



2008 Annual Results

24 March 2009



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Michael Abrahams



HIGHLIGHTS AND RESULTS
Chris Mawe



BUSINESS ENVIRONMENT
Kostyantyn Zhevago



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Kostyantyn Zhevago



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HIGHLIGHTS AND RESULTS



BUSINESS ENVIRONMENT



STRATEGY AND OUTLOOK



Record results for 2008

- > Revenue increased by 60.0% to US\$1,116.9m
- > EBITDA up by 104.8% to US\$503.9m
- > Underlying earnings¹ up by 129.0% to US\$347.4m
- > Average achieved price for calendar year 2008 increased by 72.3%
- > 8.5% increase in production of high quality (65% Fe) pellets
- > December C1 cash costs of production 18.0% below 2008 average of US\$42.3/t
- > Sufficient headroom: US\$87.8m of cash available at year end
- > No near-term refinancing required
- > Dividend maintained – final 2008 dividend of 3.3 US cents per share declared

¹ '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 presented after minority interests and excludes adjusted items.

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 adjusting items include profits and losses on disposal of investments and businesses.

Financial highlights – Income Statement

US\$ '000	2008	\$/tonne	2007	\$/tonne
Revenue	1,116,854	124.6³	698,216	72.3³
C1 Cost of Sales	(364,418)	42.43 ⁴	(279,573)	31.79 ⁴
Other Cost of Sales ¹	(69,820)		(56,363)	
Gross Profit	682,616		362,280	
% Margin	61%		52%	
Selling and distribution	(152,528)	17.49 ⁵	(100,614)	10.86 ⁵
G&A and other	(69,529)	7.97 ⁵	(44,560)	4.81 ⁵
Operating Profit	460,559		217,106	
% Margin	41%		31%	
EBITDA	503,946	57.79⁵	246,057	26.57⁵
% Margin	45%		35%	
Non-operating FX loss	(72,788)		(3,467)	
Profit before Taxation	375,581		160,760	
Taxation	(62,533)		(26,275)	
Effective Tax Rate	16.6%		16.3%	
Profit for the Year	313,048		134,035	
Underlying Earnings²	347,431		151,545	
Underlying EPS	57.74		24.93	
EPS	48.60		20.41	

¹ Other Cost of Sales: depreciation, purchased concentrate and ore

³ average pellet price ⁴ own ore ⁵ sales volume

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Strong Balance Sheet and Cash Flows

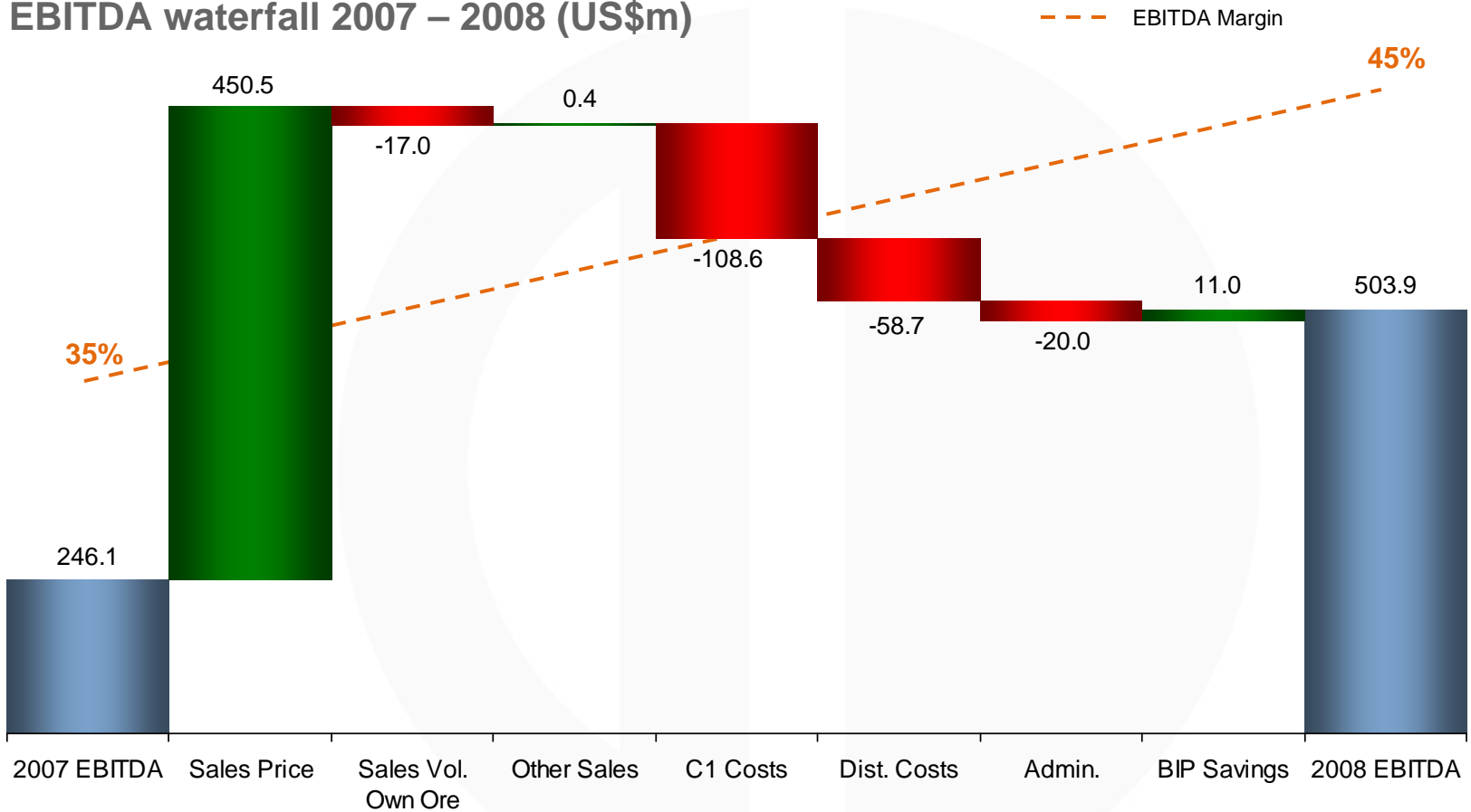
US\$ '000	2008	2007
Net Cash Flows from Operating Activities	370,943	188,846
Sustaining CAPEX	(70,565)	(49,821)
Development CAPEX	(205,699)	(56,747)
Net IPO proceeds	-	153,424
Distributions	(117,400)	(69,841)
Other	(10,956)	(3,837)
Currency translation differences	(68,854)	(461)
(Increase) / decrease in Net Financial Indebtedness	(102,531)	160,563

Key Ratios

Net Debt to EBITDA	0.44x	0.45x
Return on Capital Employed	66%	19%

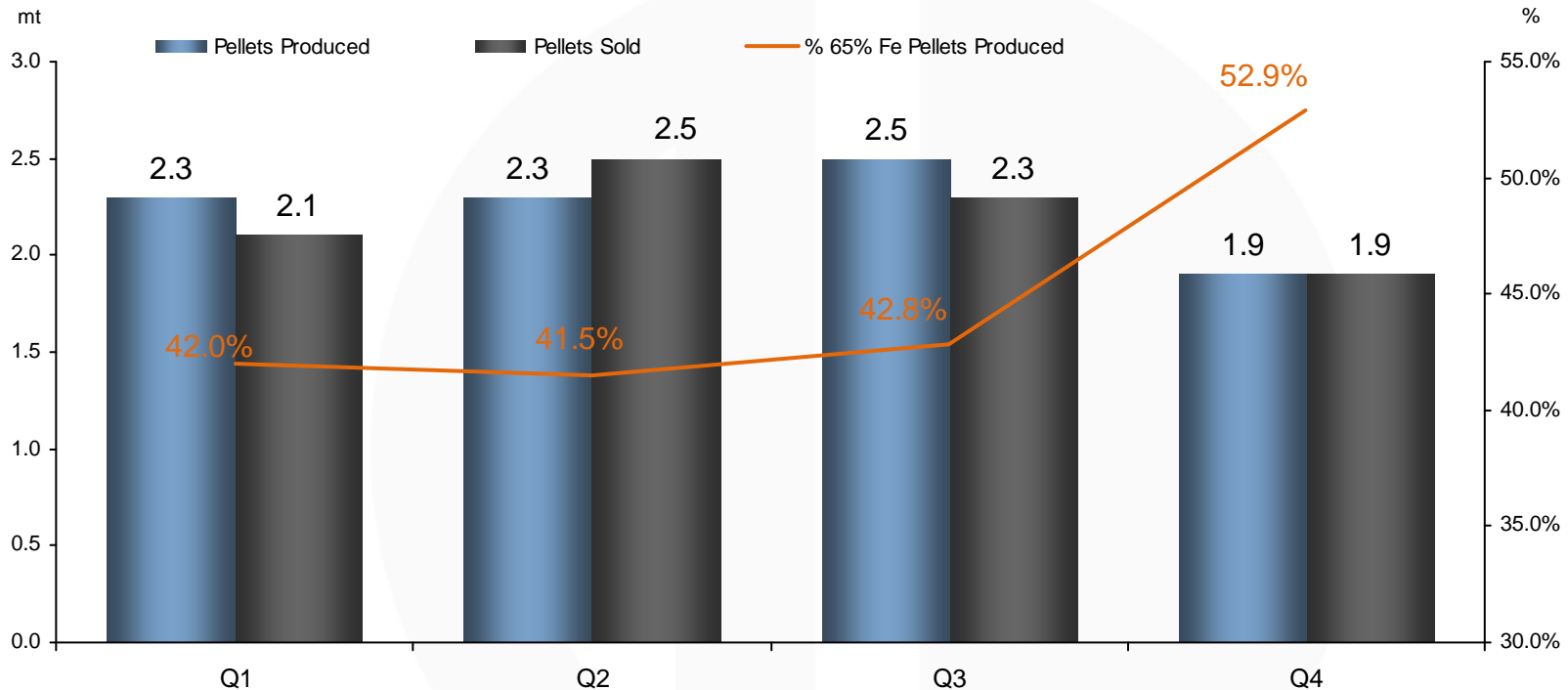
EBITDA and influencing factors

EBITDA waterfall 2007 – 2008 (US\$m)



Strong Production and Sales Performance

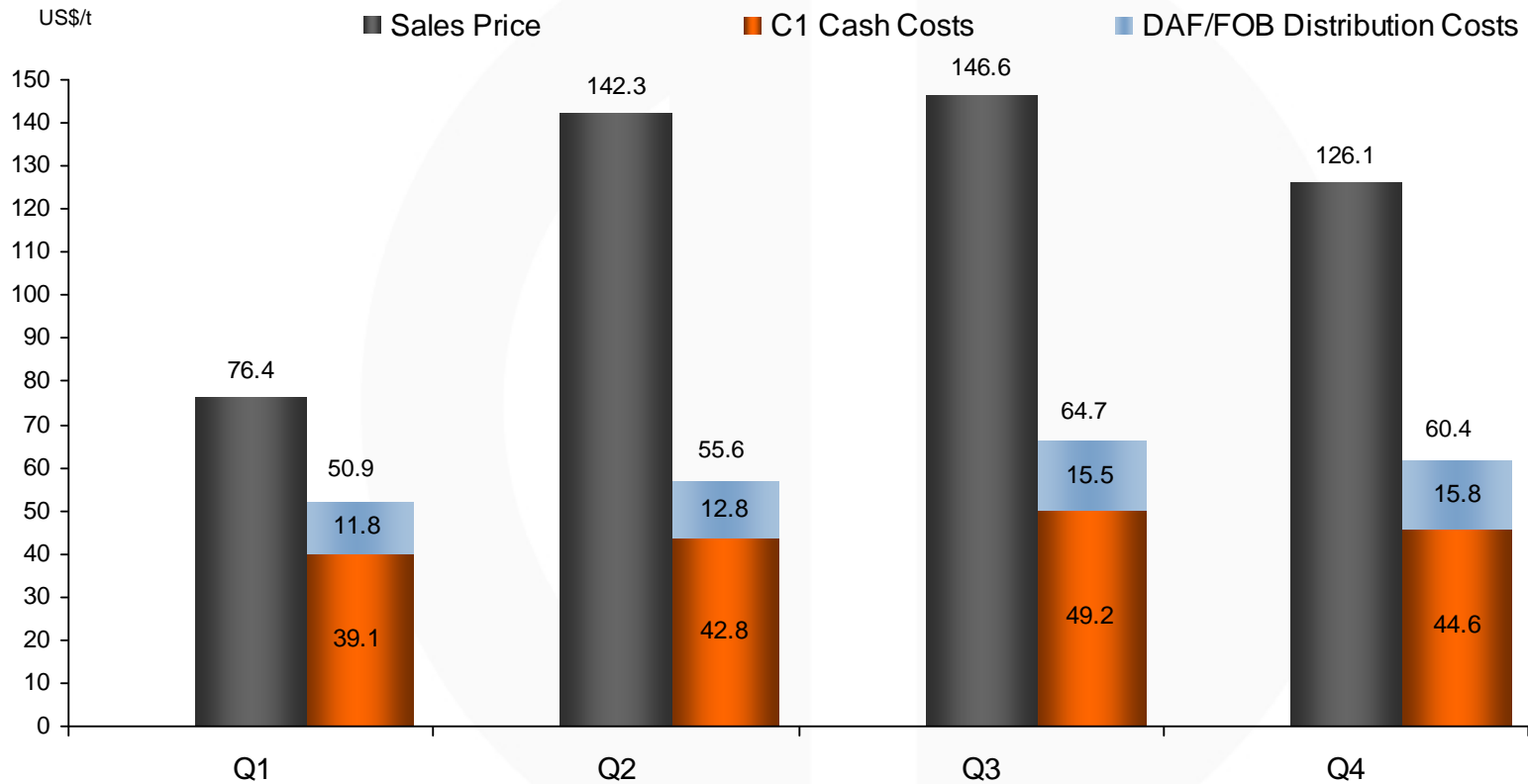
Production stable and quality improved in 2008



- > Continuing operational improvement
 - Record production in the first 10 months of 2008 – deliberate decrease thereafter
 - 8.5% increase in production of 65% Fe pellets over the year
- > Record price settlements (in excess of the Benchmark) for the 2008/2009 contract year
- > Substantially all 2008 production sold

Results drivers – costs and prices

Dollar per tonne statistics for 2008 by quarter^{1,2}

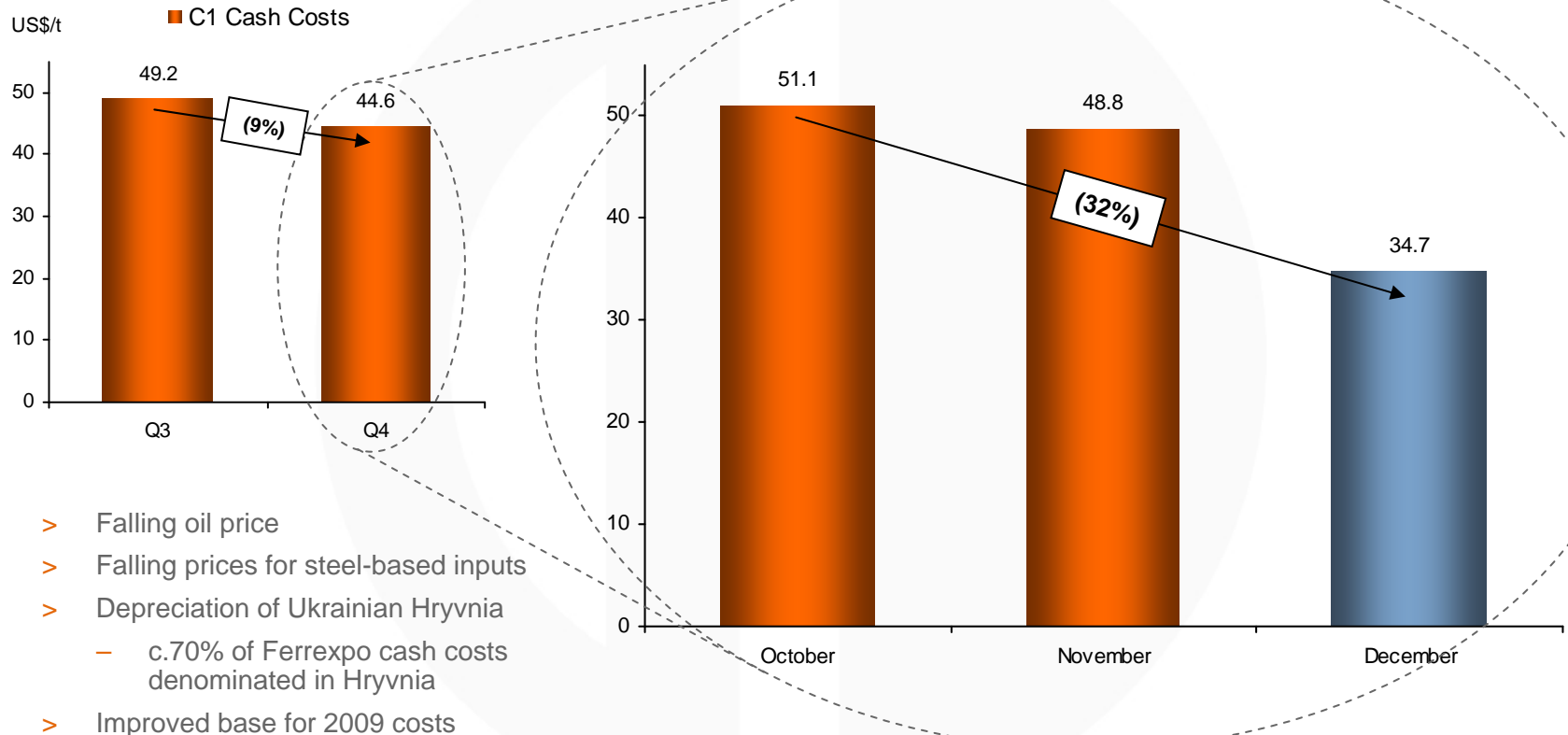


¹ C1 costs are total cash costs of production of pellets from produced concentrate, ex-works

² Does not reflect administrative and other cash costs

C1 Costs came down rapidly in Q4 '08

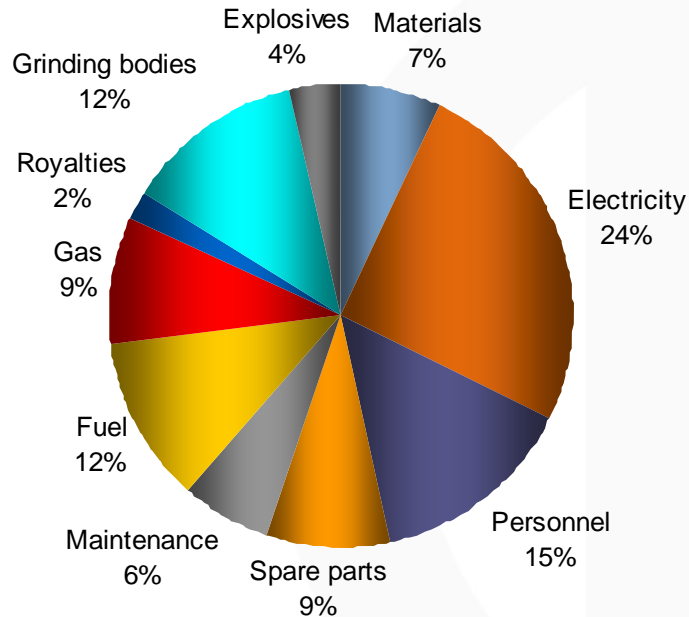
C1 Cash Costs of Production per tonne by month for Q4 2008



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

C1 Cost Breakdown

C1 Costs¹ by input (\$/t)



Total: 42.34

C1 Costs in 2008

First three quarters

- > C1 cost peaked in Oct 08 at 60.4% above 2007 average, driven by:
 - Higher commodities costs – fuel and steel
 - Higher Ukrainian regulated tariffs – electricity (up 60% over 2007 average) and gas
 - High Ukrainian CPI and PPI - Personnel costs and other production inputs

Fourth quarter

- > C1 cost fell 32% from Oct 08 peak to reach US34.7/t in Dec 08 – a similar level to Dec 07
- > Cost decrease driven by:
 - Falling oil and steel prices
 - Depreciation of Ukrainian Hryvnia
 - c.70% of Ferrexpo cash costs denominated in Hryvnia

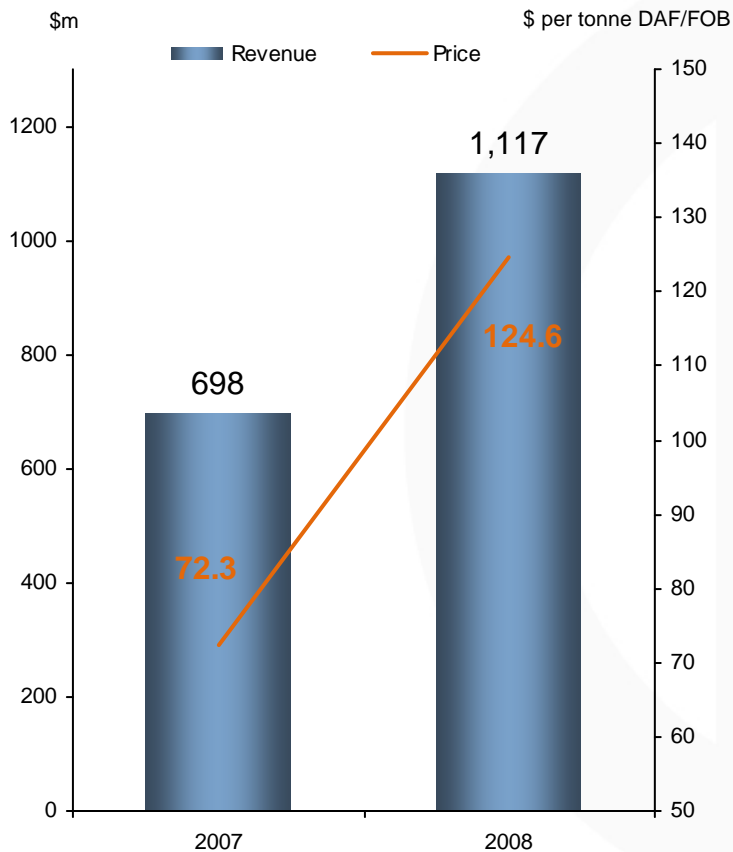
Business Improvement Programme

- > Continuing operating efficiency improvements
- > Utilisation of major inputs all reduced by between 1% and 3% per tonne over 2008

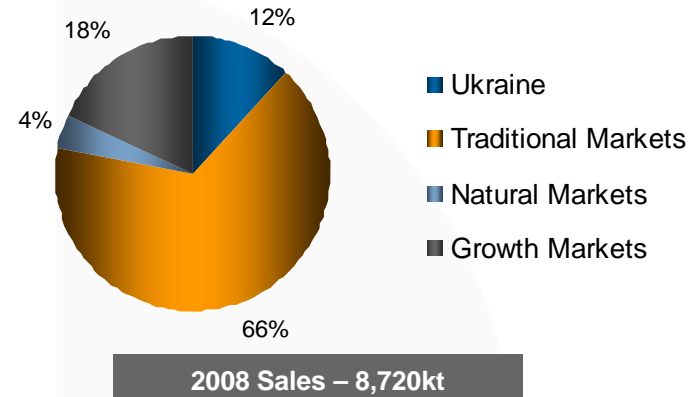
¹ C1 costs are total cash costs of production of pellets from produced concentrate, ex-works

Market Performance in 2008

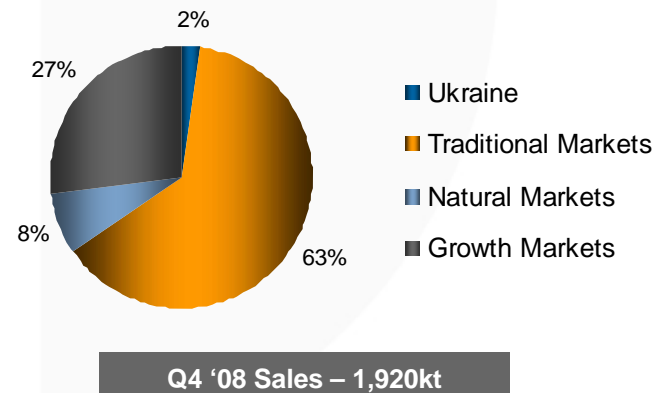
Revenue and average pellet price



Market mix¹ in 2008



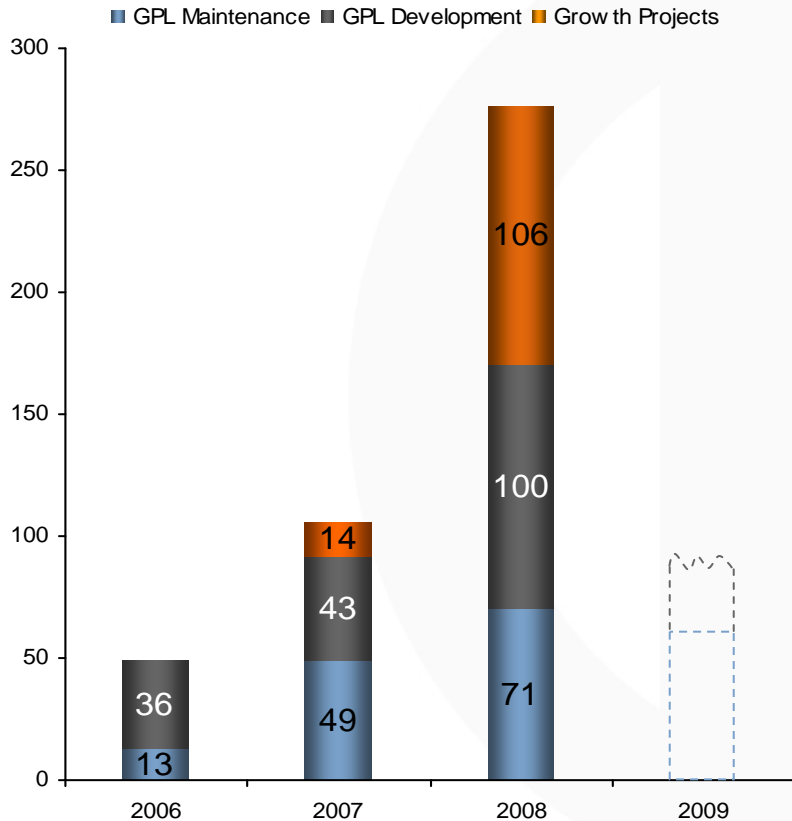
Market mix¹ in Q4 '08



¹ by Sales volume

Capital Expenditure

Capital Expenditure Split



Investment planning

- > Development capex on hold since October 2008
 - Flexible in 2009
 - Some limited stripping works continue at GPL and Yeristovskoye
 - Preserve schedules and option value
 - Low expenditure
- > Sustaining capex to be reduced to minimum in 2009
- > Focus is on strict cash conservation

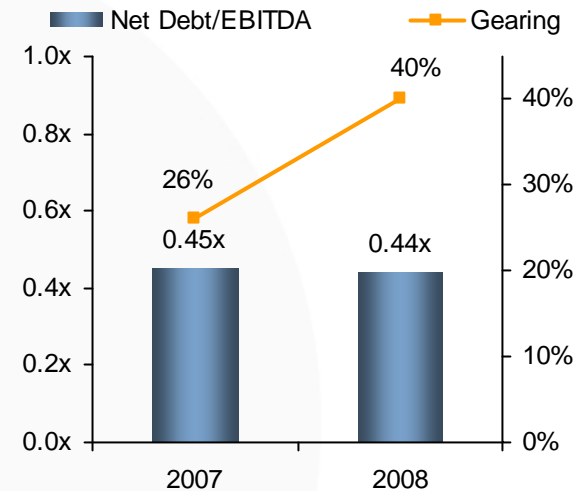
Debt Facilities and Funding

- > Ferrexpo's principal debt facility is a US\$335 million pre-export financing facility
 - Priced at LIBOR + 235bps
 - Repayments of c. US\$6.1 million per month commenced in April 2008
 - Facility fully repaid by December 2010
 - Facility is fully drawn down
 - Net debt at 31 December 2008 was US\$220.1 million
 - Cash headroom of US\$88 million on balance sheet as at year end

- > 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

Strong balance sheet



¹ Net debt calculated as current interest bearing loans & borrowings + non-current interest bearing loans & borrowings + non-current trade & other payables – cash & cash equivalents and short term deposits

² EBITDA is calculated as profit from continuing operations before tax and finance less foreign exchange (loss)/gain plus depreciation (included in both cost of sales and administrative expenses) and non-recurring cash items included in other income, non-recurring cash items included in other costs plus disposal of subsidiaries and associates. EBITDA is not a measure of financial performance under IFRS

³ Total debt for the purposes of gearing is all interest-bearing debt, i.e. current interest bearing loans & borrowings + non-current interest bearing loans & borrowings. Gearing is Total Debt / (Total Debt + Total Equity)

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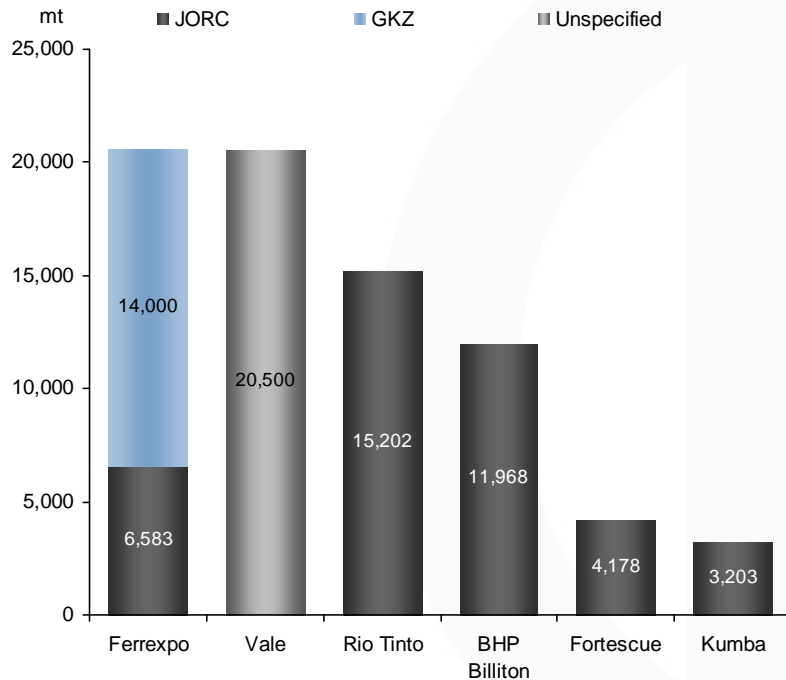
Ferrexpo - doing business in Ukraine

- > Ukraine remains a beneficial place to conduct business
- > Ferrexpo has operated there continuously for over 30 years
- > Unlike in other CIS countries, politicians tend not to interfere directly in Ukrainian business
- > Ukraine's political processes remain peaceful and democratic despite 'instability'
- > Intention to join EU as soon as it is able to do so
- > Ukraine's economy is heavily reliant on the steel industry
 - Growth and high inflation in H1 '08 - contraction and severe downturn in H2 '08
- > IMF loan - US\$16.4 billion to Ukraine in late 2008 in response to effects of crisis on its economy
 - Conditional on increased fiscal and economic discipline in Ukraine
- > Ukrainian Hryvnia informally pegged to the US dollar at c.UAH5.05/USD until early 2008
 - Since weakened to c.UAH7.70/USD as a result of continuing high inflation
 - Strongly positive effect on Ferrexpo's cost base
- > Since the crisis manifested in Ukraine in October, Ferrexpo has not supplied local steel mills

Ferrexpo produces in Ukraine at lower cost, and sells internationally in US dollars

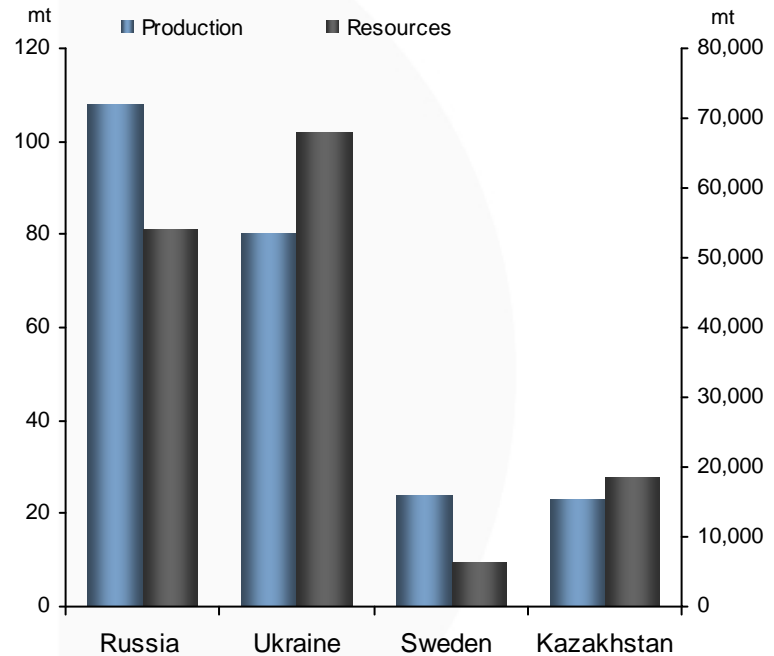
Ferrexpo has World Class Resources

Iron ore mining companies – resource comparison



- 1) *RioTinto, Fortescue & Kumba: Total attributable resources, Annual Report 2007*
- 2) *BHPBilliton: Total resources, Annual Report 2008*
- 3) *Vale: Approximation based on information on company website*

Production and resources in and near Europe

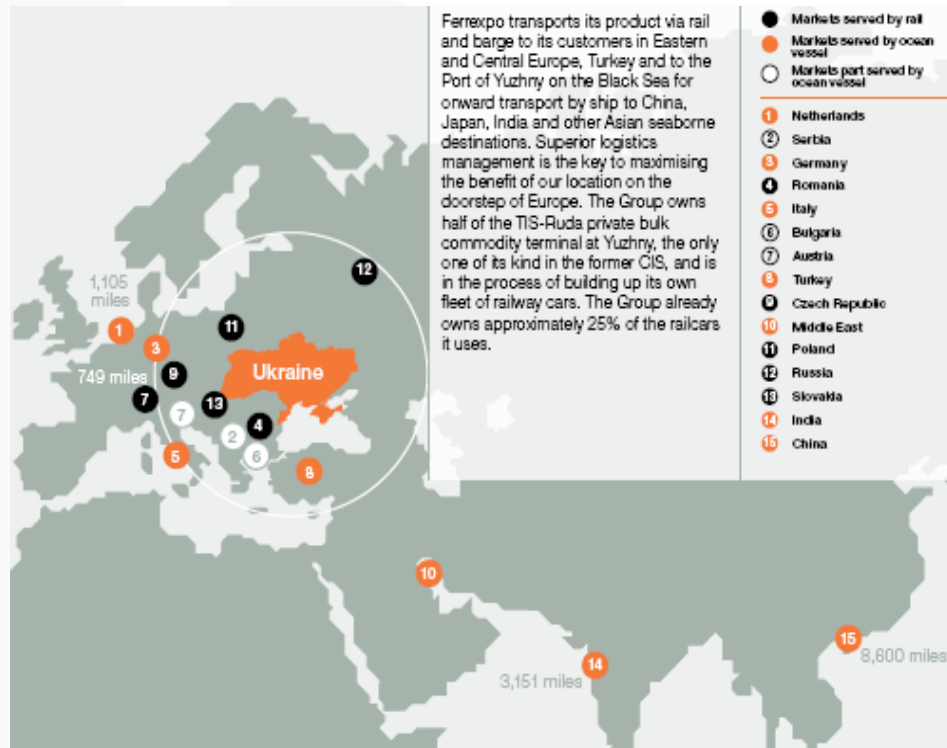


U.S. Geological Survey, Mineral Commodity Summaries, January 2009

Our marketing has differentiated us

- > Continued focus on long term contract business in first 10 months of 2008
- > Strong customer relationships have paid off in downturn
 - Loyalty – supply often reduced less/last
 - Small-parcel rail delivery service – effective inventory management
 - Relatively environmentally friendly
 - Potential to GAIN market share in Traditional and Natural markets
- > Able to compensate reduced Traditional market demand in Q4 with additional sales in seaborne markets
 - Asian demand more resilient
 - Ferrexpo has established presence and reputation there

Position of operations – location is KEY



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Strategy

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 to maintain sales volumes and increase market share
- > Retain flexibility to react quickly to changes in the iron ore market
- > Pursue best practice in our operations, our management, and our governance
- > Resume commercialisation of our extensive undeveloped ore deposits when prudent

2009 YTD Trading and Outlook

Current Trading

- > We have traded profitably and maintained margins in the first two months of 2009
- > Demand weakness in Ukraine and Traditional markets continues
- > Continued to successfully leverage presence and reputation in Asia to increase seaborne spot sales in compensation
- > Increased sales to China, Japan, South Korea, India and Taiwan
- > Average C1 costs for the year to date at US\$39.0/t
- > Average DAF/FOB price for the year to date: US\$79.0/t
- > Market conditions change constantly – and we continue to monitor this and adapt

Outlook

- > Short-term outlook for global economy and iron ore markets likely to be volatile for some time
- > No visibility on timing or level of contract price settlements
- > 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 in 2009

Summary

World class iron ore resource - one of the largest in the world

Cost efficient, stable and reliable production

Strong marketing and close customer relationships

Not reliant on Western European markets

Profitable and cash generative

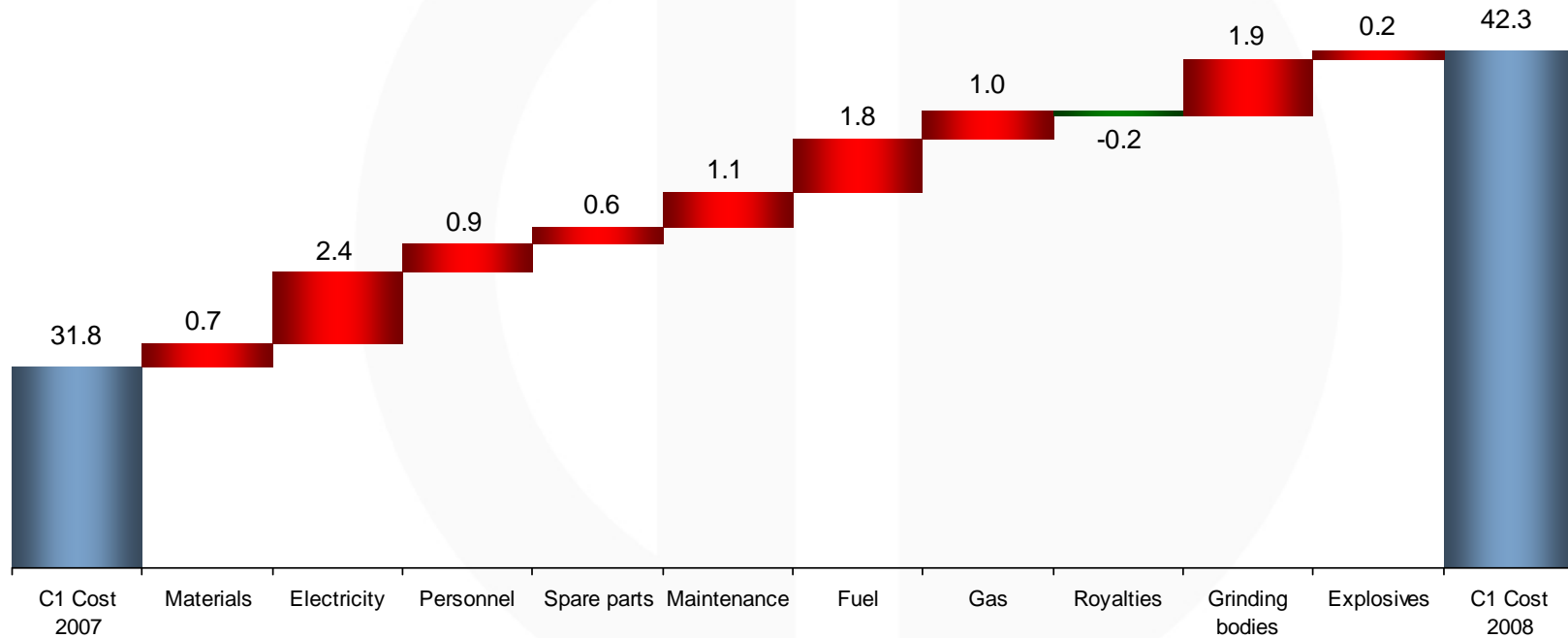
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APPENDIX



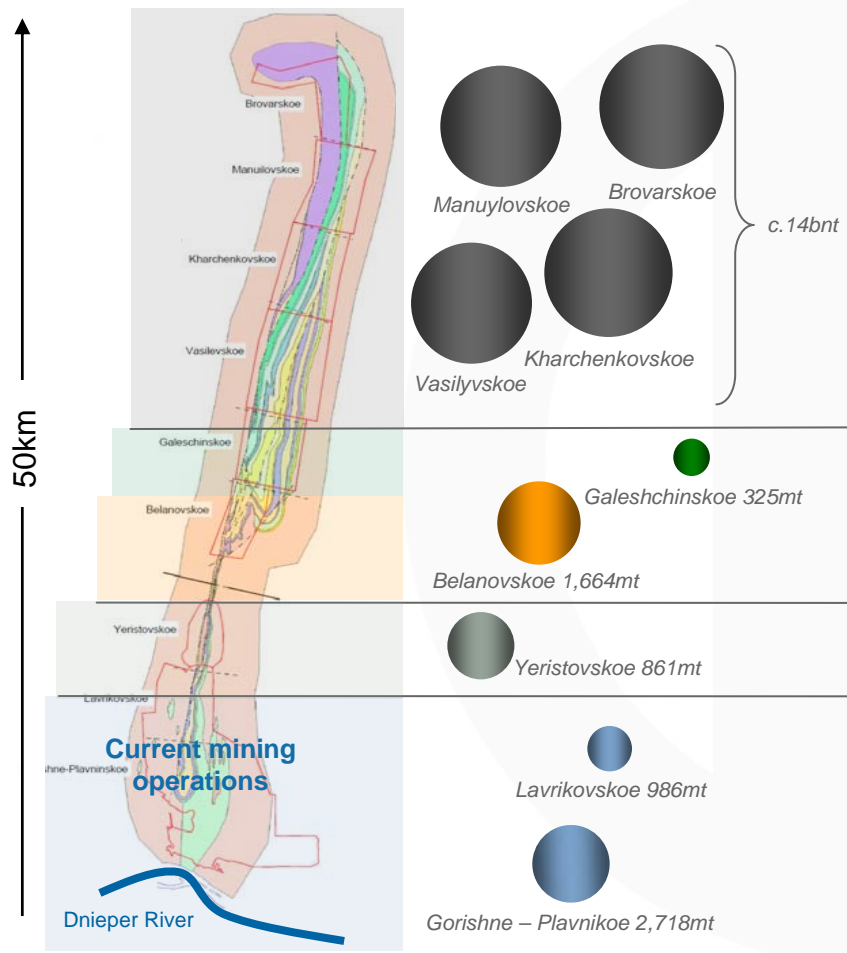
C1 Costs and influencing factors

C1 Costs waterfall 2007 – 2008 (US\$/t)



Status of Growth Projects

Growth projects remain a priority but will remain on hold until markets improve



Northern Resources Exploration & Appraisal

- > Complying with exploration licence requirements

Galeschina Development

- > Alternatives for development explored in 2008

Belanovskoye Development

- > **On hold**
- > Preliminary feasibility study completed in Sept 08

Yeristovskoye Development

- > **On hold**
- > Definitive feasibility study completed in Sept 08
- > Limited stripping works continue to preserve development schedule and option-value
- > Strategic Investor Programme **on hold**

GPL Expansion & Upgrades

- > **On hold**
- > Definitive feasibility study for upgrades completed in Sept 08
- > US\$100m of US\$158m spent on expansion - limited stripping works continue to preserve development schedule and option-value

Growth Pipeline

Source: Ferrexpo plc