Group had a cash balance of US\$22.8 million compared with US\$107.3 million at the end of the first quarter of 2009. Finance expense increased to US\$7.9 million for the three months ended 31 March 2010 (1Q 2009: US\$5.5 million) due to higher interest rates under the new pre-export financing facility (LIBOR +7.0% as compared with LIBOR + 2.4% under the old facility). Gross borrowings for the period were US\$309.1 million compared to US\$307.7 million in the first quarter of 2009.

### ***Foreign exchange gain/(loss)***

Operating foreign exchange gains and losses result from the re-valuation of monetary items on the balance sheet, such as trade receivables and trade payables, which are denominated in a foreign currency of a subsidiary into the Group reporting currency at the balance sheet date.

The change in the operating foreign exchange differences is related to the fluctuations in the UAH/US\$ over the comparable periods. The Ukrainian hryvnia depreciated 3.7% during the period against the US dollar from an average of UAH 7.70 for the period ended 31 March 2009 to UAH 7.99 for the period ended 31 March 2010.

Operating foreign exchange losses were US\$0.4 million for the three months ended 31 March 2010 compared with an operating foreign exchange gain of US\$0.3 million for the three months ended 31 March 2009.

Non-operating foreign exchange gains and losses result from the re-valuation of non-monetary items on the balance sheet, such as financial liabilities, loans, taxes and dividends, which are denominated in a foreign currency of a subsidiary into the Group reporting currency at the balance sheet date.

Non-operating foreign exchange gains decreased to US\$0.6 million for the three months ended 31 March 2010 (1Q 2009: US\$1.4 million). The change primarily related to CHF/US\$ exchange rate movements and translation of the liabilities of Ferrexpo AG, which are denominated in Swiss francs. Over the comparable periods the CHF appreciated 2.5% to the US dollar.

### ***Income tax expense***

Profit before tax after the exceptional write down of the VAT receivable was US\$16.1 million for the three months ended 31 March 2010, compared with US\$24.3 million for the three months ended 31

March 2009. Excluding the exceptional item, profit before tax was US\$31.1 million representing a 28.0% increase compared with the equivalent period in 2009. This resulted in an income tax expense of US\$4.5 million compared with US\$2.7 million for the three months ended 31 March 2009. The exceptional charge for the write down of the VAT receivable is not expected to be tax deductible. This contributed to a higher effective income tax rate of 28.0% for the first quarter of 2010 compared with 12.2% for the equivalent 2009 period. The effective tax rate is influenced by the Group's mix of profits primarily between Switzerland and Ukraine and treatment of special items in the local jurisdictions for tax purposes.

### ***Statement of financial position and cash flow***

The Group achieved good cash flows during the period particularly in light of delayed VAT receipts and increased trade receivables. Operating cash flow before working capital charges increased 37.4% in the period to US\$46.3 million (1Q 2009: US\$33.7 million). Net cash flows from operating activities, however, was (US\$2.6) million for the three month period ended 31 March 2010 compared with a US\$38.6 million inflow in the corresponding period in 2009. The working capital outflow of US\$41.8 million was primarily due to an increase in trade receivables as a result of a price increase negotiated with a customer on a calendar year basis and US\$25.0 million for delayed recovery of VAT receipts.

During the three month period to 31 March 2010, the VAT receivable increased from US\$81.3 million as of 31 December 2009 to US\$106.3 million. The increase in VAT receivable was due to VAT paid for local purchases of goods and services in Ukraine and the import of equipment during the period.

The Group, however, has reduced the total VAT receivable by US\$15.0 million to US\$91.3 million. This write down is related to the expected conversion of the outstanding VAT receivable as of 31 December 2009 into Government bonds. See note above on *Write down of VAT receivable*. The amounts have been classified in the accounts as repayable within one year as it is intended to sell the Government bonds within this period if market conditions allow.

During the period, the Group spent US\$24.5 million on capital expenditure, a 13.0% increase compared with the first quarter of 2009 (1Q 2009: US\$2.71 million). Most of this expenditure was for the Yeristovo project which included purchase of CAT trucks for approximately US\$15.0 million.

### ***Borrowings***

Net financial indebtedness increased 11.2% to US\$286.4 million compared with US\$257.7 million at 31 December and 41.6% as at 31 March 2009 (US\$202.2 million) following the increase in working capital requirements.

The Group's primary source of financing is a pre-export facility of US\$230 million. The new facility was available from 1 January 2010 and was drawn down in full to repay existing loans. The facility matures 36 months from 1 January 2010 and is to be repaid in 24 equal monthly instalments with the first instalment falling due in January 2011.

**Interim consolidated income statement**

US\$'000	Notes	3 months ended 31.03.10 (unaudited)	3 months ended 31.03.09 (unaudited)	Year ended 31.12.09 (audited)
		<i>3 months</i>	<i>3 months</i>	<i>12 months</i>
<b>Revenue</b>	4	188,923	141,320	648,667
Cost of sales	5	(100,371)	(70,918)	(341,067)
<b>Gross profit</b>		88,552	70,402	307,600
Selling and distribution expenses	6	(39,382)	(33,751)	(162,266)
General and administrative expenses	7	(11,440)	(10,715)	(43,161)
Other income		843	1,735	4,102
Other expenses		(475)	(622)	(3,418)
Operating foreign exchange (loss) / gain	8	(387)	251	2,534
<b>Operating profit from continuing operations before adjusted items</b>		37,711	27,300	105,391
Write-down of VAT receivable	13 / 21	(15,000)	-	-
Asset reversals / (impairments)	9	-	31	(2,757)
Share of profit of associates		532	330	1,304
Negative goodwill		-	-	503
Initial public offering costs		(27)	(195)	(427)
(Loss) / gain on disposal of property, plant and equipment		(140)	180	213
Gain on disposal of intangibles assets		4	-	-
<b>Profit before tax and finance</b>		23,080	27,646	104,227
Finance income		322	824	2,893
Finance expense		(7,952)	(5,581)	(23,718)
Non-operating foreign exchange gain / (loss)	8	606	1,436	(2,552)
<b>Profit before tax</b>		16,056	24,325	80,850
Tax		(4,495)	(2,724)	(9,852)
<b>Profit for the period / year</b>		11,561	21,601	70,998
Attributable to:				
Equity shareholders of Ferrexpo plc		11,512	21,689	70,627
Minority interests		49	(88)	371
		11,561	21,601	<b>70,998</b>
Earnings per share:				
Basic (US cents)	10	1.97	3.71	12.08
Diluted (US cents)	10	1.96	3.70	12.05

**Interim consolidated statement of comprehensive income**

<b>US\$ 000</b>	<b>Period ended 31.03.10 (unaudited)</b>	<b>Period ended 31.03.09 (unaudited)</b>	<b>Year ended 31.12.09 (audited)</b>
<b>Profit for the period / year</b>	<b>11,561</b>	<b>21,601</b>	<b>70,998</b>
Exchange differences on translating foreign operations			
Exchange differences arising during the period / year	4,782	-	(20,842)
Exchange differences arising on hedging of foreign operations	1,056	-	(3,697)
Available-for-sale investments			
Gain / (loss) arising on revaluation during the period / year	638	(124)	400
Income tax effect	(743)	14	2,895
<b>Other comprehensive income for the period / year, net of tax</b>	<b>5,733</b>	<b>(110)</b>	<b>(21,244)</b>
<b>Total comprehensive income for the period / year, net of tax</b>	<b>17,294</b>	<b>21,491</b>	<b>49,754</b>
Total comprehensive income attributable to:			
Equity shareholders of Ferrexpo plc	17,135	21,579	49,633
Non-controlling interests	159	(88)	121
	<b>17,294</b>	<b>21,491</b>	<b>49,754</b>

**Interim consolidated statement of financial position**

US\$'000	Notes	3 months ended 31.03.10 (unaudited)	3 months ended 31.03.09 (unaudited)	Year ended 31.12.09 (audited)
<b>Assets</b>				
Property, plant and equipment	12	477,067	427,057	452,100
Goodwill and other intangible assets		101,109	103,815	100,354
Investments in associates		20,448	18,822	19,915
Available-for-sale financial assets		4,325	4,497	2,917
Deferred tax asset		17,118	17,276	13,673
Other non-current assets		7,171	9,212	9,824
<b>Total non-current assets</b>		<b>627,238</b>	<b>580,679</b>	<b>598,783</b>
Inventories		65,681	67,395	59,636
Trade and other receivables		50,588	42,101	38,117
Prepayments and other current assets		23,630	15,071	19,394
Income taxes recoverable and prepaid		4,760	11,641	9,741
Other taxes recoverable and prepaid	13	91,293	51,699	81,284
Available-for-sale financial assets		-	626	626
Cash and cash equivalents	14	22,800	107,312	11,991
<b>Total current assets</b>		<b>258,752</b>	<b>295,845</b>	<b>220,789</b>
<b>Total assets</b>		<b>885,990</b>	<b>876,524</b>	<b>819,572</b>
<b>Equity and liabilities</b>				
Share capital	15	121,628	121,628	121,628
Share premium		185,112	185,112	185,112
Other reserves		(341,884)	(329,774)	(347,858)
Retained earnings		512,687	491,787	501,175
<b>Equity attributable to equity shareholders of the parent</b>		<b>477,543</b>	<b>468,753</b>	<b>460,057</b>
<b>Non-controlling interest</b>		<b>11,546</b>	<b>11,681</b>	<b>11,387</b>
<b>Total equity</b>		<b>489,089</b>	<b>480,434</b>	<b>471,444</b>
Interest-bearing loans and borrowings	16 / 17	214,553	231,491	18,143
Trade and other payables		-	85	-
Defined benefit pension liability		15,490	13,651	14,529
Provision for site restoration		1,308	1,103	1,268
Deferred tax liability		4,963	5,290	3,739
<b>Total non-current liabilities</b>		<b>236,314</b>	<b>251,620</b>	<b>37,679</b>
Interest-bearing loans and borrowings	16 / 17	94,592	76,187	251,379
Trade and other payables		35,349	42,046	27,926
Accrued liabilities and deferred income		10,990	11,095	12,146
Income taxes payable		13,072	7,967	11,105
Other taxes payable		6,584	7,175	7,893
<b>Total current liabilities</b>		<b>160,587</b>	<b>144,470</b>	<b>310,449</b>
<b>Total liabilities</b>		<b>396,901</b>	<b>396,090</b>	<b>348,128</b>
<b>Total equity and liabilities</b>		<b>885,990</b>	<b>876,524</b>	<b>819,572</b>

The financial statements were approved by the Board of Directors on 20 May 2010.

## Interim consolidated statement of cash flow

US\$ 000	Notes	Period ended 31.03.10 (unaudited)	Period ended 31.03.09 (unaudited)	Year ended 31.12.09 (audited)
<b>Net cash flows from operating activities</b>	19	(2,607)	38,568	76,869
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(24,464)	(21,653)	(85,823)
Proceeds from sale of property, plant and equipment		-	(599)	213
Purchase of intangible assets		(73)	-	(598)
Proceeds from sale of intangible assets		42	-	-
Interest received		257	690	2,104
Loans provided to associates		-	2,000	6,450
<b>Net cash flows used in investing activities</b>		(24,238)	(19,562)	(77,654)
<b>Cash flows from financing activities</b>				
Proceeds from borrowings and finance	16	249,513	19,526	35,637
Repayment of borrowings and finance	16	(210,618)	(18,403)	(73,168)
Dividends paid to equity shareholders of the parent		(1,048)	-	(36,325)
Dividends paid to non-controlling interest		-	(196)	(234)
<b>Net cash flows from financing activities</b>		37,847	927	(74,090)
Net increase / (decrease) in cash and cash equivalents		11,002	19,933	(74,875)
Cash and cash equivalents at the beginning of the period / year		11,991	87,822	87,822
Currency translation differences		(193)	(443)	(956)
<b>Cash and cash equivalents at the end of the period / year</b>	14	22,800	107,312	11,991

## Interim consolidated statement of changes in equity

For the financial year 2009 and the three months ended  
31 March 2010

US\$ 000	Attributable to equity shareholders of the parent										
	Issued capital	Share premium	Uniting of interest reserve	Treasury share reserve	Employee Benefit Trust reserve	Net unrealised gains reserve	Translation reserve	Retained earnings	Total capital and reserves	Non-controlling interests	Total equity
<b>At 1 January 2009</b>	121,628	185,112	31,780	(77,260)	(15,443)	813	(270,604)	470,098	446,124	11,769	457,893
Profit for the period	-	-	-	-	-	-	-	70,627	70,627	371	70,998
Other comprehensive income	-	-	-	-	-	301	(21,295)	-	(20,994)	(250)	(21,244)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	301	(21,295)	70,627	49,633	121	49,754
Equity dividends paid to shareholders of Ferrexpo plc	-	-	-	-	-	-	-	-	-	-	-
Equity dividends paid by subsidiary undertakings to minority shareholders	-	-	-	-	-	-	-	(39,550)	(39,550)	-	(39,550)
Share based payments	-	-	-	-	3,850	-	-	-	3,850	-	3,850
Adjustments relating to the increase in non-controlling interests	-	-	-	-	-	-	-	-	-	(503)	(503)
<b>At 31 December 2009 (audited)</b>	121,628	185,112	31,780	(77,260)	(11,593)	1,114	(291,899)	501,175	460,057	11,387	471,444
Profit for the period	-	-	-	-	-	-	-	11,512	11,512	49	11,561
Other comprehensive income	-	-	-	-	-	565	5,058	-	5,623	110	5,733
<b>Total comprehensive income for the period</b>	-	-	-	-	-	565	5,058	11,512	17,135	159	17,294
Share based payments	-	-	-	-	351	-	-	-	351	-	351
<b>At 31 March 2010 (unaudited)</b>	121,628	185,112	31,780	(77,260)	(11,242)	1,679	(286,841)	512,687	477,543	11,546	489,089

For the three months ended 31 March 2009

US\$ 000	Attributable to equity shareholders of the parent										
	Issued capital	Share premium	Uniting of interest reserve	Treasury share reserve	Employee Benefit Trust reserve	Net unrealised gains reserve	Translation reserve	Retained earnings	Total capital and reserves	Non-controlling interests	Total equity
<b>At 1 January 2009</b>	121,628	185,112	31,780	(77,260)	(15,443)	813	(270,604)	470,098	446,124	11,769	457,893
Profit for the period	-	-	-	-	-	-	-	21,689	21,689	(88)	21,601
Other comprehensive income	-	-	-	-	-	(110)	-	-	(110)	-	-110
<b>Total comprehensive income for the period</b>	-	-	-	-	-	(110)	-	21,689	21,579	(88)	21,491
Share based payments	-	-	-	-	1,050	-	-	-	1,050	-	1,050
<b>At 31 March 2009 (unaudited)</b>	121,628	185,112	31,780	(77,260)	(14,393)	703	(270,604)	491,787	468,753	11,681	480,434

## Notes to the interim condensed consolidated financial statements

### Note 1: Corporate information

#### Organisation and operation

Ferrexpo plc (the 'Company') is incorporated in the United Kingdom with registered office at 2–4 King Street, London, SW1Y 6QL, UK. Ferrexpo plc and its subsidiaries (the 'Group') operate a mine and processing plant near Kremenchuk in Ukraine, an interest in a port in Odessa and a sales and marketing company in Switzerland and Kiev. The Group's operations are vertically integrated from iron ore mining through to iron ore concentrate and pellet production. The Group's mineral properties lie within the Kremenchuk Magnetic Anomaly and are currently being exploited at the Gorishne-Plavinsky and Lavrikovsky deposits. These deposits are being jointly mined as one mining complex.

The Group's operations are largely conducted through Ferrexpo plc's principal subsidiary, Ferrexpo Poltava GOK Corporation. The Group comprises of Ferrexpo plc and its consolidated subsidiaries as set out below:

Name	Country of incorporation	Principal activity	Equity interest owned		
			31.03.10 %	31.03.09 %	31.12.09 %
Ferrexpo Poltava GOK Corporation*	Ukraine	Iron ore mining	97.3	97.1	97.3
Ferrexpo AG**	Switzerland	Sale of iron ore	100.0	100.0	100.0
DP Ferrotrans***	Ukraine	Trade, transportation services	97.3	97.1	97.3
United Energy Company LLC***	Ukraine	Holding company	97.3	97.1	97.3
Ferrexpo UK Limited*	England	Finance	100.0	100.0	100.0
Ferrexpo Services Limited*	Ukraine	Management services & procurement	100.0	100.0	100.0
Ferrexpo Hong Kong Limited*	China	Marketing services	100.0	100.0	100.0
Ferrexpo Yeristova GOK LLC***	Ukraine	Iron ore mining	98.6	98.5	98.6
Ferrexpo Belanovo GOK LLC****	Ukraine	Iron ore mining	98.6	-	98.6

\* The Group's interest in these entities is held through Ferrexpo AG.

\*\* Ferrexpo AG was the holding company of the Group until, as a result of the pre-IPO restructuring; Ferrexpo plc became the holding company on 24 May 2007.

\*\*\* The Group's interest in these entities is held through Ferrexpo Poltava GOK Corporation.

\*\*\* The Group's interest in this entity is held through both Ferrexpo AG and Ferrexpo Poltava GOK Corporation.

At 31 March 2010, the Group also holds through Ferrexpo Poltava GOK Corporation an interest of 48.6% (31 March 2009: 48.5%; 31 December 2009: 48.6%) in TIS Ruda, a Ukrainian port located on the Black Sea. As this is an associate, it is accounted for using the equity method of accounting.

### Note 2: Summary of significant accounting policies

#### Basis of preparation

The interim consolidated financial statements for the three months ended 31 March 2010 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. The interim consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements. Risks in relation to the facilities and re-financing are contained below.

The interim consolidated financial statements do not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the full year is based on the statutory accounts for the financial year ended 31 December 2009. A copy of the statutory accounts for that year, which were prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standard Board ('IASB'), as adopted by the European Union up to 31 December 2009, has been delivered to the Register of Companies. The auditors' report under section 498(2) of the Companies Act 2006 in relation to those accounts was unqualified and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

#### Going Concern

At the period end, the Group has a major debt facility of US\$230,000,000 in place which amortises over the period from 1 January 2011 to 31 December 2012. The Group is of the view that it will be able to generate sufficient cash flows to fully repay the debt by the end of this period, in compliance with the terms of the facility agreements, and to operate the current operation with the budgeted sustaining and developing capital expenditures.

The Group faces several risks to its business and strategy, which were included in the Business Review section of the 2009 Annual Report & Accounts and these risks still apply.

The Directors are of the view that the Group is a going concern and the interim consolidated financial statements have been drawn up on this basis.

### **Changes in accounting policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of new standards and interpretations as of 1 January 2010, noted below:

#### *IFRS 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions (amendments)*

The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

#### *IFRS 3 Business combinations (revised) and IAS 27 Consolidated and separate financial statements (revised)*

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. The changes will affect future acquisitions or loss of control and transactions with non-controlling interests. The adoption of these revised standards did not have any impact on the financial position or performance of the Group.

#### *IAS 28 Investments in associates (revised)*

The principle adopted under IAS 27 (2008) that a loss of control is recognised as a disposal and re-acquisition any retained interests at fair value is extended by consequential amendment to IAS 28. The adoption of this revised standard as of 1 January 2010 did not have any impact on the financial position or performance of the Group.

#### *IFRIC 17 Distributions of Non-cash Assets to Owners*

This interpretation is effective for annual periods beginning on or after 1 July 2009. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The adoption of this interpretation did not have any impact on the financial position or performance of the Group.

### **Improvements to IFRSs (issued April 2009)**

In April 2009 the IASB issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

The amendments to the following standards below did not have an impact on the accounting policies, financial position or performance of the Group:

- IFRS 2 *Share-based Payments*
- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- IFRS 8 *Operating Segment Information*
- IAS 1 *Presentation of Financial Statements*
- IAS 7 *Statement of Cash Flows*
- IAS 17 *Leases*
- IAS 36 *Impairment of Assets*
- IAS 38 *Intangible Assets*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 16 *Hedge of Net Investment in a Foreign Operation*

### **Seasonality**

The Group's operations are not affected by seasonality.

### **Note 3: Segment information**

The group is managed as a single entity which produces, develops and markets its principal product; iron ore pellets; for sale to the metallurgical industry. Per the requirements of IFRS 8 *Operating Segments*, the Group presents its results in a single segment which are disclosed in the income statement for the Group.

#### Note 4: Revenue

Revenue consisted of the following:

<b>US\$ '000</b>	<b>Period ended 31.03.10 (unaudited)</b>	<b>Period ended 31.03.09 (unaudited)</b>	<b>Year ended 31.12.09 (audited)</b>
Revenue from sales of ore pellet and concentrates:			
Export	187,352	137,781	612,829
Ukraine	73	3,324	34,483
	<b>187,425</b>	<b>141,105</b>	<b>647,312</b>
Revenue from services provided	400	539	790
Revenue from other sales	1,098	(324)	565
<b>Total revenue</b>	<b>188,923</b>	<b>141,320</b>	<b>648,667</b>

Export sales by geographical destination were as follows:

<b>US\$'000</b>	<b>Period ended 31.03.10 (unaudited)</b>	<b>Period ended 31.03.09 (unaudited)</b>	<b>Year ended 31.12.09 (audited)</b>
China	39,830	93,538	241,882
Austria	43,599	12,151	105,690
Serbia	36,658	7,692	84,193
Slovakia	20,078	14,281	77,537
Turkey	25,777	7,336	39,272
Czech Republic	14,155	2,783	21,293
India	-	-	21,225
Hungary	1,736	-	6,539
Germany	5,519	-	5,573
Japan	-	-	5,027
Other	-	-	4,598
<b>Total export revenue</b>	<b>187,352</b>	<b>137,781</b>	<b>612,829</b>

During the period ended 31 March 2010 sales made to three customers accounted for approximately 59.9% of the sales revenue (31 March 2009: 40.2%; 31 December 2009: 51.9%).

Sales made to two customers individually amounted to more than 10% of the total sales. These are disclosed below:

<b>US\$'000</b>	<b>Period ended 31.03.10 (unaudited)</b>	<b>Period ended 31.03.09 (unaudited)</b>	<b>Year ended 31.12.09 (audited)</b>
Customer A	56,736	21,973	161,730
Customer B	43,599	12,151	105,690

**Note 5: Cost of sales**

Cost of sales consisted of the following:

<b>US\$ 000</b>	<b>Period ended 31.03.10 (unaudited)</b>	<b>Period ended 31.03.09 (unaudited)</b>	<b>Year ended 31.12.09 (audited)</b>
Materials	15,181	15,355	60,607
Purchased ore and concentrate	12,987	-	8,914
Electricity	23,569	17,693	81,438
Personnel costs	11,094	10,040	41,670
Spare parts and consumables	4,741	3,182	13,007
Depreciation and amortisation	6,024	5,719	23,370
Fuel	8,350	5,940	23,969
Gas	12,258	10,042	28,744
Repairs and maintenance	8,800	6,997	38,503
Royalties and levies	1,521	1,403	6,484
Stock movement	(5,461)	(6,414)	10,543
Other	1,307	961	3,818
<b>Total cost of sales</b>	<b>100,371</b>	<b>70,918</b>	<b>341,067</b>

Cost of sales is reconciled to "C1" costs in the following manner:

<b>US\$ 000</b>	<b>Period ended 31.03.10 (unaudited)</b>	<b>Period ended 31.03.09 (unaudited)</b>	<b>Year ended 31.12.09 (audited)</b>
Cost of sales	100,371	70,918	341,067
Depreciation and amortisation	(6,024)	(5,719)	(23,370)
Purchased ore and concentrate	(12,987)	-	(8,914)
Processing costs for purchased ore and concentrate	(1,831)	-	(1,206)
Production cost of gravel	(23)	(64)	(357)
Stock movement in the period	5,461	6,414	(10,543)
Pension service costs	(808)	(646)	(1,857)
Other	(953)	(506)	1,662
<b>C1 cost</b>	<b>83,206</b>	<b>70,397</b>	<b>296,482</b>
Own ore produced (tonnes)	2,162,300	1,883,300	8,609,200
C1 cash cost per tonne (US\$)	38.48	37.38	34.44

"C1" costs represent the cash costs of production of own ore divided by production volume of own ore, and excludes non cash costs such as depreciation, amortisation, pension costs and stock movement, costs of purchased ore, concentrate and production cost of gravel and excludes one-off items which are outside the definition of EBITDA.

**Note 6: Selling and distribution expenses**

Selling and distribution expenses consisted of the following:

<b>US\$ 000</b>	<b>Period ended 31.03.10 (unaudited)</b>	<b>Period ended 31.03.09 (unaudited)</b>	<b>Year ended 31.12.09 (audited)</b>
Railway transportation	20,231	14,115	69,477
Other transportation and port charges	16,468	17,648	80,998
Agent fees	189	203	799
Custom duties	564	102	1,423
Advertising	824	533	2,757
Personnel cost	288	249	1,055
Depreciation	413	362	1,581
Other	405	539	4,176
<b>Total selling and distribution expenses</b>	<b>39,382</b>	<b>33,751</b>	<b>162,266</b>

**Note 7: General and administrative expenses**

General and administrative expenses consisted of the following:

<b>US\$ 000</b>	<b>Period ended 31.03.10 (unaudited)</b>	<b>Period ended 31.03.09 (unaudited)</b>	<b>Year ended 31.12.09 (audited)</b>
Personnel costs	6,757	5,759	23,933
Buildings and maintenance	752	592	2,391
Taxes other than income tax and other charges	376	877	3,930
Consulting and other professional fees	605	911	2,731
Depreciation and amortisation	946	763	2,534
Communication	113	83	529
Vehicles maintenance and fuel	222	190	854
Repairs	117	156	1,041
Audit fees	682	648	1,112
Non-audit fees	3	24	184
Security	378	347	1,659
Research	0	-	1
Other	489	365	2,262
<b>Total general and administrative expenses</b>	<b>11,440</b>	<b>10,715</b>	<b>43,161</b>

**Note 8: Foreign exchange gains and losses**

<b>US\$ 000</b>	<b>Period ended 31.03.10 (unaudited)</b>	<b>Period ended 31.03.09 (unaudited)</b>	<b>Year ended 31.12.09 (audited)</b>
Operating foreign exchange (losses) / gains	(387)	251	2,534
Non-operating foreign exchange gains / (losses)	606	1,436	(2,552)
<b>Total foreign exchange gains</b>	<b>219</b>	<b>1,687</b>	<b>(18)</b>

Operating foreign exchange gains and losses are those items that are directly related to the production and sale of pellets (e.g. trade receivables, trade payables on operating expenditure). Non-operating gains and losses are those associated with the Group's financing and treasury activities and with local income tax payables.

## Note 9: Assets impairments and reversals

Impairment losses relate to adjustments made against the carrying value of assets where this is higher than the recoverable amount. Write-offs and impairment losses for the three months ended 31 March 2010 consisted of the following:

<b>US\$ 000</b>	<b>Period ended 31.03.10 (unaudited)</b>	<b>Period ended 31.03.09 (unaudited)</b>	<b>Year ended 31.12.09 (audited)</b>
(Write-off) of inventories	-	-	(144)
Write-up / (write-off) of property, plant and equipment	-	31	(717)
Impairment of available-for-sale financial assets	-	-	(1,896)
<b>Total asset reversals / (impairments)</b>	-	31	(2,757)

## Note 10: Earnings per share and dividends paid and proposed

Basic EPS is calculated by dividing the net profit for the period attributable to ordinary equity shareholders of Ferrexpo plc by the weighted average number of ordinary shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares. All share awards are potentially dilutive and have been included in the calculation of diluted earnings per share.

	<b>Period ended 31.03.10 (unaudited)</b>	<b>Period ended 31.03.09 (unaudited)</b>	<b>Year ended 31.12.09 (audited)</b>
<b>Profit for the period / year attributable to equity shareholders:</b>			
Basic earnings per share (US cents)	1.97	3.71	12.08
Diluted earnings per share (US cents)	1.96	3.70	12.05
<b>Underlying earnings for the period / year:</b>			
Basic earnings per share (US cents)	4.48	3.49	12.80
Diluted earnings per share (US cents)	4.47	3.48	12.77

The calculation of the basic and diluted earnings per share is based on the following data:

<b>Thousands</b>	<b>Period ended 31.03.10 (unaudited)</b>	<b>Period ended 31.03.09 (unaudited)</b>	<b>Year ended 31.12.09 (audited)</b>
<b>Weighted average number of shares</b>			
Basic number of ordinary shares outstanding	584,812	584,463	584,652
Effect of dilutive potential ordinary shares	1,201	1,551	1,361
Diluted number of ordinary shares outstanding	586,013	586,014	586,013

The basic number of ordinary shares is calculated by subtracting the shares held in treasury from the total number of ordinary shares in issue.

'Underlying earnings' is an alternative earnings measure, which the directors believe provides a clearer picture of the underlying financial performance of the Group's operations. Underlying earnings is calculated before non-controlling interests have been deducted and excludes adjusted items. The calculation of underlying earnings per share is based on the following earnings data:

<b>US\$ 000</b>	<b>Notes</b>	<b>Period ended 31.03.10 (unaudited)</b>	<b>Period ended 31.03.09 (unaudited)</b>	<b>Year ended 31.12.09 (audited)</b>
Profit attributable to equity holders		11,512	21,689	70,627
Write-down of VAT receivable (Reversal) / impairment of property, plant and equipment	13 / 21 9	15,000 -	- (31)	- 2,757
IPO costs		27	195	427
Negative goodwill generated on rights issue		-	-	(503)
Loss / (gain) on disposal of PPE		140	(180)	(213)
Non-operating foreign exchange losses	8	(606)	(1,436)	2,552
Tax on adjusted items		152	199	(823)
<b>Underlying earnings</b>		<b>26,225</b>	<b>20,436</b>	<b>74,824</b>

Adjusted items are those items of financial performance that the Group believes should be separately disclosed on the face of the income statement to assist in the understanding of the underlying financial performance achieved by the Group. Adjusted items that relate to the operating performance of the Group include impairment charges and reversals and other exceptional items. Non-operating adjusted items include gains and losses on disposal of investments and businesses and non-operating foreign exchange gains and losses.

#### Dividends paid

<b>US\$ 000</b>	<b>Period ended 31.03.10 (unaudited)</b>	<b>Period ended 31.03.09 (unaudited)</b>	<b>Year ended 31.12.09 (audited)</b>
<b>Paid</b>			
Interim dividend for 2009: 3.3 US cents per ordinary share	-	-	19,289
Final dividend for 2008: 3.3 US cents per ordinary share	-	-	20,261
<b>Total dividends paid during the period</b>	<b>-</b>	<b>-</b>	<b>39,550</b>

#### Note 11: EBITDA

The Group calculates EBITDA as profit from continuing operations before tax and finance plus depreciation and amortisation (included in cost of sales, general and administrative expenses and selling and distribution costs) and non-recurring cash items included in other income and other expenses plus the net gains and losses from disposal of investments and property, plant and equipment. The Group presents EBITDA because it believes that EBITDA is a useful measure for evaluating its ability to generate cash and its operating performance.

<b>US\$ 000</b>	<b>Period ended 31.03.10 (unaudited)</b>	<b>Period ended 31.03.09 (unaudited)</b>	<b>Year ended 31.12.09 (audited)</b>
Profit before tax and finance	23,080	27,646	104,227
Write-down of VAT receivable	15,000	-	-
Write-offs and impairment losses	-	(31)	2,757
IPO costs	27	195	427
Negative goodwill	-	-	(503)
Share based payments	324	856	3,423
Loss / (gain) on disposal of PPE	140	(180)	(213)
Gain on disposal of intangible assets	(4)	-	-
Depreciation and amortisation	7,399	6,991	28,018
<b>EBITDA</b>	<b>45,966</b>	<b>35,477</b>	<b>138,136</b>

#### Note 12: Property, plant and equipment

During the three months ended 31 March 2010, the Group acquired property, plant and equipment with a cost of US\$29,753,154 (31 March 2009: US\$21,578,184; 31 December 2009: US\$86,006,000) and disposed of property, plant

and equipment with original costs of US\$3,350,314 (31 March 2009: US\$1,134,878; 31 December 2009: US\$8,179,000).

**Note 13: Other taxes recoverable and prepaid**

<b>US\$ 000</b>	<b>Period ended 31.03.10 (unaudited)</b>	<b>Period ended 31.03.09 (unaudited)</b>	<b>Year ended 31.12.09 (audited)</b>
VAT receivable	91,252	51,663	81,269
Withholding tax	-	16	-
Other taxes prepaid	41	20	15
<b>Total</b>	<b>91,293</b>	<b>51,699</b>	<b>81,284</b>

The VAT receivable results from VAT paid on domestic purchases of goods and services and on the imports of equipment and where relevant services into Ukraine to the extent that this can not be offset on VAT paid on the sale of goods and services.

During the three month period to 31 March 2010, the VAT receivable increased from US\$81,268,909 to US\$106,251,966. The increased mainly related to Ferrexpo Poltava Mining. As an exporter, Ferrexpo Poltava Mining, the Group's principal subsidiary, does not receive substantial amounts of VAT on domestic sales to offset against VAT paid for purchases of goods and services. VAT on trading items is due to be repaid three months after it is incurred. Due to the economic downturn and general financial crisis in 2009, the presidential elections in early 2010, the ongoing negotiations for financial aid from the IMF and the late adoption of the state budget for 2010, the Ukrainian government has not been making timely repayments of VAT made on purchases of plant equipment and goods and services to the extent that these amounts can not be offset against VAT charged on sales. The amounts have been classified in the accounts as repayable within one year. None of the VAT receivable amounts are in dispute and measures which will result in the collection of this receivable are well advanced (see below).

**Write-down of VAT receivable**

As a result of a decision by the Ukrainian Cabinet of Ministers published on 1 June 2010 that the government intends to convert outstanding overdue VAT balances into government bonds with a coupon interest rate of 5.5% per annum paid semi annually with 10 half-yearly principal repayments.

Until further information is provided uncertainty exists as to the tradability of the bonds, the exact timing and the process of conversion. It is expected that the amount available for conversion into VAT bonds will relate to the outstanding VAT receivable as at 31 December 2009 amounting to US\$81,268,909.

Accounting standards require such financial instruments, when issued, to be fair valued, or, if no market exists, an estimate to be made as to the market value. Market yields on Ukrainian domestic hryvnia debt currently range between 12.0% to 16.0% and have recently been volatile. If these yields were to continue at these levels, they would be higher than the coupon interest rate on the proposed new bond issue. As a result, a one off fair value adjustment could be realised on the initial recognition of this financial instrument. Whilst it is not possible to value this instrument exactly prior to its issue, an estimated gross charge, before any tax deductions of US\$15,000,000, has been recorded in the income statement to reflect management's estimate of the difference between the amount of the VAT receivable that is refundable and the expected fair value of the government bond to be issued in settlement of this debt. This estimate will be revised when the final terms, conditions and features of the new financial instrument are known.

**Note 14: Cash and cash equivalents**

As at 31 March 2010 the Group held cash and cash equivalents of US\$22,799,680 (31 March 2009: US\$107,311,897; 31 December 2009: US\$11,990,751).

**Note 15: Share capital and reserves**

The share capital of Ferrexpo plc at 31 March 2010 was 613,967,956 (31 March 2009: 613,967,956; 31 December 2009: 613,967,956) ordinary shares at par value of £0.10 paid for cash, resulting in share capital of US\$121,628,000 which is unchanged since the Group's Initial Public Offering in June 2007.

This balance includes 25,343,814 shares (31 March 2009: 25,343,814 shares; 31 December 2009: 25,343,814 shares) which are held in treasury, resulting from a share buyback that was undertaken in September 2008.

**Note 16: Interest bearing loans and borrowings**

During the period ended 31 March 2010, the remaining outstanding balance amounting to US\$207,727,272 under the term loan and revolving pre-export finance facility entered into on 27 December 2006 for an amount of \$275,000,000

and subsequently amended on 5 July 2007 to an amount of \$335,000,000 was fully repaid (The amounts repaid on the same facility in the periods for the 3 month to 31 March 2009: US\$18,181,818; 12 months to 31 December 2009: US\$72,727,272).

The Group entered into a new three year term loan pre-export finance facility on 27 November 2009 in the amount of US\$230,000,000. This pre-export finance facility was drawn in full on 8 January 2010 and was used for repayment of the pre-export finance facility entered into on the 27 December 2006 as amended on 5 July 2007.

At 31 March 2010 the pre-export finance facility was fully drawn (31 March 2009 : fully drawn; 31 December 2009 : fully drawn, each in respect of the pre-export finance facility then existing).

The pre-export term loan credit facility is guaranteed and secured as follows:

- Ferrexpo AG assigned the rights to revenue from certain sales contracts;
- Ferrexpo Poltava GOK Corporation assigned all of its rights for ten export contracts for the pellets sales to Ferrexpo AG; and
- the Group pledged its bank account into which all proceeds from the sale of certain iron ore pellet contracts which have been assigned are received.

In January 2009, Ferrexpo Poltava GOK Corporation concluded a sale and financial leaseback transaction relating to rail cars with a facility amount of US\$19,718,000. During the three month period to 31 March 2010 US\$318,680 of the principal was repaid (31 March 2009: US\$192,000; 31 December 2009: US\$1,099,000).

#### **Note 17: Net financial indebtedness**

Net financial indebtedness of the Group is shown in the note below:

<b>US\$ 000</b>	<b>Notes</b>	<b>Period ended 31.03.10 (unaudited)</b>	<b>Period ended 31.03.09 (unaudited)</b>	<b>Year ended 31.12.09 (audited)</b>
Cash and cash equivalents	14	22,800	107,312	11,991
Current borrowings	16	(94,592)	(76,187)	(251,379)
Non-current borrowings	16	(214,553)	(231,491)	(18,143)
Current commodity loans		(88)	(1,792)	(124)
Non-current commodity loans		-	(86)	-
<b>Net financial indebtedness</b>		<b>(286,433)</b>	<b>(202,244)</b>	<b>(257,655)</b>

#### **Note 18: Related party disclosure**

During the periods presented the Group entered into arm's length transactions with entities under common control of the majority owner of the Group, Kostyantyn Zhevago and with other related parties. Management considers that the Group has appropriate procedures in place to identify and properly disclose transactions with the related parties.

The related party transactions entered into by the Group during the periods presented are summarised below:

Entities under common control are those under control of Kostyantyn Zhevago. TIS Ruda, in which the Group holds an interest of 48.6%, is the only associated company of the Group. The other related parties are those entities controlled by Wolfram Kuoni (independent non-executive Director of Ferrexpo plc) and Olexander Moroz (supervisory board member of Ferrexpo Poltava GOK Corporation).

US\$ 000	Period ended 31.03.10 (unaudited)			Period ended 31.03.09 (unaudited)			Year ended 31.12.09 (audited)		
	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Other sales (1)	236	-	501	226	-	117	506	-	1,480
<b>Total revenue</b>	<b>236</b>	<b>-</b>	<b>501</b>	<b>226</b>	<b>-</b>	<b>117</b>	<b>506</b>	<b>-</b>	<b>1,480</b>
Purchase of materials (2)	16,468	-	3,357	747	-	3,019	4,458	-	11,930
Purchase of services (3)	84	-	50	57	-	60	444	-	23
General and administration expenses (4)	923	-	-	641	-	8	3,315	-	-
Selling and distribution (5)	0	2,696	3,607	0	3,201	1,668	-	11,849	11,736
Other expenses (6)	79	-	-	13	-	3	91	-	8
<b>Total expenses</b>	<b>17,554</b>	<b>2,696</b>	<b>7,014</b>	<b>1,458</b>	<b>3,201</b>	<b>4,758</b>	<b>8,308</b>	<b>11,849</b>	<b>23,697</b>
Finance income (7)	109	29	-	454	74	-	1,329	267	-
Finance expenses (7)	(125)	-	-	(193)	-	-	(816)	-	-
<b>Net finance income/(costs)</b>	<b>(16)</b>	<b>29</b>	<b>-</b>	<b>261</b>	<b>74</b>	<b>0</b>	<b>513</b>	<b>267</b>	<b>-</b>

- (1) Other sales to other related parties consist of scrap metal sales made to Ferrolit, a company under control of a supervisory board member of FPM. Other sales to entities under common control are mainly related to sales of power, steam and water to Kislorod PCC and Vorskla Steel Ltd.
- (2) Concentrate in the amount of US\$12,846,000 has been purchased from Vostock Ruda during the three months period ended 31 March 2010 (31 March 2009: US\$ nil; 31 December 2009: US\$1,386,000). Purchase of materials from other related parties includes purchased cast iron balls from Ferrolit (see above) of US\$3,340,000 (31 March 2009: US\$2,814,000; 31 December 2009: US\$11,286,000). These are used in the production process.
- (3) Kuoni Attorneys at law Ltd. has provided services to the Group of US\$49,000 (31 March 2009: US\$ nil; 31 December 2009: US\$23,000) during the 3 months to 31 March 2010. Wolfram Kuoni who is a partner in the firm is also an independent non-executive Director of Ferrexpo plc. The services were provided on an arm length basis by other members of Kuoni Attorneys at law Ltd.
- (4) The Group paid US\$775,000 during the three months period ended 31 March 2010 to FC Vorskla under a contract entered into on 1 April 2009 and renewed on 10 December 2009 for advertisement, marketing and general PR related services (31 March 2009: US\$537,000; 31 December 2009: US\$2,631,000).
- (5) Selling and distribution services are purchased from TIS Ruda, an associated company as the Group holds an interest of 49.9%. These services relate to port services including port charges, handling costs, agent commissions and storage costs. Services from other related parties are mainly provided by Slavutich Ruda which is under control of Olexander Moroz, a supervisory board member of FPM. Slavutich Ruda provided railway transportation services mainly related to custom clearance services. These amounted to US\$3,588,000 during the three months period ended 31 March 2010 (31 March 2009: US\$1,668,000; 31 December 2009: US\$11,507,000).
- (6) Other operating expenses mainly relate to insurance fees and communication services. These are purchased from ASK Omega and TV & Radio Co. In the three month period ended 31 March 2010, these amounted to US\$28,000 (31 March 2009: US\$ nil; 31 December 2009: US\$ nil) respectively of US\$34,000 (31 March 2009: US\$ nil; 31 December 2009: US\$60,000).
- (7) The Group has transactional banking arrangements with Finance & Credit Bank (F&C), which is under common control of Kostyantyn Zhevago. Finance income and expenses relate to these transactional banking arrangements. Further information is provided under transactional banking arrangements in this note.

### Sale and purchases of property, plant, equipment and investments

The table below details the transactions of a capital nature which were undertaken between group companies and entities under common control, associated companies and other related parties during the periods presented.

US\$ 000	Period ended 31.03.10 (unaudited)			Period ended 31.03.09 (unaudited)			Year ended 31.12.09 (audited)		
	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Purchase of property plant and equipment (1)	-	-	-	2,200	-	-	2,200	-	-

- (1) On 31 March 2009, the company acquired a trial filter press from Progress Plant Company, an entity under common control for US\$2,200,000.

The outstanding investments/balances with related parties for the periods presented are as follows:

US\$ 000	Period ended 31.03.10 (unaudited)			Period ended 31.03.09 (unaudited)			Year ended 31.12.09 (audited)		
	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Investments available-for-sale (1)	4,325	-	-	4,435	-	-	2,917	-	-
Prepayments for PPE (2)	970	-	-	-	-	-	-	-	-
Loans (3)	-	1,000	-	-	2,000	0	-	2,000	-
<b>Total non-current assets</b>	<b>5,295</b>	<b>1,000</b>	<b>-</b>	<b>4,435</b>	<b>2,000</b>	<b>-</b>	<b>2,917</b>	<b>2,000</b>	<b>-</b>
Investments available-for-sale (1)	-	-	-	649	-	-	626	-	-
Loans (3)	-	1,550	-	-	5,000	-	-	550	-
Trade and other receivables (4)	2,155	-	364	1,611	340	24	1,999	93	6
Prepayments and other current assets (5)	155	1	87	9	160	113	995	-	1
Short term deposits with banks (5)	2,071	-	-	3,775	-	-	411	-	-
Cash and cash equivalents (5)	6,402	-	-	37,494	-	-	1,712	-	-
<b>Total current assets</b>	<b>10,783</b>	<b>1,551</b>	<b>451</b>	<b>43,538</b>	<b>5,500</b>	<b>137</b>	<b>5,743</b>	<b>643</b>	<b>7</b>
Trade and other payables (6)	15,257	-	1,744	229	-	954	514	-	1,146
<b>Current liabilities</b>	<b>15,257</b>	<b>-</b>	<b>1,744</b>	<b>229</b>	<b>-</b>	<b>954</b>	<b>514</b>	<b>-</b>	<b>1,146</b>

- (1) The investments available-for-sale comprised of shareholdings in LLC Atol (9.95%), OJSC Stahanov (3.14%) and Vostock Ruda (1.10%). Further interests in these companies are held through entities controlled by Kostyantyn Zhevago. The changes of the values in the table above are related to fair value adjustments made at the end of the periods respectively year. The shareholdings remained unchanged during the periods disclosed above. Further information is provided in note 22 of the Annual Report & Accounts 2009.
- (2) A prepayment for the purchase of press filter equipment in the amount of US\$970,000 has been made to Progress Plant Company in the three months period ended 31 March 2010 (31 March 2009: US\$ nil; 31 December 2009: US\$ nil). The company is under common control of Kostyantyn Zhevago.
- (3) Loans were granted to TIS Ruda in 2007 and 2008, which have been partially repaid during the financial year 2009. The Group holds an interest of 48.6% in this Ukrainian company operating a port located on the Black Sea. The associated company provides port services to the Group (see above).
- (4) As of 31 March 2010 trade and other receivables included outstanding amounts relating to the disposal of shares in Vostock Ruda of US\$1,178,000 (31 March 2009: US\$1,212,000; 31 December 2009: US\$1,169,000). During the financial year 2008, 2.20% of the Group's interest in Vostock Ruda has been sold to Progress Plant Company. Both companies are under common control of Kostyantyn Zhevago.
- (5) As of 31 March 2010 cash and cash equivalents with F&C were US\$6,402,000 (31 March 2009: US\$37,494,000; 31 December 2009: US\$1,712,000) and short term deposits with the same financial institution US\$2,071,000 (31 March 2009: US\$3,775,000; 31 December 2009: US\$411,000). Further information is provided under transactional banking arrangements below.
- (6) US\$14,669,000 of the trade and other payables due to entities under common control as of 31 March 2010 is related to the purchased concentrate from Vostock Ruda (31 March 2009: US\$ nil; 31 December 2009: US\$ nil). US\$1,638,000 of the balance due to other related parties is in respect of the purchased material from Ferrolit (31 March 2009: US\$638,000; 31 December 2009: US\$989,000).

### Transactional banking arrangements

The Group has transactional banking arrangements with Finance & Credit Bank (F&C) in Ukraine which is under common control of the majority shareholder of Ferrexpo plc. Finance income and finance costs are disclosed in the table above.

The Group entered into a multi-currency loan agreement in April 2007 with F&C, which expired on 16 April 2010 and has been extended to 16 March 2013 upon the same terms and conditions except for two changes. The maximum facility limit has been increased from UAH50.5 million to UAH80.0 million (US\$10.1 million at the exchange rate as of 31 March 2010) and the interest rates increased from 16% pa to 18% pa.

In April 2010, in addition to the original March 2007 loan described above, a further multi-currency loan facility was granted for a period of one year and with a maximum facility limit of UAH80.0 million (US\$10.1 million at the exchange rate as of 31 March 2010). This new loan is offered under the same terms and conditions as the original loan. Additional

assets of US\$20.1 million have been pledged for the new loan facility. The total value of pledges for the original and new loan facility is US\$33.4 million.

#### Other related party transaction

In August 2009, the Group paid Swiss Withholding Tax of US\$984,106 on behalf of Kostyantyn Zhevago on costs incurred for the Initial Public Offering completed in June 2007. This was settled in accordance with terms and conditions entered into at the time of the Initial Public Offering of the company.

#### Note 19: Reconciliation of profit before income tax to net cash flow from operating activities

US\$ 000	Period ended 31.03.10 (unaudited)	Period ended 31.03.09 (unaudited)	Year ended 31.12.09 (audited)
Profit before tax	16,056	24,325	80,850
Adjustments for non-cash items:			
Depreciation of property, plant and equipment and amortisation of intangible assets	7,399	6,992	28,018
Interest expense	7,952	5,581	20,622
Interest income	(322)	(824)	(2,893)
Share of income of associates	(532)	(330)	(1,304)
Movement in allowance for doubtful receivables	(756)	(2,579)	(5,199)
Loss / (profit) on disposal of PPE	140	(180)	(213)
Gain on disposal of intangible assets	(4)	-	-
Write-down of VAT receivable	15,000	-	-
(Write-ups) / write-offs and impairment losses	-	(31)	2,757
Site restoration provision	44	32	159
Employee benefits	1,208	1,369	5,474
IPO costs	27	195	427
Share based payments	324	856	3,423
Negative goodwill generated on rights issue	-	-	(503)
Operating foreign exchange gains	387	(251)	(2,534)
Non-operating foreign exchange losses	(606)	(1,436)	2,552
<b>Operating cash flow before working capital changes</b>	<b>46,317</b>	<b>33,719</b>	<b>131,636</b>
Changes in working capital:			
(Increase) / decrease in trade and other receivables	(16,823)	17,827	14,961
(Increase) / decrease in inventories	(6,045)	(6,125)	1,777
Increase / (decrease) in trade and other accounts payable	6,268	(1,031)	(6,474)
(Increase)/decrease in other taxes recoverable and prepaid	(25,271)	6,336	(24,038)
<b>Cash generated from operating activities</b>	<b>4,446</b>	<b>50,726</b>	<b>117,862</b>
Interest paid	(6,085)	(2,148)	(19,197)
Income tax paid	(130)	(9,286)	(18,899)
Post-employment benefits paid	(838)	(724)	(2,897)
<b>Net cash flows from operating activities</b>	<b>(2,607)</b>	<b>38,568</b>	<b>76,869</b>

#### Note 20: Commitments and contingencies

##### Commitments

US\$ 000	Period ended 31.03.10 (unaudited)	Period ended 31.03.09 (unaudited)	Year ended 31.12.09 (audited)
Operating lease commitments	19,508	19,558	19,702
Capital commitments on purchase of PPE	52,340	42,144	41,404
Guarantees provided	230,000	262,272	208,000

### *Legal*

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

### *Tax and other regulatory compliance*

Ukrainian legislation and regulations regarding taxation and custom regulations continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations and inconsistent enforcement by local, regional and national authorities, and other Governmental bodies. Instances of inconsistent interpretations are not unusual.

The uncertainty of application and the evolution of Ukrainian tax laws, including those affecting cross border transactions, create a risk of additional tax payments having to be made by the Group, which could have a material effect on the Group's financial position and results of operations. The Group does not believe that these risks are any more significant than those of similar enterprises in Ukraine.

### **Note 21: Subsequent events**

Except for the event mentioned below, no material adjusting or non-adjusting events have occurred subsequent to the period end.

As a result of a decision by the Ukrainian Cabinet of Ministers published on 1 June 2010, outstanding overdue VAT balances may be converted into government bonds. This has resulted in a write-down of the VAT receivable balances as of 31 March 2010. See disclosure made in note 13.