

19 September 2007

Interim Results for the Six Months ended 30 June 2007

Financial and Production Highlights

(US\$ '000, unless stated)	Six months ended 30 June 2007	Six months ended 30 June 2006	% Change
Iron ore production (kt)	14,446	12,522	15%
Pellet production (kt)	4,653	3,923	19%
Of which 65% Fe content (kt)	1,778	1,563	14%
Revenue	327,915	236,217	39%
EBITDA	112,300	51,218	119%
Profit for the period	40,579	14,564	179%
Underlying earnings	67,408	16,501	309%
EPS (USc)	6.03	2.55	136%

Performance Highlights

- Revenue increased by 39% to \$327.9 million
- Profit for the period (after IPO costs) increased by 179% to \$40.6 million
- Underlying earnings increased by 309% to \$67.4 million
- Growth in pellet production volumes of 19% to 4.7mt
- Product quality improved, 14% increase in production of 65% pellets
- Flat nominal unit production costs, despite high Ukrainian inflation
- Successful flotation on the London Stock Exchange in June raising \$202.1 million
- Entry into the FTSE 250 index on 12 September 2007

Michael Abrahams, Chairman of Ferrexpo plc commented:

“These strong results are a testament to the continuing operational improvements at Ferrexpo. We believe the current positive market environment for our business is set to continue, with the outlook for steel, iron ore and particularly pellets remaining strong globally. These trends are likely to continue throughout the second half of this year and beyond.”

Mike Oppenheimer, CEO of Ferrexpo plc commented

“I am pleased to report an excellent set of inaugural results, made possible through a combination of higher volumes, improved operational performance and strong pricing. Our Business Improvement Programme has led to tight cost control, and we expect it to continue to yield results across our operations. We have already begun to deliver on our growth strategy, and we continue to look for appropriate methods of maximising the value of our extensive undeveloped ore deposits.”

For further information, please contact:

Ferrexpo:
Mike Oppenheimer
Dennis McShane
Gavin Mackay

+44 207 389 8304

Finsbury:
Robin Walker
Alex Simmons

+44 207 251 3801

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 over 9 million tonnes, approximately 90% of which is exported to steelmakers around the world. The Group is currently undertaking a significant growth programme and listed on the main market of the London Stock Exchange in June 2007 under the ticker FXPO. For further information please visit www.ferrexpo.com.

Chairman's Statement

I am delighted to present Ferrexpo plc's first set of results following our successful listing on the London Stock Exchange in June this year, when we raised \$202 million (£102 million) for the Group. Our listing as a UK plc and subsequent inclusion in the FTSE 250 index mark the latest stage in the Group's development, and we are now well-placed to build on our track record of successful financial and operational performance.

We extend a warm welcome to all our new shareholders.

Results

The excellent operational performance and strong financial results over the last six months demonstrate the strengths of our business. Significant growth in both revenues and profits was achieved through increased volumes, improved operating efficiency and a favourable global iron ore market. Our revenues for the first six months were 39% ahead of the equivalent period last year at \$327.9 million (\$236.2 million). Pre-tax profit increased by 187% to \$54.5 million (\$19.0 million). Group EBITDA for the period increased by 119% to \$112.3 million (\$51.2 million).

Market Environment

Global pricing for iron ore remains firm, driven by continuing demand for steel from China and other industrialising nations. Seaborne benchmark prices increased by 9.5% for fine and lump ores and 5.3% for blast furnace pellets from early 2007. This price increase has had a knock-on effect on our pellet pricing and resulted in a marked positive impact on our second quarter earnings, where the average price per tonne achieved in the first six months of 2007 rose by 23% as compared with the same period last year.

Operations

Ferrexpo remains the leading exporter of iron ore pellets from the Ukraine. The volume of iron ore mined during the period rose to 14.4 million tonnes, an increase of 15% over the same period in the prior year. Pellet production reached 4.7 million tonnes, a 19% increase. Notably, our increase in production was accompanied by an increase in the quality of our pellets, with the volume of high-grade pellets (Fe content above 65%) produced reaching 1.8 million tonnes, 14% more than in the equivalent period in 2006.

In contrast to many businesses in the sector, we have kept our production costs broadly flat in nominal terms. Given the fact that the official Producer Price Inflation rate in Ukraine for the six months to 30 June 2007 was 11.0%, we have achieved a material real reduction in costs compared with the equivalent period last year.

These reductions, and the achieved rates of production growth, have resulted directly from the implementation of a comprehensive Business Improvement Programme at

our major asset, the Ferrexpo Poltava mine, aimed at moving the operations towards best practice in mining, processing and business processes. This rate of cost improvement is unlikely to be sustained and whilst ongoing improvements in efficiencies and productivity will be relentlessly pursued via the Business Improvement Programme, we are facing increasing cost pressures on key input prices and competition for skilled labour.

Marketing and distribution remain important to both our revenue and our profitability, and we will continue to build on the Group's existing global customer base to grow market share as well as develop the Group's logistical capabilities to match its growing production. Progress has already been made on this front.

Management of health, safety and the environment is a priority and our programme of continuous improvement is delivering positive results.

Investing Activities

Operating cash flow for the Group has increased significantly to \$83.3 million, when compared to the same period last year. This strong cash flow along with the proceeds of our listing gives us the financial capacity to begin investing in our growth programme. We are using these funds to continue to execute our strategy as set out at our IPO. During the first six months of 2007, the Group invested \$21.6 million in continuing to develop and upgrade our existing operations.

The main emphasis of the Group's investment policy is the commencement of our expansion project. The Board has conducted a preliminary review of this project, and management preparations for the integrated expansion of the business are on track, with \$64.5 million having already been committed to this project. This includes the \$46 million recently committed for new draglines, representing the first capital expenditure for the development of the Yeristovskoe deposit.

People

The first six months of 2007 have seen fundamental changes within the Group. The Board would like to thank all the employees of Ferrexpo, who have responded to the challenges presented by these changes with enthusiasm. On the operating level, improvements to efficiency and productivity are increasingly evident, and we continue to build capability in best practice mining.

Corporate Governance and Social Responsibility

As a newly-listed company on the London Stock Exchange, the Board is firmly committed to delivering high standards of corporate governance. We aim to be fully compliant with the Combined Code within the first year of listing. We believe that the combination of a strong management team and experienced independent Directors will provide the best opportunities for growth and strategic direction for the Group.

We take Corporate Social Responsibility very seriously and believe that the health and safety of our employees, respect for the environment and active engagement with local communities are a vital part of our business in the long term. We will continue to put in place measures to ensure our responsibilities in this regard are fulfilled.

Strategy

The Board continues to refine and develop the strategy as set out at the IPO, aiming to increase the efficiency and productivity of the current operations, deliver on our project pipeline and extend our producing assets. However, the great long-term opportunity for Ferrexpo, with one of the world's largest iron ore resources, is to find the most appropriate method of maximising its value by accelerating the

commercialisation of our extensive undeveloped ore deposits. The Board is considering several options to accelerate this commercialisation, including the involvement of outside parties to provide funding and execution capability.

Outlook

We are of the view that the positive market environment for our business is set to continue. Our iron ore customers remain largely unaffected by the recent volatility in the global credit and equity markets, with the result that the outlook for iron ore and steel remains strong globally. Regionally, in our traditional markets such as Central/Eastern Europe and Ukraine, and in our growth markets, principally China and Turkey, the outlook for iron ore pellets in particular continues to be good. We believe that these trends will continue throughout the second half of this year and beyond.

The Board will continue to drive the growth of the Group to take advantage of the unprecedented market environment for iron ore.

As set out in the Prospectus, the Directors intend to pursue a dividend policy consistent with the Group's growth profile, reflecting the investment the Group is making to drive future growth and the cash generated by the existing operations, while maintaining a prudent level of dividend cover. The Group will not pay an interim dividend in 2007, but the Directors intend to declare a final dividend of not less than US\$10 million for the year ending 31 December 2007. Thereafter, an interim and final dividend of approximately equal proportions will be paid.

OPERATING & FINANCIAL REVIEW

Highlights

- Revenue increased to \$327.9 million, up 39% on the equivalent period in 2006
- Profit for the period (after IPO costs) increased to \$40.6 million, up 179%
- Net financial indebtedness reduced by \$143.4 million to \$127.5 million
- Growth in pellet production volumes of 19% to 4.7mt
- Product quality improved, 14% increase in production of 65% pellets
- Flat nominal unit production costs, despite high Ukrainian inflation
- Operations commenced at our new port investment on the Black Sea - TIS Ruda
- Development of the Yeristovskoe deposit underway
- Studies underway for the upgrading of the current pit and for the development of the Belanovskoe and Galeschinskoe deposits

OPERATING REVIEW

Key Statistics

	UOM	6 months ended 30 June 2007	6 months ended 30 June 2006	% Change
Iron ore mined	000't	14,446	12,522	15
Average Fe content	%	29.80	29.64	1
Produced concentrate	000't	5,293	4,475	18
Average Fe content	%	63.44	63.32	-
Purchased concentrate	000't	223	212	5
Average Fe content	%	64.01	63.85	-
Total pellet production (BFP)	000't	4,653	3,923	19
from produced concentrate	000't	4,450	3,738	19
- Higher grade	000't	1,778	1,563	14
Average Fe content	%	65.13	65.08	-
- Lower grade	000't	2,672	2,175	23
Average Fe content	%	62.26	62.16	-
from purchased concentrate	000't	203	185	10
- Lower grade	000't	203	185	10
Average Fe content	%	62.26	62.16	-
Pellet sales volume	000't	4,511	4,055	11
Gravel production	000't	1,604	1,468	9

The first six months of 2007 saw an increasingly positive market environment for our products. This has provided the impetus for Ferrexpo Poltava Mining ("Ferrexpo Poltava") to focus strongly on growing production volumes over the period. Since the beginning of the year Ferrexpo Poltava has mined 14,446kt of iron ore with an average Fe content of 29.80%. This represents a 15% increase in ore extraction compared to the same period last year. In addition, rich ore made up a greater proportion of the overall volumes extracted (45% versus 42% in the equivalent period last year). This greater volume together with higher quality ore represents a considerable improvement in mining performance. Production of iron ore concentrate reached 5,293kt, an increase of 18% over the equivalent period last year. The quality of the concentrate was also higher than in the first half of 2006, which enabled us to raise our production of higher-grade pellets, achieving an average Fe content of 65.13%.

The volume of pellet production was 4,653kt, an improvement of 18.6% over the first half of 2006, with pellet production from our produced concentrate increasing by 19.2%. Historically, the Group has produced a small proportion of iron ore pellets from purchased concentrate in order to optimise capacity utilisation at our pelletising plant, albeit at a significantly lower margin than can be achieved from pellets produced from from own ore concentrate. . During the first half of 2007, the Group purchased 223kt of concentrate to produce additional pellets. However, tightness of the concentrate market has driven prices up to a level where it is

now difficult for the Company to achieve an appropriate margin on pellets produced from purchased concentrate. Management has decided to scale back purchases of concentrate until market conditions improve, with the result that the business may produce less of this lower margin product in the second half of 2007.

As expected, the first half of 2007 saw a slightly lower volume from stripping operations, due to a shift of mining operations towards the south-eastern part of the pit, which has a lower stripping ratio.

We have continued to see positive results from our Business Improvement Program ("BIP"), which is being strongly driven by Ferrexpo Poltava management, assisted by GPR Dehler, a consultant widely used in the mining industry to facilitate these improvement initiatives. The aim of the BIP is to introduce global best practice in efficiency and productivity into the different areas of operation at Ferrexpo Poltava. As a consequence of the BIP, in the first half of 2007 Ferrexpo Poltava reduced the nominal cost per cubic metre of drilling and blasting, as well as rock transportation by conveyors. For example, the performance from the KRUPP crushing and conveying complex improved such that the cost per tonne of crushing decreased by 69%, and a reorganisation of the in-pit transport vehicle maintenance and repair process has led to more efficient usage of these vehicles.

Ferrexpo Poltava was also able to control costs via a reduction in the rate of consumption of energy and raw materials. Electricity consumption per tonne of pellets produced, the largest single cost item, declined by 8.6 % during the first six months of 2007 as against the equivalent period last year, with gas consumption declining by 14.2%. There was also a 5.7% decline in the consumption of steel grinding bodies. More efficient use of machinery was also a contributing factor. As a result, in the first half of 2007 the nominal cash cost of pellet production (C1) was 29.88 \$/t, whereas in the first half of 2006 it was 29.83 \$/t. Our costs are principally denominated in Ukrainian Hryvnia, which is a managed currency currently maintained at approximately UAH5/\$1. The fact that our nominal costs remained flat over a period during which the Ukrainian Producer Price Index (PPI) was 11.0% indicates a material real terms reduction in costs relative to the equivalent period last year.

The average number of personnel on the Ferrexpo Poltava payroll was reduced from 10,690 in the first half of 2006 to 9,771 in the reported period as a result of organisation redesign, and efficiency and productivity initiatives.

Marketing and distribution remain a key factor in the success of the Group's business. We have continued to strengthen our position in our traditional markets (Eastern and Central Europe and Ukraine). We are actively pursuing new market positions to underpin our growth strategy and have now added supply into Turkey and also Japan to our mix of growth markets, currently centered around China. We continue to strive to move our overall sales book further towards longer term contracts and to build strategic relationships with major customers. Since the end of the period under review, one of our long-standing customer relationships was cemented by the extension to 2015 of the long term supply agreement with Voestalpine AG, in late July.

Distribution costs per ton of pellets sold have increased by 3% compared with the equivalent period last year, from 10.12\$/t to 10.43\$/t. This resulted from increases in railway tariffs and port charges imposed by the Ukrainian authorities. The Group has begun to implement a series of measures to minimise the effect of rising distribution costs. These include renegotiating freight terms with customers, using transshipment ports with lower charges, using our own barge port on the Dnieper River more intensively and investing in a new, privately owned and operated port facility..

The decision by the Group to invest in the first privately owned bulk commodity port in the former CIS at Yuzhny on the Black Sea was driven by a strategy of managing distribution costs as well as providing port capacity to enable the Group to grow exports to its growth markets. The TIS Ruda venture was established in December 2006. The Group owns 49.9% of the equity, but has rights to use 100% of its capacity. began operations in May 2007. The terminal has state-of-the-art facilities for bulk cargo handling, and its capacity of 5mtpa allows the Group to accelerate the loading of seaborne vessels, while reducing its reliance on congested state ports.

During the first half of 2007 the Group's total capital expenditure was \$53.4 million, an increase of 11% over the equivalent period in 2006. The major part of this, \$21.6 million, was invested in the mining complex as maintenance capital and on projects to optimise the current pit performance. During the reported period pre-stripping operations in the new pit at Yeristovskoe (which borders on the northern part of the current pit) were started. \$2.2 million was spent over the period. Organisation of the pre-stripping operations and the placement of orders for mining equipment are being carried out jointly with our mining alliance partners, DTP Terrassement S.A. (France). Preliminary engineering assessments and a geological survey were undertaken at the Belanovskoe deposit and technical activities continue on our northern deposits in line with our licence commitments.

FINANCIAL REVIEW

Summary of Financial Results

US\$ 000	6 months to 30 June 2007	6 months to 30 June 2006	% Change
Revenue	327,915	236,217	39
EBITDA	112,300	51,218	119
<i>As % of revenue</i>	34%	22%	
Profit before taxation	54,484	18,973	187
Income tax	13,905	4,409	215
Profit for the period	40,579¹	14,564	179
Underlying earnings	67,408	16,501	309
Underlying earnings per share	11.10	2.80	296
Earnings per share	6.03	2.55 ²	136

The Group achieved top line growth of 39% compared to the first six month of 2006, with revenue increasing by \$91.7 million to \$327.9 million. This strong performance was principally due to strong pellet prices, together with growth in both absolute sales volume and in high-grade pellet sales volume.

Firm cost control enabled the Group to increase EBITDA for the first six months of the year by 119% to US\$112.3 million. Of particular note is the improvement to the Group's sales margin, which resulted in a rise in EBITDA margin from 22% in the first half of 2006 to 34% in the current period, and also led to an increase in underlying earnings by 309% to \$67 million.

The Group did experience an increase of 32% in General and Administrative Expenses, primarily as a result of the IPO and the additional costs associated with becoming and maintaining a UK plc, and hiring and retaining quality management. These costs commenced prior to the IPO and are likely to continue at these levels, as the cost structure of the Group's administrative functions has been fundamentally altered. IPO costs amounting to US\$30.1 million were incurred during the period under review.

The Group experienced a small increase in its effective tax rate in the first half of 2007, which was a direct consequence of the considerable growth in pellet sales to the Ukrainian market over this period. This is higher margin business, and resulted in an increased amount of profit taxable at the 25% corporate tax rate applied in Ukraine.

The Group's Ukrainian operations have continued to experience delays in recovering VAT from the government on a timely basis during the period, which represents an additional debt burden to the Group. Management are of the opinion that the VAT refunds are fully recoverable - there are no legal grounds for the non-payment of this receivable and are actively pursuing this issue with the relevant government authorities.

In the beginning of 2007 the Group restructured its bank debt, extending the maturity dates of its outstanding loans and decreasing its cost of debt. As part of this restructuring, the Group raised a syndicated loan in an initial amount of \$275.0 million. This successful transaction was later increased to \$335.0 million as a result of oversubscription.

These strong results together with a considerable increase in net cash flow from operating activities and the proceeds of our recent IPO have enabled us to strengthen our Balance Sheet. As a result, Net Financial Indebtedness ("NFI") has decreased from \$270.9 million (as of 30 June 2006) to \$127.5 million (as of 30 June 2007).

The Group's balance sheet has strengthened, and our increased financial stability is apparent in our debt to equity ratio (calculated as NFI divided by NFI plus Equity) which was 0.21 as at 30 June 2007, as compared to 0.50 as at 30 June 2006.

¹ After IPO costs of \$30 million

² Pro forma

Consolidated income statement

US\$ 000	Notes	6 months ended 30.06.07	6 months ended 30.06.06	Year ended 31.12.06
Revenue	2,3	327,915	236,217	547,310
Cost of sales		(160,287)	(141,151)	(296,720)
Gross profit		167,628	95,066	250,590
Selling and distribution expenses		(47,178)	(41,033)	(86,376)
General and administrative expenses		(19,962)	(15,135)	(41,140)
Other income		1,680	1,084	2,583
Other expenses		(3,203)	(3,443)	(5,078)
Operating profit from continuing operations before adjusted items		98,965	36,539	120,579
Write-offs and impairment losses	4	(1,101)	(1,770)	(2,205)
Share of losses of associates		(118)	-	-
Net loss on disposal of subsidiary	5	-	-	(3,524)
Initial public offering costs		(30,142)	-	-
Profit before tax and finance		67,604	34,769	114,850
Finance income		854	1,560	2,326
Finance expense		(12,985)	(15,738)	(32,655)
Foreign exchange loss		(989)	(1,618)	(3,784)
Profit before tax		54,484	18,973	80,737
UK tax		(92)	(89)	(279)
Overseas tax		(13,813)	(4,320)	(14,479)
Profit for the year		40,579	14,564	65,979
Attributable to:				
Equity shareholders of Ferrexpo plc		36,634	15,485	63,578
Minority interest		3,945	(921)	2,401
		40,579	14,564	65,979
Earnings per share				
Basic	7	6.03	2.55	10.47
Diluted	7	6.00	2.55	10.47

No dividends were paid or proposed in the periods presented.

Consolidated balance sheet

US\$ 000	Notes	As at 30.06.07	As at 30.06.06	As at 31.12.06
Assets				
Property, plant and equipment	8	322,769	313,345	301,343
Goodwill and other intangible assets		156,534	9,275	156,534
Investments in associates		16,832	-	16,950
Available-for-sale financial assets		36,040	34,628	34,641
Other non-current assets		3,699	17,496	916
Total non-current assets		535,874	374,744	510,384
Inventories		55,383	50,632	48,487
Trade and other receivables		49,951	31,096	58,284
Prepayments and other current assets	14	10,310	122,581	17,118
Income taxes recoverable and prepaid		118	3,814	1,424
Other taxes recoverable and prepaid		46,812	28,252	42,489
Available-for-sale financial assets		95	139	1,451
Short term deposits with banks	9	1,460	9,489	11,043
Cash and cash equivalents	10	71,904	7,735	16,236
Total current assets		236,033	253,738	196,532
Total assets		771,907	628,482	706,916
Equity and liabilities				
Share capital	11	121,628	-	-
Reserves		319,698	161,977	300,646
Equity attributable to equity shareholders of the parent		441,326	161,977	300,646
Minority interest		39,840	109,321	36,146
Total equity		481,166	271,298	336,792
Interest-bearing loans and borrowings	13	178,667	86,450	204,732
Trade and other payables		4,994	11,085	10,484
Shares redemption liability	12	9,532	8,607	9,062
Defined benefit pension liability		15,136	14,272	14,501
Provision for site restoration		440	370	402
Deferred tax liability		2,613	6,058	2,535
Total non-current liabilities		211,382	126,842	241,716
Interest-bearing loans and borrowings		15,350	184,711	81,243
Trade and other payables		29,002	24,826	21,492
Liability to minority participants		-	3,566	-
Accrued liabilities and deferred income		27,331	13,602	17,986
Income taxes payable		2,579	2,413	4,646
Other taxes payable		5,097	1,224	3,041
Total current liabilities		79,359	230,342	128,408
Total liabilities		290,741	357,184	370,124
Total equity and liabilities		771,907	628,482	706,916

Consolidated cash flow statement

\$000	Notes	6 months ended 30.06.07	6 months ended 30.06.06	Year ended 31.12.06
Net cash flows from operating activities	15	83,324	4,039	68,300
Cash flows from investing activities				
Purchase of property, plant and equipment		(53,430)	(37,253)	(48,760)
Proceeds from sale of property, plant and equipment		14,870	290	374
Purchase of intangible assets		-	(10)	(745)
Deposits lodged at banks		7,475	9,877	8,732
Purchases of available for sale securities		-	-	(3,119)
Proceeds from sale of financial assets		139	-	2,408
Interest received		329	116	1,473
Dividends received		-	-	17
Acquisition of minority interest in subsidiaries		-	-	(231,945)
Acquisition of associates		-	-	(16,950)
Loans provided to related parties		-	-	(16,674)
Loans provided to related parties (associates)		(5,000)	-	-
Loans repaid by related parties		-	-	123,457
Proceeds from disposal of subsidiaries		-	-	4,338
Net cash flows used in investing activities		(35,617)	(26,980)	(177,394)
Cash flows from financing activities				
Proceeds from borrowings and finance		175,244	201,432	565,593
Repayment of borrowings and finance		(267,471)	(160,015)	(512,819)
Dividends paid to minority interest		(465)	(4)	(245)
Distribution under 50/50 tax ruling		(5,000)	(10,210)	(31,521)
Proceeds from issue of share capital in subsidiaries		-	2,684	-
Proceeds from issue of share capital in Ferrexpo AG		-	-	109,329
Purchase of shares in previous parent		(64,055)	-	-
Initial public offering proceeds		202,072	-	-
Initial public offering costs		(32,250)	(6,199)	(7,503)
Net cash flows from financing activities		7,797	27,688	122,834
Net increase in cash and cash equivalents		55,504	4,747	13,740
Cash and cash equivalents at the beginning of the period		16,236	2,496	2,496
Currency translation differences		164	492	-
Cash and cash equivalents at the end of the period	10	71,904	7,735	16,236

Consolidated statement of changes in equity

\$000	Attributable to equity shareholders of the parent										
	Issued capital	Share Premium	Treasury shares	Uniting of interest reserve	Revaluation reserve	Translation reserve	Retained earnings	Total reserves	Minority interests	Total equity	
At 31 December 2005	-	-	-	27,967	2,453	186	117,548	148,154	107,756	255,910	
Profit for the period	-	-	-	-	-	-	15,485	15,485	(921)	14,564	
Items recognised directly in equity:											
Distribution under 50/50 tax ruling	-	-	-	-	-	-	(1,662)	(1,662)	-	(1,662)	
Share capital issue by subsidiary undertakings to minority shareholders	-	-	-	-	-	-	-	-	2,686	2,686	
Equity dividends paid by subsidiary undertakings to minority shareholders	-	-	-	-	-	-	-	-	(200)	(200)	
At 30 June 2006	-	-	-	27,967	2,453	186	131,371	161,977	109,321	271,298	
Profit for the period	-	-	-	-	-	-	48,093	48,093	3,322	51,415	
Items recognised directly in equity:											
Distribution under 50/50 tax ruling	-	-	-	-	-	-	(19,528)	(19,528)	-	(19,528)	
Acquisition of minority interest through capital increase	-	-	-	-	-	-	-	-	(75,359)	(75,359)	
Equity dividends paid by subsidiary undertakings to minority shareholders	-	-	-	-	-	-	-	-	(363)	(363)	
Proceeds from issue of share capital in Ferrexpo AG	-	-	-	109,329	-	-	-	109,329	-	109,329	
Reversal of revaluation relating to previously held interest in Vostock Ruda LLC, upon acquisition of a controlling interest	-	-	-	-	(2,453)	-	3,228	775	(775)	-	
At 31 December 2006	-	-	-	137,296	-	186	163,164	300,646	36,146	336,792	
Profit for the period	-	-	-	-	-	-	36,634	36,634	3,945	40,579	
Items recognised directly in equity:											
Distribution under 50/50 tax ruling	-	-	-	-	-	-	(4,835)	(4,835)	-	(4,835)	
Equity dividends paid by subsidiary undertakings to minority shareholders	-	-	-	-	-	-	-	-	(251)	(251)	
Share issue in parent company	121,628	215,275	-	-	-	-	-	336,903	-	336,903	
Transaction costs associated with issue of shares	-	(34,388)	-	-	-	-	-	(34,388)	-	(34,388)	
Uniting of interest elimination	-	-	-	(105,516)	-	-	-	(105,516)	-	(105,516)	
Share buyback of previous parent of the Group	-	-	-	-	-	-	(64,055)	(64,055)	-	(64,055)	
Treasury shares issued to Employee benefit Trust	-	-	(29,216)	-	-	-	-	(29,216)	-	(29,216)	
Employee benefit trust award	-	-	5,153	-	-	-	-	5,153	-	5,153	
At 30 June 2007	121,628	180,887	(24,063)	31,780	-	186	130,908	441,326	39,840	481,166	

Notes to the Consolidated Financial Information

Note 1: Basis of preparation and summary of significant accounting policies

On 24 May 2007, Ferrexpo plc allotted and issued 533,043,489 ordinary shares in the Company at a par value of £0.10 each (£53,304,349 (US\$105,515,959)) to Fevamotinicò Sàrl in exchange for 129,944,923 registered shares of CHF1 each in the capital of Ferrexpo AG. Pursuant to such transaction, Ferrexpo plc became the sole shareholder of Ferrexpo AG.

As this transaction involved the combination of businesses under common control, the pooling of interests method of accounting has been applied in the presentation of the consolidated financial statements for the year ended 31 December 2006 and periods ended 30 June 2007 and 30 June 2006, which present the results of the Group as if the Ferrexpo plc had always been the parent company of the Group. The last filed accounts of Ferrexpo plc qualified for exemption from audit under section 249AA of the Companies Act 1985 as it was dormant during the period. The last filed accounts of Ferrexpo AG (the previous consolidated Group accounts) contained an unqualified audit opinion, and no statements equivalent to s237(2) or s237(3) under the Companies Act 1985.

A historic share purchase and sale transaction in Ferrexpo Poltava GOK Corporation shares, the amount of which following dilution now represents less than 25% of the issued share capital of Ferrexpo Poltava GOK Corporation, is the subject of an ongoing legal challenge that commenced in November 2005, and was initially dismissed by the Ukrainian Supreme Court in April 2006, but has recently been recommenced in a lower court. The plaintiff, a party to the disputed transaction, initiated legal proceedings in the Ukrainian courts seeking to invalidate the original share sale and purchase agreement. The plaintiff claims that the agreement was not executed in accordance with Ukrainian legislation. No remediation or damage has been claimed. In the event of the claim succeeding and being upheld on appeal and the issued share capital being transferred to the plaintiff, the Group will retain control of Ferrexpo Poltava GOK Corporation. Neither the Company, nor the beneficial owner nor any of the Group's subsidiary undertakings are involved in the legal proceedings. Management, having taken appropriate legal advice, believe that the claim is without merit and consider that there is a remote likelihood that the Group's ownership of the related interest in Ferrexpo Poltava GOK Corporation will be successfully challenged and that the Group will not suffer material financial costs in connection with this matter.

On the 15 June 2007, the Company's ordinary shares were admitted to the Official List of the Financial Services Authority and to trading on the London Stock Exchange. The global offer comprised of 152,097,932 ordinary shares of £0.10 each at a price of £1.40, of which 72,527,361 new ordinary shares of £0.10 each were issued by the Company (US\$14,433,743) and 79,570,571 were ordinary shares of £0.10 each sold by existing shareholders. Gross proceeds of £101,538,305 (\$202,072,397) were received by the Company following the issue of the new ordinary shares.

The interim consolidated financial statements for the six months ended 30 June 2007 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting. The interim financial statements have been prepared on a historical cost basis, except for post-employment benefits measured at fair value and available for sale financial instruments measured at fair value in accordance with the requirements of IAS 39 "Financial instruments: recognition and measurement". The consolidated historical financial information is presented in US Dollars thousands and all values are rounded to the nearest thousand except where otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2006 as presented in the listing Prospectus.

The financial information for the year ended 31 December 2006 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. This information was derived from the Group's annual financial statements for the year ended 31 December 2006 presented in the listing prospectus, a copy of which has been delivered to the London Stock Exchange.

The accounting policies applied are consistent with those adopted and disclosed in the Group's annual financial statements for the year ended 31 December 2006, except for the adoption of new Interpretations, noted below:

- *IFRIC 9 Reassessment of Embedded Derivatives*
The Group adopted IFRIC Interpretation 9 as of 1 January 2007, which states that the date to assess the existence of an embedded derivative is the date that an entity first becomes party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cashflow.
- *IFRIC 10 Interim Financial Reporting and Impairment*
The Group adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

There is no material impact to the Group's financial statements resulting from the adoption of these Interpretations.

Note 2: Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Primary reporting format - Business segments

The Group's activity is primarily the mining of iron ore and sale of iron ore pellets thereof and for the purpose of the consolidated financial statements only one business segment is therefore identified as a reportable segment.

Secondary reporting format - Geographical segments

The Group operated in two distinct geographical segments for the processing and sale of iron ore for the three years ended 31 December 2006.

The Group's principal mining operations are based in Ukraine and its marketing and management operations are based in Switzerland. The unallocated amounts relate to non-operating assets and liabilities of the head office function, which is based in Switzerland.

\$000	6 months ended 30.06.07			Total
	Ukraine	Switzerland	Unallocated	
Revenue				
Sales	274,301	265,478	3,519	543,298
Inter-segment sales	(211,864)	-	(3,519)	(215,383)
Sales to external customers	62,437	265,478	-	327,915
Other segment information				
Segment assets	604,461	525,583	517,945	1,647,989
Elimination				(876,082)
Total assets				771,907
Segment liabilities	221,620	291,084	169,873	682,577
Elimination				(391,836)
Total liabilities				290,741
Capital expenditure:				
Property, plant and equipment	50,570	416	6	50,992
Depreciation and amortisation	14,037	125	62	14,224

\$000	6 months ended 30.06.06			Total
	Ukraine	Switzerland	Unallocated	
Revenue				
Sales	208,744	215,546	3,009	427,299
Inter-segment sales	(188,073)	-	(3,009)	(191,082)
Sales to external customers	20,671	215,546	-	236,217
Other segment information				
Segment assets	764,969	151,804	129,666	1,046,439
Elimination				(417,957)
Total assets				628,482
Segment liabilities	317,539	49,583	128,122	495,244
Elimination				(138,059)
Total liabilities				357,185
Capital expenditure:				
Property, plant and equipment	37,576	214	44	37,834
Depreciation and amortisation	16,159	78	60	16,297

\$000	Year ended 31.12.06			Total
	Ukraine	Switzerland	Unallocated	
Revenue				
Sales	468,321	467,700	7,917	943,938
Inter-segment sales	<u>(388,711)</u>	-	<u>(7,917)</u>	<u>(396,628)</u>
Sales to external customers	<u>79,610</u>	<u>467,700</u>	<u>-</u>	<u>547,310</u>
Other segment information				
Segment assets	611,058	391,616	62,048	1,064,722
Elimination				<u>(357,806)</u>
Total assets				<u>706,916</u>
Segment liabilities	248,840	160,385	60,258	469,483
Elimination				<u>(99,359)</u>
Total liabilities				<u>370,124</u>
Capital expenditure:				
Property, plant and equipment	53,993	297	59	54,349
Intangible fixed assets	156,423	-	-	156,423
Depreciation and amortisation	28,270	176	117	28,563

Elimination balances represent intercompany transactions.

Note 3: Revenue

Revenue consisted of the following:

	6 months ended 30.06.07	6 months ended 30.06.06	Year ended 31.12.06
	\$000	\$000	\$000
Revenue from sales of ore pellets:			
Export	265,454	215,470	467,099
Ukraine	<u>59,527</u>	<u>16,531</u>	<u>73,089</u>
	<u>324,981</u>	<u>232,001</u>	<u>540,188</u>
Revenue from sales of services	150	2,520	3,158
Revenue from other sales	<u>2,784</u>	<u>1,696</u>	<u>3,964</u>
	<u>327,915</u>	<u>236,217</u>	<u>547,310</u>

Export sales by geographical destination were as follows:

	6 months ended 30.06.07	6 months ended 30.06.06	Year ended 31.12.06
	\$000	\$000	\$000
Austria	84,037	67,148	140,286
China	45,185	37,131	83,258
Slovakia	30,254	25,931	54,143
Serbia	48,163	24,126	64,015
Czech Republic	22,676	21,226	52,775
Bulgaria	13,368	10,791	15,587
Poland	5,466	8,340	15,571
Romania	7,038	7,815	23,838
Germany	-	4,183	4,183
Turkey	5,849	8,779	12,302
Italy	3,418	-	-
Other	-	-	1,141
	265,454	215,470	467,099

Note 4: Write-offs and impairment losses

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 comprise:

	6 months ended 30.06.07	6 months ended 30.06.06	Year ended 31.12.06
\$000			
Write-off of inventories	112	37	341
Write-off of property, plant and equipment	693	1,543	1,543
Other impairment / (reversal)	296	190	321
	1,101	1,770	2,205

Note 5: Net loss on disposal of subsidiary

Loss on disposal of subsidiary consisted of the following:

	6 months ended 30.06.07	6 months ended 30.06.06	Year ended 31.12.06
\$000			
Loss on disposal of subsidiary	-	-	3,524

In 2006 the Group sold a 90.6% interest in its subsidiary Vostock Ruda to entities under common control for consideration of \$9,474,000, resulting in a loss on disposal of \$3,524,000. Of the total consideration, \$4,338,000 was received during the year ended 31 December 2006 and \$5,136,000 remains unpaid at the period ending 30 June 2007 and is included in current assets within other receivables.

Note 6: EBITDA

The Group calculates EBITDA as profit from continuing operations before tax and finance less foreign exchange (loss)/gain 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, non-recurring cash items included in other costs plus the net gain/(loss) from disposal of subsidiaries and associates. The Group presents EBITDA because it believes that EBITDA is a useful measure for evaluation its ability to generate cash and its operating performance.

US\$ 000	Notes	6 months ended 30.06.07	6 months ended 30.06.06	Year ended 31.12.06
Profit before tax and finance		67,604	34,769	114,850
Foreign exchange loss		(989)	(1,618)	(3,784)
Write-offs and impairment losses	4	1,101	1,770	2,205
Net loss on disposal of subsidiary	5	-	-	3,524
Initial public offering costs		30,142	-	-
Depreciation and amortisation	2	14,442	16,297	28,563
EBITDA		112,300	51,218	145,358

Note 7: Earnings per share and dividends paid and proposed

The earnings per share ("EPS") calculation has assumed that the number of ordinary shares issued pursuant to the share exchange agreements in relation to the acquisition of Ferrexpo AG by Ferrexpo plc have been in issue throughout 2004 and 2005 which is consistent with the pooling of interests method used to account for combinations of businesses under common control. The directors believe that this measure of EPS provides a more meaningful comparison with the Group's ongoing business than using the statutory EPS which would only reflect shares issued based on the actual date of issue.

Basic EPS is calculated by dividing the net profit for the year attributable to ordinary equity shareholders of Ferrexpo AG by the number of ordinary shares as defined above.

	6 months ended 30.06.07	6 months ended 30.06.06	Year ended 31.12.06
Profit for the period attributable to equity shareholders:			
Basic earnings per share (US cents)	6.03	2.55	10.47
Diluted earnings per share (US cents)	6.00	2.55	10.47
Underlying earnings for the period:			
Basic earnings per share (US cents)	11.10	2.80	10.92
Diluted earnings per share (US cents)	11.05	2.80	10.92

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

Thousands	6 months ended 30.06.07	6 months ended 30.06.06	Year ended 31.12.06
Number of shares			
Basic number of ordinary shares outstanding	607,471	607,471	607,471
Effect of dilutive potential ordinary shares	2,716	-	-
Diluted number of ordinary shares outstanding	610,187	607,471	607,471

The number of ordinary shares in issue excludes the shares held by the Appleby employee benefit trust. Diluted earnings per share is calculated by adjusting the 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.

'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. The calculation of underlying earnings per share is based on the following earnings data:

\$000	6 months ended 30.06.07	6 months ended 30.06.06	Year ended 31.12.06
Profit attributable to Equity holders	36,634	15,485	63,578
Write offs/impairments	1,101	1,770	2,205
Loss on disposals	-	-	3,524
IPO costs	30,142	-	-
Tax on adjusting items	(275)	(442)	(1,432)
Minority interests	(155)	(250)	(1,213)
Tax on Minority interests	(39)	(62)	(303)
Underlying earnings	<u>67,408</u>	<u>16,501</u>	<u>66,359</u>

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.

Dividends paid and proposed

\$000	6 months ended 30.06.07	6 months ended 30.06.06	Year ended 31.12.06
<i>Dividends proposed</i>			
Dividend proposed by subsidiary to minority interest 30 June 2007 \$0.015 (30 June 2006: \$0.005: 31 December 2006: \$0.01)	251	200	563
Total	<u>251</u>	<u>200</u>	<u>563</u>
<i>Dividends paid during the period</i>			
Final dividend paid by parent company proposed in 2004	-	-	108
Final dividend proposed in previous years to minority interest	465	4	178
Total	<u>465</u>	<u>4</u>	<u>286</u>

Note 8: Property, plant and equipment

Acquisitions and Disposals

During the six months ended 30 June 2007, the Group acquired assets with a cost of \$50,992,000 (30 June 2006: \$37,834,000; 31 December 2006: \$54,349,000), not including property and equipment acquired through business combination.

Assets with a net book value of \$15,014,000 were disposed of by the Group during the six months ended 30 June 2007, (30 June 2006: \$77,000; 31 December 2006: \$301,000), resulting in a gain/(loss) of \$140,000 (30 June 2006: \$197,000; 31 December 2006: \$(601,000)).

Note 9: Short term deposits with banks

Interest bearing term deposits with a maturity term of less than one year comprised:

\$000	Currency	As at 30.06.07	As at 30.06.06	As at 31.12.06
Short term deposits held with related parties (refer to note 14)	UAH	10	2,777	2,777
Short term deposits held with related parties (refer to note 14)	USD	1,450	5,089	5,164
Ukrainian bank		-	-	1,070
Interest accrued with related parties (refer to note 14)		-	1,623	2,032
		<u>1,460</u>	<u>9,489</u>	<u>11,043</u>

The related party balances are with a bank which is an entity under common control.

Note 10: Cash and cash equivalents

\$000	As at 30.06.07	As at 30.06.06	As at 31.12.06
Cash and cash equivalents at bank	67,846	4,906	14,718
Cash and cash equivalents held with related parties (refer to note 14)	4,015	2,816	1,515
Petty Cash	43	13	3
	<u>71,904</u>	<u>7,735</u>	<u>16,236</u>

The related party balances are with a bank which is an entity under common control.

Note 11: Share capital

\$000	
Balance at 31 December 2006 and 30 June 2006	-
Issue of new shares on 21 May 2007	99
Issue of new shares on 24 May 2007	105,516
Initial public offering on 15 June 2007	14,434
Issue of new shares on 25 June 2007	1,579
Balance at 30 June 2007	<u>121,628</u>

The authorised and fully paid share capital of Ferrexpo plc at 30 June 2007 was 613,917,956 ordinary shares at a par value of £0.10 paid for in cash, resulting in share capital of \$121,627,585 per the balance sheet.

At 30 June 2006 and 31 December 2006 the authorised and fully paid share was 2 ordinary shares at a par value of £1 paid for in cash, resulting in share capital of \$4.

On 21 May 2007 Ferrexpo plc allotted and issued 49,998 ordinary shares in the Company at par value of £1 each (US\$98,620). Following such the allotment, Ferrexpo plc's total issued and authorised share capital was subdivided into 500,000 ordinary shares of £0.10 each. The Company's authorised share capital was subsequently increased to £60,050,000 divided into 600,500,000 shares of £0.10 shares each.

On 24 May 2007, Ferrexpo plc allotted and issued 533,043,489 ordinary shares in the Company at a par value of £0.10 each (US\$105,515,959) to Fevamotinicò Sàrl in exchange for 129,944,923 registered shares of CHF1 each in the capital of Ferrexpo AG. Pursuant to such transaction, Ferrexpo plc became the sole shareholder of Ferrexpo AG.

On the 15 June 2007, the Company's ordinary shares were admitted to the Official List of the Financial Services Authority and to trading on the London Stock Exchange. The global offer comprised 152,097,932 ordinary shares of £0.10 each at a price of £1.40, of which 72,527,361 new ordinary shares of £0.10 each were issued by the Company (US\$14,433,743) and 79,570,571 were ordinary shares of £0.10 each sold by existing shareholders. Gross proceeds of £101,538,305 (\$202,072,000) were received by the Company following the issue of the new ordinary shares.

On the 25 June 2007 Ferrexpo plc allotted and issued 7,897,016 ordinary shares of £0.10 in the Company (US\$1,579,263) fully paid at a premium of £1.75 to the Appleby Trust (the employee benefit trust) in exchange for 2,000,000 shares of CHF 1 in the capital of Ferrexpo AG, representing the treasury shares held by Ferrexpo AG, setting up a treasury share reserve.

Note 12: Shares redemption liability

In October 2003, JSC Poltava GOK sold 15 per cent of its shares to DCM Decometal International Trading GmbH ("DCM") subject to a deferred obligation to repurchase these shares at a fixed price of US\$11.0 million. The share redemption liability represents the present value in respect of this contractual obligation. The movement in the shares redemption liability comprised:

\$000	
Balance as at 31 December 2005	8,182
Interest expense	425
Balance as at 30 June 2006	8,607
Interest expense	455
Balance as at 31 December 2006	9,062
Interest expense	470
Balance as at 30 June 2007	9,532

Note 13: Interest bearing loans and borrowings

Borrowing and repayment of debt

During the period ended 30 June 2007 the amount of \$35,000,000 was repaid on the major bank debt facility, a \$275,000,000 pre-export finance facility. At the period end the amount not utilised was \$145,000,000. During the period \$53,000,000 million was repaid on a number of the financing relationships with Ukrainian banks (including \$7,200,000 with Finance and Credit Bank, a related party).

Debt Refinancing

No debt was refinanced or renegotiated in the period ended 30 June 2007. Effective from 11 July 2007 the pre-export finance facility was renegotiated with a new limit of \$335,000,000 agreed with the syndication of banks providing the finance.

Note 14: Related party disclosure

In the rapidly developing business environment of Ukraine, the Group's entities have frequently used nominees and other forms of intermediary companies in transactions. In 2006, the Group entered into transactions with companies acting on behalf of the beneficial owner of the Group which are disclosed below as transactions with entities under common control of the beneficial owner, Kostyantyn Zhevago. These transactions are effected in this way to transfer and reallocate economic resources between companies of the Group or outside of the Group.

Management considers that the Group has appropriate procedures in place to identify and properly disclose transactions with the related parties and has disclosed all of the relationships identified and which it deemed to be significant. The significant related party transactions undertaken by the Group are disclosed below in the following tables below.

Period ended 30 June 2007

\$000	<i>Revenue from sales of ore pellets</i>	<i>Revenue from other sales</i>	<i>Purchase of investments</i>	<i>Purchases of materials, gas and electricity</i>	<i>Purchased services</i>	<i>Purchased property, plant and equipment</i>
Entities under common control	-	32	-	113	872	179
Other	46	1,562	3,083	7,207	2,580	61
Total	<u>46</u>	<u>1,594</u>	<u>3,083</u>	<u>7,320</u>	<u>3,452</u>	<u>240</u>

\$000	<i>Finance costs</i>	<i>Finance income</i>	<i>Bank loans received</i>	<i>Bank loans repaid</i>	<i>Loans provided</i>	<i>Other activities</i>
Entities under common control	109	303	1,700	10,900	5,000	(501)
Other	471	-	-	-	-	(1,575)
Total	580	303	1,700	10,900	5,000	(2,076)

\$000	<i>Cash and cash equivalents</i>	<i>Trade and other receivables</i>	<i>Promissory notes issued</i>	<i>Accounts payable and other creditors</i>
Entities under common control	4,015	10,859	218	(874)
Other	-	1,123	-	(1,597)
Total	4,015	11,982	218	(2,471)

Period ended 30 June 2006

\$000	<i>Revenue from sales of ore pellets</i>	<i>Revenue from other sales</i>	<i>Sale of property, plant and equipment</i>	<i>Purchases of materials, gas and electricity</i>	<i>Purchased services</i>	<i>Purchased property, plant and equipment</i>
Entities under common control	373	2,748	261	4,468	1,016	1,300
Other	-	2,237	-	4,356	1,439	85
Total	373	4,985	261	8,824	2,455	1,385

\$000	<i>Finance costs</i>	<i>Finance income</i>	<i>Bank loans received</i>	<i>Bank loans repaid</i>	<i>Prepayments made</i>	<i>Other activities</i>
Entities under common control	1,131	474	39,502	37,133	2,600	(228)
Other	447	1	-	-	-	25
Total	1,578	475	39,502	37,133	2,600	(203)

\$000	<i>Cash and cash equivalents</i>	<i>Term deposit</i>	<i>Trade and other receivable</i>	<i>Advances provided</i>	<i>Interest bearing loans and other borrowings</i>	<i>Promissory notes issued</i>	<i>Promissory notes repaid</i>	<i>Accounts payable</i>
Entities under common control	2,816	9,489	819	106,783	16,440	2,307	792	4,798
Other	-	-	406	-	-	2,453	71	732
Total	2,816	9,489	1,225	106,783	16,440	2,453	863	5,530

During 2005 advances of \$106,783,000 were made to entities under common (shown within prepayments and other current assets on the balance sheet). These advances were not secured with any collateral. As of 30 June 2006 they were carried at the nominal amount paid. In September 2006, these advances were repaid to the Group.

Year ended 31 December 2006

\$000	<i>Revenue from sales of ore pellets</i>	<i>Revenue from other sales</i>	<i>Sale of property, plant and equipment</i>	<i>Purchases of materials, gas and electricity</i>	<i>Purchased services</i>	<i>Purchased property, plant and equipment</i>
Entities under common control	2,825	407	280	5,002	1,821	1,481
Other	-	1,885	-	11,198	3,059	-
Total	<u>2,825</u>	<u>2,292</u>	<u>280</u>	<u>16,200</u>	<u>4,880</u>	<u>1,481</u>

\$000	<i>Finance costs</i>	<i>Finance income</i>	<i>Bank loans received</i>	<i>Bank loans repaid</i>	<i>Loans provided/(repaid)</i>
Entities under common control	1,996	1,303	224,421	216,607	(118,984)
Other	-	2	-	-	-
Total	<u>1,996</u>	<u>1,305</u>	<u>224,421</u>	<u>206,607</u>	<u>(118,984)</u>

\$000	<i>Cash and cash equivalents</i>	<i>Term deposit</i>	<i>Trade and other receivables</i>	<i>Interest bearing loans and other borrowings</i>	<i>Trade and other accounts payable</i>
Entities under common control	1,515	9,973	25,732	7,200	1,855
Other	-	-	1,538	-	630
Total	<u>1,515</u>	<u>9,973</u>	<u>27,270</u>	<u>7,200</u>	<u>2,485</u>

Business combinations

During the year ended 31 December 2006 the Group acquired a further 25.6% of the voting rights in Ferrexpo Poltava GOK Corporation for a consideration of \$238,986,000 from entities under common control.

In 2006, the Group acquired the minority interest of United Energy Company LLC from an entity under common control for consideration of \$3,609,000 increasing the Group's interest in the net assets to 100%.

Disposal of control in Vostock Ruda

In 2006 the Group sold a 90.6% interest in its subsidiary Vostock Ruda to entities under common control for consideration of \$9,474,000, resulting in a loss on disposal of \$3,524,000. Of the total consideration, \$4,338,000 was received during the year and \$5,136,000 remains unpaid at the period end and is included in current assets within other receivables (as noted in the above table). As part of the disposal of Vostock Ruda loans totalling \$19,347,741 to entities under common control were disposed of.

Distributions under 50/50 tax rulings

Prior to the listing in the period to 30 June 2007 the Group made a distribution totalling \$4,835,000 (30 June 2006: \$1,662,000, 31 December 2006: \$21,190,000) under the 50/50 Swiss tax ruling to the ultimate beneficial owner. The ruling allows for a qualifying company to distribute a percentage of its profits free of tax. On listing the Group no longer qualifies for this tax treatment.

Share buy-back

During the period 30 June 2007, Ferrexpo AG entered into a share buy-back arrangement within its then shareholder Collaton Limited under which Ferrexpo AG repurchased 5,178,877 shares of 1 CHF each in exchange for cash in a number of transactions which took place between 13 February and 18 May 2007. the total consideration paid under the arrangement was \$64,055,329.

Note 15: Reconciliation of profit before income tax to net cash flow from operating activities

\$000	6 months ended 30.06.07	6 months ended 30.06.06	Year ended 31.12.06
Profit before income tax	54,484	18,973	80,737
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	14,224	16,297	28,563
Interest expense	9,980	13,332	27,425
Interest income	(849)	(1,301)	(2,326)
Share of losses of associates	118		
Dividend income	-	-	(17)
Reversal of and allowance for doubtful receivables (Gain)/loss on disposal of property, plant and equipment	-	-	183
Write offs and impairment losses	(140)	(197)	601
Losses on disposal of investments available for sale	1,101	1,770	2,021
	-	-	31
Losses from disposal of subsidiaries and associates	-	-	3,524
Loss from settlements of financial instruments	294	-	-
Employee benefits	1,562	1,950	3,163
IPO costs	30,142	-	-
Foreign exchange loss	34	174	645
Operating cash flow before working capital changes	110,950	50,998	144,550
Changes in working capital			
(Increase) / decrease in trade accounts receivable and other receivables	16,110	(11,710)	(38,658)
(Increase) / decrease in inventories	(7,904)	7,818	9,237
Increase / (decrease) in trade and other accounts payable	(7,722)	(20,858)	(2,467)
Cash generated from operating activities	111,434	26,248	112,662
Interest paid	(9,743)	(11,759)	(28,119)
Income tax paid	(17,439)	(9,914)	(14,562)
Post employment benefits paid	(928)	(536)	(1,681)
Net cash flows from operating activities	83,324	4,039	68,300

Note 16: Commitments and Contingencies

\$000	As at 30.06.07	As at 30.06.06	As at 31.12.06
Capital commitments on purchase of property and equipment	16,348	10,200	11,111
Guarantees provided	275,000	140,155	12,185

Taxation

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 effecting 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 Groups with operations in Ukraine. Management's assessment of these risks remains unchanged from that disclosed at 31 December 2006.

Management is of the opinion that the Group has applied an appropriate interpretation of relevant legislation, has complied with all regulations and paid or accrued all taxes and withholdings as applicable. However, due to the complexities of the local tax legislation where the Group operates it is possible that the tax basis of certain transactions undertaken by the Group may be challenged, which may mean that the Group incurs additional tax liabilities, the quantum of which is not practical to determine.

Glossary:

Term	Definition
BFP	- blast furnace pellets
C1 costs	- cash costs per ton of pellets, ex-works, excluding administrative and distribution costs
CFR	- delivery including cost and freight
CIF	- delivery including cost, insurance and freight
DAF	- delivered at frontier
EXW	- ex-works
FOB	- delivered free on board
IPO	- Initial Public Offering
LSE	- London Stock Exchange
WMS	- wet magnetic separation
Underlying earnings	- 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 as profit attributable to equity shareholder before 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 of investments and businesses as well as IPO costs.