

3 August 2011

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

**INTERIM RESULTS**

Ferrexpo, the FTSE 250 iron ore pellet producer, today announces its interim results for the six months ended 30 June 2011.

**Highlights**

**Financial**

Record first half financial performance

- Revenue increased 63% to US\$855 million (1H 2010: US\$526 million)
- EBITDA<sup>1</sup> increased by 86% to US\$401million (1H 2010:US\$215 million)
- Diluted EPS increased 111% to 49.73 US cents (1H 2010: 23.57 US cents)
- Dividend of 3.3 US cents per share (1H 2010: 3.3 US cents per share)

**Operational**

Production at full capacity and an increase in product quality

- Production of 4.8 million tonnes of pellets (1H 2010: 4.9 million tonnes of pellets)
- 4% increase in production of 65% Fe pellets to 2.2 million tonnes
- Total capex US\$120 million (2010: US\$42 million)
- Growth projects progressing as planned
- Continued addition to logistics capabilities:
  - Purchase of 112 rail cars
  - Integration of Helogistics
  - Loading of first capesize vessel

**Management**

Management team strengthened

- Brian Maynard appointed as COO
- Jason Keys appointed as CMO

**Funding**

Strong balance sheet

- Net funds position of US\$25 million at 30 June 2011 (1H 2010: net debt US\$257 million)
- US\$500 million Eurobond raised at 7.875% coupon
- Well positioned to further develop growth projects

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<sup>1</sup> The Group calculates EBITDA as profit from continuing operations before tax and finance, but excluding the effect of depreciation, amortisation, share based payments, non-recurring items, and net gains and losses from the disposal of investments and property, plant and equipment.

## Outlook

Continuing strong market environment for iron ore

- Limited supply response in medium term
- FPM to continue to produce at full capacity
- Projects on track and fully funded
- The Board is reviewing total cost to double pellet output to 20 million tonnes per annum.

### **Michael Abrahams, Non-Executive Chairman, commented:**

*“Ferrexpo is pleased to report a very strong financial performance for the six month period ended 30 June 2011. This was underpinned by an excellent operational performance, with production of iron ore pellets once again at full capacity and costs effectively managed in an inflationary environment. This was further supported by continued growth in demand for iron ore, in particular pellets, during the period with global iron ore prices remaining at high levels.*”

*“Demand for iron ore is expected to remain strong in the medium term while supply is proving slow to respond. Iron ore is a cyclical market and Ferrexpo will retain its operational and financial flexibility through its low cost base, well established marketing strategy, incremental approach to developing its assets and strong balance sheet. The Group will continue to invest in its growth projects and manage its costs where possible to ensure a strong financial performance in the second half of the year and through the commodity cycle.”*

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#### Notes to Editors:

Ferrexpo is a Swiss headquartered iron ore company with assets in Ukraine. It is principally involved in the production and export of high quality iron ore pellets, which are used in the manufacture of steel. Ferrexpo's resource base is one of the largest iron ore deposits in the world. Its current producing asset, FPM, produced approximately 10 million tonnes of iron ore pellets in 2010 making it the largest exporter of pellets in the CIS. The Company has a diversified customer base supplying steel mills in Austria, Serbia, Slovakia, Czech Republic, Germany and other European states, as well as in China, India, Japan, and other Asian countries. Ferrexpo 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)

## **CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REVIEW**

### **Introduction**

Ferrexpo is pleased to report excellent six month results for the period ended 30 June 2011. The demand for iron ore, in particular pellets, continued to grow during the period with global iron ore prices remaining at high levels. Production of iron ore pellets was once again at full capacity and costs were managed in an inflationary environment. Together these factors resulted in a record six month EBITDA of US\$401 million, an increase of 86% compared to the first half of 2010.

Ferrexpo's sound operational and financial performance through the economic cycle and strong balance sheet allowed it to place a debut US\$500 million Eurobond in April 2011 at a coupon of 7.875%. This is the lowest coupon for a company operating in this region since 2005. The funding together with the Group's strong cash generation, underpins its US\$647 million capital investment programme as well as the next stage of Ferrexpo Yeristovo Mining's (FYM) development.

In November 2010, the Group announced projects, which combined, will ensure that it increases production output by one third to 12 million tonnes per annum of higher grade 65% Fe pellets. Ferrexpo is well placed to develop the next phase of the expansion which will double current output to 20 million tonnes of pellets per annum. In the first six months of 2011, the Group made good progress with these projects in line with plans. The projects are reported on separately in the operating review on pages 8 to 9.

Ferrexpo's low cost base, significant reserves with a focused development programme, strong production history, and established infrastructure to markets means that it is well placed to deliver value to all stakeholders.

### **Summary of results**

Higher prices increased revenues by 63% to US\$855 million for the six months ended 30 June 2011 (1H 2010: US\$526 million). The Group's C1 cash cost of production increased by 27% to US\$48 per tonne compared to the average C1 cash cost for the first half 2010 of US\$38 per tonne.

Costs were tightly managed, however in common with Ferrexpo's peer group, costs of key commodities increased in line with world market prices, in particular energy and steel. This accounted for 59% of the C1 cash cost increase. Local costs increased due to high Ukrainian producer price inflation. Continued progress in the business improvement programme improved efficiencies by 0.6% in line with the Group's annual target of 1% to 2%, and production at full capacity enabled maximum absorption of the fixed cost base. The Ukrainian Hryvnia remained stable against the US Dollar during the period.

Overall EBITDA rose by 86% to US\$401 million (1H 2010: US\$215 million). Group profit after tax increased by 111% to US\$294 million (1H 2010: US\$139 million).

Operating cash flow after interest and tax was US\$324 million for the period (1H 2010: US\$67 million). Capital expenditure amounted to US\$120 million (1H 2010: US\$42 million) with the increase reflecting higher spend on growth projects. The early stages of these projects, reflect low initial planned expenditure, and together with the current pricing environment resulted in the Group eliminating net borrowings leaving a net funds position of US\$25 million at 30 June 2011 (1H 2010: net debt of US\$257 million).

At the period end, Ferrexpo held cash balances and available facilities of US\$945 million. It subsequently repaid its US\$350 million pre export finance facility on 8 July 2011.

### **Marketing and Logistics**

Industry demand for iron ore pellets remained strong throughout the period under review. Steel blast furnace capacity utilisation continued to recover from the global financial crisis, with Chinese and German steel mills operating at particularly strong levels. The Japanese economy was severely impacted by the March tsunami. Despite the dislocation to the Japanese economy, blast furnace

operations only suffered minor disruptions. New steel capacity continued to be installed in Asian markets, with the demand for iron ore being met mainly by high cost marginal suppliers. In this context, the new industry benchmark pricing systems reflected the continued strong fundamentals and as a result the Group achieved prices on average 12% higher than the fourth quarter of 2010.

Sales volumes during the period were in line with the first half of 2010 at 4.7 million tonnes. In accordance with the Company's strategy, the majority of sales continued to be under long term framework agreements. A proportion of sales were allocated to the spot market and to trial shipments for developing new long term customer relationships, ahead of the planned increase in production.

Ferrexpo will continue to focus on maximising prices relative to its competitors based on "value in use" to the customer. The Group's geographic proximity to key steel markets in Asia, the Middle East and Europe represent an attractive supply alternative to buyers in those regions. Ferrexpo's logistics strategy is to manage and control as much of the delivery chain as possible to provide reliable and cost effective supply to customers.

Further development of the Group's logistics capabilities has continued. In the first half of 2011, 112 rail cars were purchased bringing the total holding at 30 June 2011 to 1,045. Ferrexpo plans to purchase additional rail cars over the next 18 months to ensure self-sufficiency in rail car availability for pellet transportation within Ukraine.

In order to provide more efficient access to Eastern and Western European steel mills, Ferrexpo has acquired land in Austria to develop a transshipment terminal for offloading pellets from river barge to regional rail networks. This allows the Group to extend its supply chain from the port of Ismail in Ukraine into Europe.

As the Group expands its sales to Growth markets it is further developing its ocean shipping capabilities. During the period, Ferrexpo loaded a capesize vessel of a 167 thousand tonnes of pellets for the first time. This shipment, which was destined for China, was at a lower overall freight cost compared to the smaller panamax vessels the Group currently uses.

Overall, Ferrexpo delivered 50% of its pellets on a CIF (cost insurance and freight) or similar basis in the period compared to 18% in the first half of 2010.

## **Production**

Ferrexpo Poltava Mining (FPM), the Group's current mining operation, produced 4.4 million tonnes of pellets from own ore in the first half of the year (1H 2010: 4.4 million tonnes). Production of 65% Fe pellets from own ore increased 4% to 2.2 million tonnes, reflecting concerted efforts to increase pellet quality and to maximise revenue and profitability.

FPM presently mines approximately 28 million tonnes of ore per annum which produces 9 million tonnes of pellets with average iron content of 63.5%. FPM pelletizing facilities have nameplate capacity to produce 12 million tonnes of pellets per annum. To utilise the spare capacity third party concentrate is used where appropriate. During the period, FPM produced 391 thousand tonnes of pellets from purchased third party concentrate (1H 2010: 445 thousand tonnes).

## **Costs**

The global mining industry generally experienced cost inflation in the first half of 2011 and Ferrexpo was no exception. The average C1 cash cost of production was US\$48 per tonne for the six months ended 30 June 2011, an increase of US\$10 per tonne compared to the first half of 2010. The increase largely reflected commodity cost inflation which accounted for 59% of the rise along with Ukrainian PPI of 17%.

The Ukrainian Hryvnia has remained relatively stable against the US dollar and did not experience an increase in value as with other commodity linked currencies. Additionally, the Group continued to improve efficiency through the business improvement programme where twenty nine projects are currently underway. This resulted in reduced fuel consumption of 6% and lower grinding media

consumption of 2% maintaining the Group firmly in the lower quartile of the cost curve for global pellet producers supplying the seaborne market.

### **Investing Activities**

Ferrexpo holds exclusive licences to one of the largest iron ore reserves in the world of approximately 20 billion tonnes with an average iron grade of 30%. The reserves are situated in a single 50 kilometre long strike divided into 10 deposits. These deposits are on the same ore body that is currently being exploited and are adjacent to existing infrastructure. As a result, it is the Board's view that the development of this resource is a low risk addition of new iron ore capacity compared to greenfield iron ore projects, offering superior potential returns.

In November 2010, Ferrexpo's Board authorised a capital investment programme of US\$380 million for FPM to increase its pellet quality and to extend the life of the mine to 2038.

The Board also authorised US\$267 million to achieve first ore at the Yeristovo deposit, the next deposit being developed by the Group.

The projects are progressing as planned and during the period Ferrexpo's total capital expenditure amounted to US\$120 million.

The Board is reviewing the total cost and scope of the requirements to double pellet output equivalent to 20 million tonnes per annum.

### **Dividend**

The Board's strategy remains to pay a modest consistent dividend throughout the economic cycle while retaining sufficient headroom to develop its significant project pipeline. The Directors therefore recommend an interim dividend in respect of profits generated for the Group in the first half of 2011 of 3.3 US cents per Ordinary Share (1H 2010: 3.3 US cents per Ordinary share).

### **Business Strategy**

It remains the strategy of the Group to invest in its sizeable reserve base to increase the output of iron ore units from its existing reserves and resources, thereby delivering value to shareholders.

Ferrexpo will invest in its infrastructure, production facilities, joint ventures and logistics activities to reduce risk of cost inflation and cost variability and to ensure highly reliable supply to its tier one steel producing customers.

The Group is currently generating significant cash flows and will apply this at the fastest practical pace to produce additional returns for all shareholders utilizing an efficient financial structure. Ferrexpo will develop its significant project pipeline in a controlled and efficient manner taking account of the skills available and uncertainties surrounding future demand.

### **People**

Ferrexpo is very pleased to welcome Brian Maynard as Chief Operating Officer and Jason Keys as Chief Marketing Officer to the Group. Both Brian and Jason bring valuable experience to the Company having worked at length in the international mining industry. Brian has managed various large scale mining divisions throughout his 30 year career at Vale Australia (Coal) and Vale Inco (Canada Nickel) while Jason has held senior sales and marketing roles within Rio Tinto and BHP Billiton, latterly as Global Marketing Manager for BHP Billiton Iron Ore. On behalf of the Board we would very much like to thank Yaroslavna Blonska for acting as the Chief Marketing Offer in the interim period prior to Jason's arrival.

The Board is grateful to all the management and staff for their continued hard work during the period which has formed the basis for another year of significant progress.

## **Corporate Governance**

Since listing in 2007, Ferrexpo has complied fully with the Combined Code on Corporate Governance, and it expects to be in compliance with the new UK Corporate Governance Code this year. The Board and the Board Committees are well balanced with a number of experienced independent non-executive directors, and the respective responsibilities of the Board and management team are clearly defined. The Board remains strongly committed to maintaining the highest standards of corporate governance throughout the Group.

## **Outlook**

Demand for iron ore is expected to remain strong in the medium term while supply is proving slow to respond. Iron ore is a cyclical market and Ferrexpo will retain its operational and financial flexibility through its low cost base, well established marketing strategy, incremental approach to developing its assets and strong balance sheet. The Group will continue to invest in its growth projects and manage its costs where possible to ensure a strong financial performance in the second half of the year and through the commodity cycle.

**Michael Abrahams CBE DL**  
*Chairman*

**Kostyantyn Zhevago**  
*Chief Executive Officer*

## OPERATING REVIEW

The Group currently has approximately 7 billion tonnes of JORC classified resources and 14 billion tonnes of GKZ (Soviet classified) resources.

### Ferrexpo JORC resources:

As of 1 January 2011

	Resources						
	Proved & probable (Mt)	Fe grade (total) %	Measured & indicated	Fe grade (total) %	Fe grade inferred (Mt)	(total) %	
Gorishne-Plavninskoye & Lavrikovskoye	870	30	2,170	30	1,449	31	
Yeristovskoye	632	34	828	34	364	30	
Belanovskoye	-	-	1,485	31	217	30	
Galeschinskoye	-	-	268	55	58	55	
<b>Total</b>	<b>1,502</b>	<b>31</b>	<b>4,751</b>	<b>33</b>	<b>2,088</b>	<b>32</b>	

Note: this table reflects JORC resources only and excludes 14.2 billion tonnes of additional iron ore resources classified according to the Soviet GKZ Code.

In 2010, Ferrexpo was the largest exporter of pellets in the CIS and one of the top ten pellet producers in the global seaborne iron ore market. This has continued in the first half of 2011.

### Ferrexpo Poltava Mining (FPM)

The Group's current operating asset is FPM. The mine and processing division, consisting of crushing, concentrating and pelletising facilities, exploits the Gorishne-Plavninskoye and Lavrikovskoye ("GPL") deposit. This is located immediately adjacent to both rail and port facilities on the Dnieper River.

The FPM mine is open cut and approximately 340 metres deep and 6 kilometres long. The Mine Life Extension programme (see Growth Projects below) will extend the life of the mine to 2038.

As FPM is already producing at full mining capacity, production statistics for the period were in-line with the first half of 2010. FPM mined approximately 14.2 million tonnes (1H 2010: 14.2 million tonnes) of ore producing 5.6 million tonnes of concentrate (1H 2010: 5.5 million tonnes) and 4.4 million tonnes of 62% Fe and 65% Fe pellets (1H 2010: 4.4 million tonnes).

FPM has spare processing capacity of up to 3.0 million tonnes of pellets per annum. During the period, it produced 391 thousand tonnes of pellets from purchased third party concentrate (1H 2010: 445 thousand tonnes). Ferrexpo purchases third party concentrate subject to availability in order to utilize this surplus pelletising capacity.

In total, the Group produced 4.8 million tonnes of pellets (1H 2010: 4.9 million tonnes) of which 2.35 million tonnes were 62% Fe pellets (1H 2010: 2.5 million tonnes) and 2.45 million tonnes were 65% Fe pellets (1H 2010: 2.5 million tonnes).

The table below highlights FPM's production statistics in for the six months ended 30 June 2011 and 2010.

Production in Tonnes '000	Q2 2011	Q1 2011	Change %	Q2 2010	Change %	6 months to	6 months to	Change %
						30.6.2011	30.6.2010	
<b>Production from own raw materials</b>								
Iron Ore	7,182.0	7,016.2	2.4	6,989.7	2.8	14198.2	14202.6	(0.0)
Concentrate	2,865.4	2,709.3	5.8	2,814.7	1.8	5574.7	5509.6	1.2
<b>Pellets</b>								
62% Fe	1,217.3	1,037.5	17.3	1,212.1	0.4	2254.8	2384.2	(5.4)
65% Fe	1,053.3	1,086.1	(3.0)	1,066.8	(1.3)	2139.4	2057.0	4.0
<b>Total Pellets</b>	<b>2,270.5</b>	<b>2,123.6</b>	<b>6.9</b>	<b>2,278.9</b>	<b>(0.4)</b>	<b>4394.1</b>	<b>4441.2</b>	<b>(1.1)</b>
<b>Production/reprocessing from purchased raw materials</b>								
<b>Pellets</b>								
62% Fe	56.2	33.5	67.6	43.0	30.6	89.7	90.7	(1.2)
65% Fe	155.1	146.0	6.2	224.3	(30.8)	301.1	353.9	(14.9)
<b>Total Pellets</b>	<b>211.3</b>	<b>179.5</b>	<b>17.7</b>	<b>267.3</b>	<b>(21.0)</b>	<b>390.8</b>	<b>444.6</b>	<b>(12.1)</b>
<b>Total Pellets Produced</b>	<b>2,481.8</b>	<b>2,303.1</b>	<b>7.8</b>	<b>2,546.2</b>	<b>(2.5)</b>	<b>4784.9</b>	<b>4885.8</b>	<b>(2.1)</b>
62% Fe	1,273.4	1,071.0	18.9	1,255.1	1.5	2344.4	2474.9	(5.3)
65% Fe	1,208.4	1,232.1	(1.9)	1,291.1	(6.4)	2440.5	2410.9	1.2

## Sustaining Capital Expenditure at FPM

### FPM Capacity Project

This project is to debottleneck the FPM processing and pelletising facilities to ensure it has capacity of 12 million tonnes of pellet production per annum. This is a series of projects which form part of FPM's sustaining capex budget. Expenditure is expected to be US\$20.8 million in 2011.

The project includes the upgrading and renovation of the crushing, concentrating and pelletizing plant to ensure the processing volume of 35 million tonnes of raw ore per annum.

During the period, design works for the crushing, concentrating and pelletising plants were undertaken and largely completed. In terms of site preparation part of the area in the processing plant where lean ore is processed was disassembled and a new scavenger circuit, which recovers iron from tailings, was configured.

Total sustaining capital expenditure for the period was US\$56.6 million (1H 2010: US\$11.6 million).

## Development Capital Expenditure at FPM

### Quality Upgrade Project

In November 2010, the Ferrexpo Board approved the FPM Quality Upgrade Project to increase the proportion of 65% iron content pellets to 100% of production from both the lean and rich ores mined from the current pit. Ferrexpo currently produces two pellet products with 62% and 65% iron content. The project plans to increase the beneficiation capacity of the current lean ore process through the re-design of two floatation circuits and the installation of an additional circuit. The second stage of the project involves the installation of new press filters which remove water from the concentrate prior to it being passed to the pelletising plant. The project is to be completed by the end of 2014.

Work planned for completion in 2011 is the detailed engineering design of the three floatation sections. This is currently 55% complete. Other related activities in 2011 are site preparation for the floatation sections. Long-lead orders for the vertical mills used in the floatation process as well as three press filters have been placed and delivery is expected in mid-2012.

## **Mine Life Extension**

The FPM open pit mine has been in operation for 40 years and contains ore beyond the original planned pit limits and depths. The Mine Life Extension project involves new mining works to access additional iron rich ore by 2014. US\$168 million has been approved for expenditure over 8 years to extend the life of the mine to 2038. The new pit design provides increased ore output from the mine peaking at 35 million tonnes per annum by 2014, compared to the current output of 28 million tonnes per annum. This ore will be processed into pellets at the existing FPM facilities.

The project scope includes procurement of necessary mining equipment, stripping of waste material, and higher ore production.

In the first half of 2011 approximately 7 million cubic meters of overburden was removed in-line with the budget. Orders for key equipment have been placed with a drilling rig and two excavators to be delivered in the first quarter of 2012, while three dump-trucks are to be delivered by the end of September 2011.

Total development capital expenditure at FPM for the period was US\$20.4 million (1H 2010: US\$7.9 million).

## **Ferrexpo Yeristovo Mining (FYM)**

### **Development Capital Expenditure**

#### **Mining**

In November 2010, the Board authorised US\$267 million to achieve first ore from the Yeristovo deposit. Under the current plan, the mine will initially deliver primary crushed ore to the FPM processing facilities enabling FPM to fully utilise its 3 million tonnes per annum of latent processing capacity. This is planned to occur in 2013 and will increase the Group's pellet output, from own ore, by one third to 12 million tonnes per annum.

Overburden is currently being stripped by five draglines and one Bucyrus RH200 excavator, and transported by 16 Caterpillar 789C haul trucks. During the first six months of 2011 over 7 million cubic meters of pre-stripping was completed in-line with the budget. Under the current mine development plan, approximately 23.5 million cubic meters of additional pre-stripping is required to reach first ore.

Engineering design is well under way for a large majority of the permanent mine infrastructure, with several contracts having been, or about to be signed for the construction of service and support facilities. Design of the 10 million tonne per annum concentrator plant continues.

Equipment for the next phase of mining has been ordered including five 220 tonne Caterpillar 793D haul trucks and one Bucyrus RH340 30 cubic meter hydraulic face shovel. The new trucks are expected to be operational in September 2011 and will supplement the existing fleet, while the Bucyrus RH340 will be delivered and placed into service by mid-2012 when hard rock mining commences.

Capital expenditure for the period on FYM mining was US\$30.8 million (1H 2010: US\$21.3 million).

### **Processing Facilities**

Ferrexpo intends to build further processing facilities for the remaining FYM crude ore mining capacity, planned to be, in total, approximately 28 million tonnes per annum. This should double the Group's output to 20 million tonnes of pellets or concentrate equivalent per annum. These stages are currently under final technical review together with the detailed engineering design prior to full Board approval.

### **Ferrexpo Belanovo Mining (FBM)**

The Ferrexpo Belanovo deposit has total JORC resources of 1,702 million tonnes. Drilling works and site preparation activities were undertaken during the period amounting to US\$0.9 million. The Group has ordered a Bucyrus RH340 hydraulic face shovel and five Caterpillar 793D haul trucks for delivery in mid-2012 in order to begin stripping works.

### **Health and Safety**

The Board's Corporate Safety and Social Responsibility Committee monitors the management of the Group's health, safety, environmental and community programmes on a regular basis, in line with industry wide best practice for mining companies. Safety is fundamental to the success of Ferrexpo's future and is integral to the culture of the Group. Ferrexpo is pleased to report that the rate of injuries occurred per million hours worked has declined by 47.1% compared to the first half of 2010 to 1.1 per million hours.

### **Business Improvement Programme (BIP)**

In the high cost environment witnessed during the period, FPM continued its programme to reduce costs through the BIP. The BIP has reduced the C1 cash cost by US\$5.7 per tonne since 2006, underpinning the Group's position as one of the lowest cost pellet producers in the world. Twenty nine BIP projects were undertaken during the period in the mining, processing and servicing departments which reduced costs by US\$6.0 million on an annualised basis. This was mainly achieved by increasing energy efficiency, reducing consumption of production inputs such as grinding media, and improving fleet utilisation.

Examples of projects undertaken include the redesign of the piping in the processing area to allow gravity to pump water down from the tailings dam instead of using electrical pumps. At the crushing plant, FPM focused on increasing automation of the crushing process to reduce the time taken before the ore enters the concentration plant. While at the pit, there was more rigorous scheduling of maintenance and repairs to allow increased availability of the mining fleet.

### **Marketing**

The international pricing mechanism for pellets in the six months to 30 June 2011 was largely based on a price index system, with a pellet premium added to the iron ore fines price. Major pellet producers have been using the average quarterly price for fines with a one month lag. There is, however, evidence that some iron ore contracts in Asia are moving to monthly average pricing.

During the period under review Ferrexpo continued to negotiate with its customers with the view towards moving to an international pricing mechanism.

Ferrexpo continues to target tier one steel customers who themselves have quality customers. The Group sells throughout the main steel producing centres of the world and concentrates on three key market segments.

### **Growth Markets**

'Growth Markets' are those which offer to add new and significant tonnage to the Group. Ferrexpo currently has a number of long-term contracts in place in China and Japan as part of its strategy to build a sustainable customer portfolio in the region. It has also agreed trial cargoes with several large regional producers ahead of the increase in production volume. This development strategy together with the new long term contact agreed in Japan in the second half of 2010 as well as increased spot sales, has seen volumes to this region grow to 36.0% of sales (1H 2010: 22.7%).

### **Traditional Markets**

Ferrexpo's Traditional markets lie within Central and Eastern Europe and supply steel plants that were designed to use FPM iron ore pellets. FPM has been servicing some of these customers for more than

20 years. The Group has a well-established logistics infrastructure to these markets by both river barge and rail. Traditional markets include Austria, Czech Republic, Slovakia, Serbia and Hungary. 60.5% of Group sales were to these markets during the period compared to 67% of sales in 2010. The reduction is due to high levels of restocking in the comparator period following the 2009 downturn.

### **Natural Markets**

'Natural Markets' are regions where Ferrexpo has a competitive advantage due to proximity, but where the Group has historically had a low market share. This segment includes Western Europe, Turkey and the Middle East. Ferrexpo's proximity across the Black Sea to Turkey and the Middle East provides an advantage to both the Group and iron ore buyers in the region.

Volumes shipped to these markets were 3.5% of sales (1H 2010: 10.3%) as the Group renegotiated a long term contract in Turkey. Ferrexpo is building commercial and technical relationships in the Middle East as a base for future sales.

### **Logistics**

The Group's strategy is to manage the delivery chain to customers where possible. Approximately half of pellet sales volumes are transported by rail around 700 kilometres to the Western Ukrainian border, for delivery to customers in Central and Eastern Europe. The remaining pellets are transported by rail and river barge around 550 kilometres to the Group's associate TIS-Ruda port on the Black Sea for shipment to Natural and Growth Markets by sea using both panamax and capesize vessels. Pellets are also transported to the Port of Izmail from where they are barged to customers in Central Europe.

Capital expenditure on logistics activities in the first half amounted to US\$11.5 million. This included the purchase of 112 rail cars bringing the Company's total holding at 30 June 2011 to 1,045. This enables Ferrexpo to transport approximately half of its pellet production to the Ukrainian border using its own rail cars. It also qualifies the Group for a rail tariff discount from the railway authorities. The Company expects to purchase another 150 to 200 rail cars in the second half of the year.

In May 2011, Ferrexpo loaded its first capesize vessel of 167 thousand tonnes. 127 thousand tonnes of pellets were loaded at the berth of the Group's TIS-Ruda port terminal while a further 40 thousand tonnes of pellets were topped off further out at sea using two shuttle vessels. This is part of the Group's strategy to significantly reduce its freight costs as it looks to increase its sales to Natural and Growth markets ahead of the planned increase in production.

The acquisition of Helogistics, one of the largest inland waterway transportation companies operating on the Danube/Rhine river corridor, was completed in January 2011 for US\$38.0 million. Helogistics enables the Group to further manage the supply chain securing improved service levels to existing customers and new access to European markets. To this extent, the Group has purchased land in Austria which it plans to use for transshipment from barges to regional railways in order to further access European steel mills.

Helogistics operations have been integrated into the Group's logistics operations. Ferrexpo iron ore pellets shipped by the subsidiary rose by 38.8% in the first half of 2011 to 579 thousand tonnes compared to 417 thousand tonnes in the same period of last year.

## FINANCIAL REVIEW

### Summary of financial results

US\$ 000	6 months to 30.6.2011	6 months to 30.6.2010	Change
Revenue	<b>854,864</b>	525,833	62.6%
EBITDA	<b>400,753</b>	215,172	86.3%
EBITDA as % of revenue	<b>46.9%</b>	40.9%	14.5%
Profit before taxation	<b>352,011</b>	166,164	111.8%
Income tax	<b>(58,082)</b>	(27,458)	111.5%
Profit for the period	<b>293,929</b>	138,706	111.9%
Diluted earnings per share (US cents)	<b>49.73</b>	23.57	111.3%
Final dividend per share (US cents)	<b>3.3</b>	3.3	0.0%

### Revenue

Total revenue increased by 62.6% to US\$854.9 million for the six months ended 30 June 2011 (1H 2010: US\$525.8 million).

Sales volumes were in-line with the comparable period at 4.7 million tonnes while prices largely moved in line with the quarterly benchmark pricing system. Ferrexpo achieved a 50.0% increase in its average DAF/FOB price compared to the first half of 2010, which increased revenues by US\$254.3 million.

Sales made to the Group's two largest customers, which are in Central and Eastern Europe, increased by 27.7% to US\$399.1 million (1H 2010: US\$312.6 million) and during the period sales to the Growth markets of China, Japan and India represented 35.6% of sales compared to 22.7% of sales in the first half of 2010.

The Group acquired Helogistics in December 2010 which added US\$26.4 million of revenue from freight services and US\$10.1 million from third party sales of bunker fuel and other.

Other revenue included sales of gravel and income from services, together amounting to US\$6.9 million (1H 2010: US\$1.9 million).

### Cost of sales

Total cost of sales for the six months ended 30 June 2011 increased 39.7% to US\$302.1 million (1H 2010: US\$216.3 million). Cost of sales consists of the C1 cash cost of sales and other costs including depreciation. These are reviewed below:

#### C1 cash cost

The C1 cash cost of production per tonne is defined as the cash costs of production of own ore divided by production volume of own ore. This excludes non-cash costs such as depreciation and one-off items.

The C1 cash cost increased by 27.8% to US\$48.2 per tonne compared to US\$37.8 per tonne in the first half of 2010, as a result of local and commodity price inflation.

Overall energy related costs increased by 30.3% with diesel fuel rising by 40.6%. Electricity tariffs rose by 26.5% in the first half of 2011 compared to the prior year period and gas prices increased by 27.5%. Higher steel prices, reflected in improved revenues, resulted in a 21.6% increase in steel grinding media as well as higher repair costs. These factors increased C1 costs by US\$6.1 per tonne.

Personnel costs are mainly denominated in local currency and with Ukrainian inflation of 16.5% to 30 June 2011, these increased the C1 cash cost by US\$1.0 per tonne.

The cost increases were partially offset through the Business Improvement Programme. Consumption of grinding media reduced by 2.4% compared to the first half of 2010 and lowered the C1 cash cost by US\$0.1 per tonne, while improved fleet utilisation improved efficiencies by 5.8% and lowered the C1 cash cost by US\$0.2 per tonne.

The table below provides a breakdown of Ferrexpo's C1 cash costs:

	6 months to 30.6.2011		6 months to 30.6.2010	
	US\$ 000	% of total	US\$ 000	% of total
Electricity	56,647	26.8%	44,589	26.6%
Gas	26,263	12.4%	20,014	11.9%
Fuel	21,190	10.0%	16,113	9.6%
Grinding media	19,817	9.4%	16,882	10.1%
Explosives	5,465	2.6%	3,847	2.3%
Other materials	18,204	8.6%	14,127	8.4%
Spare parts, maintenance and consumables	34,730	16.4%	27,646	16.5%
Personnel costs	25,734	12.2%	21,467	12.8%
Royalties and levies	3,714	1.8%	3,231	1.9%
<b>C1 Cost of Sales</b>	<b>211,766</b>		<b>167,916</b>	
C1 Cost per tonne	48.2		37.8	

### Non C1 Cost of Sales

Non C1 cost of sales amounted to US\$90.3 million for the period (1H 2010: US\$48.4 million).

Helogistics' cost of sales amounted to US\$21.3 million and related to third party freight services and bunker fuel sales, both of which were reflected in revenue.

Depreciation increased by 10.1% to US\$13.6 million, reflecting capital investments at FPM and FYM in 2010 and the first half of 2011.

The remainder of non C1 cost of sales related to the purchase of concentrate for reprocessing into pellets.

### Gross Margin

The Group's gross margin increased to 64.7% in the first half of 2011 compared to 58.9% in the comparable 2010 period. This principally reflects the 50.0% increase in the average DAF/FOB selling price offset by a 27.8% increase in the C1 cash cost per tonne during the period.

### Selling and distribution expenses

Selling and distribution expenses were US\$146.2 million for the first six months of the year compared to US\$84.9 million in the same period last year.

Selling and distribution costs to the Ukrainian border increased by US\$3.4 million to US\$65.5 million in the period (1H 2010: US\$62.1 million), equating to US\$13.8 per tonne (1H 2010: US\$13.1 per tonne). These costs primarily include railway freight to the Southern ports at Yuzhny and Ismail and to the Western Ukrainian border as well as port charges.

Rail tariffs increased by approximately 9.1% during the period, this was partially offset by a discount for volumes transported by the Group's own rail cars. Currently up to half of the sales volumes are railed using Ferrexpo's wagons receiving a 7.0% discount for these volumes.

Freight costs included charges associated with the Helogistics operations for the first time. This amounted to US\$16.1 million and was for freight services related to barging Ferrexpo's pellets, which was also reflected in revenue.

Depreciation amounted to US\$4.0 million (1H 2010: US\$0.8 million) and related to amortisation of Helogistics river vessels as well as to capital investment from the purchase of new rail cars.

International freight related to the shipping cost of pellets to customers in Asia (on a CIF<sup>2</sup>, CFR<sup>3</sup> basis) and to Serbia (on a DES<sup>4</sup> basis). This increased in the first half of 2011 to US\$53.3 million as a result of higher tonnage to Asia of 1.0 million tonnes.

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

(US\$ 000 unless otherwise stated)	6 months to 30.6.2011	6 months to 30.6.2010
Railway transportation	42,692	42,702
Port charges	17,594	15,774
International freight	53,283	19,238
Helogistics' freight costs for Ferrexpo pellets	16,053	-
Other (commissions, insurances, personnel, depreciation, advertising)	16,554	7,140
<b>Total selling and distribution expenses</b>	<b>146,176</b>	<b>84,854</b>
<b>Total sales volume, kt</b>	<b>4,739</b>	<b>4,738</b>

### General and administrative expenses

General and administrative expenses increased by 5.7% to US\$25.5 million (1H 2010: US\$24.1 million). This was primarily related to increased costs at FPM due to local inflation, and a strengthening in the Swiss Franc against the US dollar.

### Other income and expense

Other income was US\$0.7 million for the half year ended 30 June 2011 (1H 2010: US\$0.5 million). The increase reflected higher operating income from the lease of premises to third parties at FPM.

Other expenses increased by US\$0.3 million to US\$2.4 million (1H 2010: US\$2.1 million). The increase primarily reflected higher charitable donations as part of the corporate social responsibility program for the local community in the town of Komsomolsk, where FPM is based.

### EBITDA

EBITDA increased by 86.3% to US\$400.8 million for the six months ended 30 June 2011 compared to US\$215.2 million for the same period in 2010. This is the highest six month EBITDA achieved by the Group. The increase was due to a 50.0% increase in the Group's average DAF/FOB sales price. This was partially offset by higher cost of sales while DAF/FOB distribution costs and other costs increased by US\$4.0 million compared to the prior year. The EBITDA margin was 46.9% compared with 40.9% in the first half of 2010.

### Finance income and expense

Finance income increased to US\$2.9 million (1H 2010: US\$0.7 million) due to higher average cash balances of US\$563.8 million (1H 2010: average cash balance US\$27.9 million).

Finance expense increased to US\$36.6 million (1H 2010: US\$16.9 million) which reflected a US\$9.2 million quarterly interest accrual on the Group's US\$500 million Eurobond, issued in April 2011 at a coupon of 7.875%. Finance expense also included a US\$6.4 million charge for arrangement fees. The average gross debt for the period was US\$643.3 million (1H 2010: US\$305.0 million).

<sup>2</sup> CIF is defined as delivery including cost, insurance and freight

<sup>3</sup> CFR is defined as delivery including cost and freight

<sup>4</sup> DES is defined as delivered ex ship

## **Foreign exchange gains and losses**

### **Operating foreign exchange gains and losses**

Ferrexpo prepares and reports its financial statements in US Dollars and operating foreign exchange gains and losses reflect the revaluation of trade receivables and trade payables that are denominated in a currency other than the Group's reporting currency at the balance sheet date.

During the period, the Ukrainian Hryvnia remained stable against the US Dollar at an average rate of UAH7.9579 (1H 2010: UAH7.9547). As a result, there was no significant operating foreign exchange movements, with a loss of US\$0.6 million recorded (1H 2010: loss of US\$0.7 million).

### **Non-operating foreign exchange gains and losses**

Non-operating foreign exchange gains or losses result from the re-translation of financial liabilities, loans and other similar items.

Non-operating foreign exchange gains for the period were US\$5.4 million compared to US\$0.8 million in the first half of 2010. The gains were related to the translation of Euro denominated Helogistics loans into US Dollars. The exchange rate between the US Dollar and Euro changed during the period from 0.7456 to 0.6948. No Euro denominated loans existed in the prior year.

## **Cash flows**

Net cash from operating activities was US\$324.2 million for the period. This is an increase of 382% compared to the first half of 2010 (US\$67.3 million).

Working capital increased by US\$25.1 million as a result of higher sales prices and inventories. The balance of VAT and other tax receivables increased by US\$4.7 million. FPM received regular VAT refunds from the Ukrainian government from April 2011 relating to VAT incurred in 2011 under the new automated repayment system.

Total capital expenditure for the period was US\$120.2 million which compares to US\$42.3 million in the first half of 2010. US\$56.6 million was for sustaining and modernising capital at FPM (1H 2010: US\$11.6 million). This included spend for the capacity upgrade of the processing facilities ahead of the increase in mining output to 12 million tonnes of pellets per annum. Total development capital expenditure amounted to US\$63.8 million (1H 2010: US\$30.7 million). This consisted of US\$20.4 million for the mine life extension project and the quality upgrade project at FPM and US\$30.8 million for the FYM development project to reach first ore. The Group spent US\$11.5 million on logistics (1H 2010: nil) which was primarily for the acquisition of 112 rail cars.

Ferrexpo paid US\$38.0 million for the Helogistics acquisition during the period.

The Group's closing cash balance increased by US\$625.7 million to US\$945.1 million as of 30 June 2011 partly as a result of the net financing inflow of US\$477.9 million following the placement of a US\$500.0 million bond. The Company was ungeared at the end of the period with a net funds position of US\$25.4 million (1H 2010: net debt of US\$256.9 million).

Since the period end Ferrexpo has repaid its US\$350 million pre export finance facility. Following this repayment, total Group facilities amounted to US\$614.9 million of which US\$50.0 million is undrawn. The drawn facilities have an average maturity of 4.6 years.

## **Going Concern**

The Group's business activities and its financial performance are set out in the Chairman and CEO's review and the Operating Review on pages 1 to 11. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 12 to 15. In addition, note 38 of our 2010 Annual Report & Accounts include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives and details of its financial instruments; and its exposures to credit risk, liquidity risk as well as currency risk and interest rate risk.

The Group's forecasts and projections, taking into account possible changes in the iron ore market and general economic environment, show that the Group generates sufficient operating cash flows to comply with the amortisation schedule for the existing major debt facility and to finance the anticipated development projects. After making enquiries, the Directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements of the Group.

## Interim consolidated income statement

US\$'000	Notes	6 months ended 30.06.11 (unaudited)	6 months ended 30.06.10 (unaudited)	Year ended 31.12.10 (audited)
<b>Revenue</b>	4	854,864	525,833	1,294,900
Cost of sales	3/5	(302,115)	(216,335)	(481,857)
<b>Gross profit</b>		<b>552,749</b>	<b>309,498</b>	<b>813,043</b>
Selling and distribution expenses	6	(146,176)	(84,854)	(212,006)
General and administrative expenses	7	(25,479)	(24,106)	(49,175)
Other income		735	510	4,515
Other expenses		(2,358)	(2,109)	(5,938)
Operating foreign exchange losses	8	(567)	(718)	(1,078)
<b>Operating profit from continuing operations before adjusted items</b>		<b>378,904</b>	<b>198,221</b>	<b>549,361</b>
Under recovery of VAT receivable	12	-	(15,000)	(10,936)
Write-offs and impairment losses	9	(198)	(2,124)	(1,618)
Share of profit from associates		1,700	1,069	4,155
Gain on bargain purchase		-	-	2,623
Initial public offering costs		-	(55)	(55)
Losses on disposal of property, plant and equipment		(150)	(627)	(1,305)
<b>Profit before tax and finance</b>		<b>380,256</b>	<b>181,484</b>	<b>542,225</b>
Finance income		2,919	709	2,632
Finance expense		(36,591)	(16,864)	(42,843)
Non-operating foreign exchange gains/(losses)	8	5,427	835	(3,888)
<b>Profit before tax</b>		<b>352,011</b>	<b>166,164</b>	<b>498,126</b>
Income tax expense		(58,082)	(27,458)	(73,002)
<b>Profit for the period/year</b>		<b>293,929</b>	<b>138,706</b>	<b>425,124</b>
Attributable to:				
Equity shareholders of Ferrexpo plc		291,122	138,117	422,906
Non-controlling interests		2,807	589	2,218
		<b>293,929</b>	<b>138,706</b>	<b>425,124</b>
Earnings per share:				
Basic (US cents)	10	49.80	23.62	72.34
Diluted (US cents)	10	49.73	23.57	72.24

**Interim consolidated statement of comprehensive income**

<b>US\$ 000</b>	<b>6 months ended 30.06.11 (unaudited)</b>	<b>6 months ended 30.06.10 (unaudited)</b>	<b>Year ended 31.12.10 (audited)</b>
<b>Profit for the period/year</b>	<b>293,929</b>	<b>138,706</b>	<b>425,124</b>
Exchange differences on translating foreign operations			
Exchange differences arising during the period/year	(1,373)	5,652	533
Exchange differences arising on hedging of foreign operations	(212)	1,288	110
Available-for-sale investments (Losses)/gains arising on revaluation during the period/year	(794)	637	1,915
Income tax effect	120	(485)	(492)
<b>Other comprehensive income for the period/year, net of tax</b>	<b>(2,259)</b>	<b>7,092</b>	<b>2,066</b>
<b>Total comprehensive income for the period/year, net of tax</b>	<b>291,670</b>	<b>145,798</b>	<b>427,190</b>
Total comprehensive income attributable to:			
Equity shareholders of Ferrexpo plc	288,905	145,066	424,923
Non-controlling interests	2,765	732	2,267
	<b>291,670</b>	<b>145,798</b>	<b>427,190</b>

## Interim consolidated statement of financial position

US\$'000	Notes	As at 30.06.11 (unaudited)	As at 30.06.10 (unaudited)	As at 31.12.10 (audited)
<b>Assets</b>				
Property, plant and equipment	11	754,520	478,439	647,137
Goodwill and other intangible assets		102,658	101,395	102,715
Investments in associates		20,623	20,209	21,132
Available-for-sale financial assets	18	2,336	2,178	3,356
Other non-current assets		25,490	10,603	24,767
Deferred tax assets		18,074	16,154	16,596
<b>Total non-current assets</b>		<b>923,701</b>	<b>628,978</b>	<b>815,703</b>
Inventories		109,352	84,090	104,827
Trade and other receivables		120,679	81,885	111,890
Prepayments and other current assets		24,496	36,621	18,922
Income taxes recoverable and prepaid		294	185	35
Other taxes recoverable and prepaid	12	108,207	123,721	103,647
Cash and cash equivalents	13	945,146	60,172	319,470
		1,308,174	386,674	658,791
Assets classified as held for sale		3,026	-	3,149
<b>Total current assets</b>		<b>1,311,200</b>	<b>386,674</b>	<b>661,940</b>
<b>Total assets</b>		<b>2,234,901</b>	<b>1,015,652</b>	<b>1,477,643</b>
<b>Equity and liabilities</b>				
Share capital	14	121,628	121,628	121,628
Share premium		185,112	185,112	185,112
Other reserves		(346,357)	(340,053)	(344,420)
Retained earnings		1,157,113	620,003	885,353
<b>Equity attributable to equity shareholders of the parent</b>		<b>1,117,496</b>	<b>586,690</b>	<b>847,673</b>
<b>Non-controlling interest</b>		<b>16,244</b>	<b>12,119</b>	<b>13,801</b>
<b>Total equity</b>		<b>1,133,740</b>	<b>598,809</b>	<b>861,474</b>
Interest-bearing loans and borrowings	3/15	531,855	199,238	401,290
Defined benefit pension liability		22,096	16,307	17,819
Provision for site restoration		2,803	1,361	2,746
Deferred tax liability		2,140	2,842	2,432
<b>Total non-current liabilities</b>		<b>558,894</b>	<b>219,748</b>	<b>424,287</b>
Interest-bearing loans and borrowings	3/15	387,901	117,837	22,563
Trade and other payables		53,575	23,690	88,089
Accrued liabilities and deferred income		23,654	13,036	25,496
Income taxes payable		64,817	34,341	41,811
Other taxes payable		12,320	8,191	13,923
<b>Total current liabilities</b>		<b>542,267</b>	<b>197,095</b>	<b>191,882</b>
<b>Total liabilities</b>		<b>1,101,161</b>	<b>416,843</b>	<b>616,169</b>
<b>Total equity and liabilities</b>		<b>2,234,901</b>	<b>1,015,652</b>	<b>1,477,643</b>

The financial statements were approved by the Board of directors on 2 August 2011.

Kostyantyn Zhevago

Chief Executive Officer

Christopher Mawe

Chief Financial Officer

## Interim consolidated statement of cash flow

US\$ 000	Notes	6 months ended 30.06.11 (unaudited)	6 months ended 30.06.10 (unaudited)	Year ended 31.12.10 (audited)
Profit before tax		352,011	166,164	498,126
Adjustments for:				
Depreciation of property, plant and equipment and amortisation of intangible assets		19,733	15,081	30,415
Interest expense		33,645	16,864	42,843
Under recovery of VAT receivable	12	-	15,000	10,936
Interest income		(2,919)	(709)	(2,632)
Share of income of associates		(1,700)	(1,069)	(4,155)
Movement in allowance for doubtful receivables		(2,681)	(1,948)	(3,685)
Loss on disposal of property, plant and equipment		150	627	1,305
Write-offs and impairment losses	9	198	2,124	1,618
Site restoration provision		58	93	1,478
Employee benefits		7,042	2,587	3,281
IPO costs		-	55	55
Share based payments		416	801	1,366
Bargain purchase from business combination		-	-	(2,623)
Operating foreign exchange losses	8	567	718	1,078
Non-operating foreign exchange (gains)/losses	8	(5,427)	(835)	3,888
<b>Operating cash flow before working capital changes</b>		<b>401,093</b>	<b>215,553</b>	<b>583,295</b>
<i>Changes in working capital:</i>				
(Increase)/decrease in trade and other receivables		(15,553)	(50,899)	(74,020)
(Increase)/decrease in inventories		(4,526)	(24,454)	(42,938)
Increase/(decrease) in trade and other accounts payable		1,139	(3,292)	11,215
(Increase)/decrease in VAT recoverable and other taxes recoverable and payable		(6,163)	(57,140)	(31,062)
<b>Cash generated from operating activities</b>		<b>375,990</b>	<b>79,768</b>	<b>446,490</b>
Interest paid		(13,081)	(12,540)	(25,437)
Income tax (paid) / credits		(36,887)	1,780	(37,827)
Retirement benefits paid		(1,870)	(1,706)	(3,468)
<b>Net cash flows from operating activities</b>		<b>324,152</b>	<b>67,302</b>	<b>379,758</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(120,183)	(42,323)	(166,775)
Purchase of intangible assets		(394)	(219)	(633)
Interest received		1,038	435	1,270
Proceeds from loans to associates		1,000	-	1,550
Cash payment for acquisition made in 2010		(38,045)	-	-
Pre-acquisition loans provided		-	(3,820)	(10,881)
Acquisition of subsidiaries, net of cash acquired		-	-	582
<b>Net cash flows used in investing activities</b>		<b>(156,584)</b>	<b>(45,927)</b>	<b>(174,887)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings and finance		506,819	274,005	668,802
Repayment of borrowings and finance		(16,657)	(227,643)	(505,359)
Arrangement fees paid		(12,223)	-	(21,074)
Dividends paid to equity shareholders of Ferrexpo plc		(19,362)	(19,289)	(41,744)
Dividends from associates		-	-	2,931
Dividends paid to non-controlling shareholders		(322)	(16)	(47)
<b>Net cash flows from/(used) in financing activities</b>		<b>458,255</b>	<b>27,057</b>	<b>103,509</b>
Net increase in cash and cash equivalents		625,823	48,432	308,380
Cash and cash equivalents at the beginning of the period/year		319,470	11,991	11,991
Currency translation differences		(147)	(251)	(901)
<b>Cash and cash equivalents at the end of the period/year</b>	13	<b>945,146</b>	<b>60,172</b>	<b>319,470</b>

## Interim consolidated statement of changes in equity

For the financial year 2010 and the six months ended 30 June 2011

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 2010</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	-	-	-	-	-	-	-	422,906	422,906	2,218	425,124
Other comprehensive income	-	-	-	-	-	1,401	616	-	2,017	49	2,066
<b>Total comprehensive income for the period</b>	-	-	-	-	-	1,401	616	422,906	424,923	2,267	427,190
Equity dividends paid to shareholders of Ferrexpo plc	-	-	-	-	-	-	-	(38,581)	(38,581)	-	(38,581)
Share based payments	-	-	-	-	1,421	-	-	-	1,421	-	1,421
Adjustments relating to the increase in non-controlling interests	-	-	-	-	-	-	-	(147)	(147)	147	-
<b>At 31 December 2010 (audited)</b>	121,628	185,112	31,780	(77,260)	(10,172)	2,515	(291,283)	885,353	847,673	13,801	861,474
Profit for the period	-	-	-	-	-	-	-	291,122	291,122	2,807	293,929
Other comprehensive income	-	-	-	-	-	(708)	(1,509)	-	(2,217)	(42)	(2,259)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	(708)	(1,509)	291,122	288,905	2,765	291,670
Equity dividends paid to shareholders of Ferrexpo plc	-	-	-	-	-	-	-	(19,362)	(19,362)	(322)	(19,684)
Share based payments	-	-	-	-	280	-	-	-	280	-	280
<b>At 30 June 2011 (unaudited)</b>	121,628	185,112	31,780	(77,260)	(9,892)	1,807	(292,792)	1,157,113	1,117,496	16,244	1,133,740

For the six months ended 30 June 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 2010</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	-	-	-	-	-	-	-	138,117	138,117	589	138,706
Other comprehensive income	-	-	-	-	-	474	6,475	-	6,949	143	7,092
<b>Total comprehensive income for the period</b>	-	-	-	-	-	474	6,475	138,117	145,066	732	145,798
Equity dividends paid to shareholders of Ferrexpo plc	-	-	-	-	-	-	-	(19,289)	(19,289)	-	(19,289)
Share based payments	-	-	-	-	856	-	-	-	856	-	856
<b>At 30 June 2010 (unaudited)</b>	121,628	185,112	31,780	(77,260)	(10,737)	1,588	(285,424)	620,003	586,690	12,119	598,809

## 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, Dubai and Kiev. The Group also owns a logistics group located in Austria which operates a fleet of vessels operating on the Rhine and Danube waterways. The Group's operations are vertically integrated from iron ore mining through to iron ore concentrate and pellet production and subsequent logistics. The Group's mineral properties lie within the Kremenchuk Magnetic Anomaly and are currently being exploited at the Gorishne-Plavninsky and Lavrikovsky deposits. These deposits are being jointly mined as one mining complex.

The majority shareholder of the Group is Fevamotinico S.a.r.l. ('Fevamotinico'), a company owned by The Minco Trust, of which Kostyantyn Zhevago, the Group's Chief Executive Officer, is a beneficiary. At the time this report was published, Fevamotinico held 51.0% (30 June 2010: 51.0%; 31 December 2010: 51.0%) of Ferrexpo plc's issued share capital.

The Group's operations are largely conducted through Ferrexpo plc's principal subsidiary, OJSC Ferrexpo Poltava Mining, and certain logistics for Western Europe are managed through the Helogistics subsidiaries. The Group comprises of Ferrexpo plc and its consolidated subsidiaries as set out below:

Name	Country of incorporation	Principal activity	Equity interest owned		
			30.06.11 %	30.06.10 %	31.12.10 %
OJSC Ferrexpo Poltava Mining <sup>1</sup>	Ukraine	Iron ore mining	97.3	97.3	97.3
Ferrexpo AG <sup>2</sup>	Switzerland	Sale of iron ore pellets	100.0	100.0	100.0
DP Ferrotrans <sup>2</sup>	Ukraine	Trade, transportation services	97.3	97.3	97.3
United Energy Company LLC <sup>3</sup>	Ukraine	Holding company	97.3	97.3	97.3
Ferrexpo Finance plc (formerly Ferrexpo UK Limited) <sup>1</sup>	England	Finance	100.0	100.0	100.0
Ferrexpo Services Limited <sup>1</sup>	Ukraine	Management services & procurement	100.0	100.0	100.0
Ferrexpo Hong Kong Limited <sup>1</sup>	China	Marketing services	100.0	100.0	100.0
LLC Ferrexpo Yeristovo GOK <sup>4</sup>	Ukraine	Iron ore mining	100.0	98.6	100.0
LLC Ferrexpo Belanovo GOK <sup>4</sup>	Ukraine	Iron ore mining	100.0	98.6	100.0
Nova Logistics Limited <sup>3</sup>	Ukraine	Service company (dormant)	51.0	51.0	51.0
Ferrexpo Middle East FZE <sup>5</sup>	U.A.E.	Sale of iron ore pellets	100.0	-	-
Ferrexpo Singapore PTE Ltd <sup>6</sup>	Singapore	Marketing services	100.0	-	-
Helogistics Holding GmbH <sup>5</sup>	Austria	Holding company	100.0	-	100.0
EDDSG GmbH <sup>5</sup>	Austria	Barging company	100.0	-	100.0
DDSG Tankschiffahrt GmbH <sup>5</sup>	Austria	Barging company	100.0	-	100.0
Helogistics Transport GmbH <sup>5</sup>	Austria	Barging company	100.0	-	100.0
Mahart Duna Cargo Kft. <sup>5</sup>	Hungary	Barging company	100.0	-	100.0
Pancar Kft. <sup>5</sup>	Hungary	Barging company	100.0	-	100.0
Ferrexpo Port Services GmbH <sup>7</sup>	Austria	Port services	100.0	-	-

<sup>1</sup> The Group's interest in these entities is held through Ferrexpo AG.

<sup>2</sup> 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.

<sup>3</sup> The Group's interest in these entities is held through OJSC Ferrexpo Poltava Mining.

<sup>4</sup> The Group's interest in this entity is held through both Ferrexpo AG and Ferrexpo Service Limited. The shares initially held by OJSC Ferrexpo Poltava Mining have been transferred as of 31 August 2010 to Ferrexpo AG and Ferrexpo Services Ltd.

<sup>5</sup> The Group's interest in these entities is held through Ferrexpo AG. The Helogistics Holding GmbH and its subsidiaries were acquired in December 2010.

<sup>6</sup> Both subsidiaries were incorporated in March 2011. The Group's interest in Ferrexpo Middle East FZE is held by Ferrexpo AG whereas Ferrexpo Singapore PTE Ltd is a subsidiary of Ferrexpo Middle East FZE.

<sup>7</sup> The subsidiary was incorporated in April 2011 and the Group's interest is held through Helogistics Holding GmbH.

At 30 June 2011, the Group also holds through OJSC Ferrexpo Poltava Mining an interest of 48.6% (30 June 2010: 48.6%; 31 December 2010: 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 condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. The interim condensed 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 as at 31 December 2010.

The interim condensed 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 2010. 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 as they apply to financial statements of the Group for the year ended 31 December 2010, has been delivered to the Register of Companies. The auditors' report under section 495 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.

### **Financing and going concern**

At the period end, the Group's main debt facilities comprised a US\$500 million Eurobond which is due for repayment on the 7 April 2016 and a US\$350 million loan to be amortised in equal instalments over a 24 month period from March 2012 to February 2014. The Group is of the view that it can generate sufficient cash flows to fully repay the borrowings as they fall due fully in compliance with the terms of the loan facility and Eurobond terms and conditions.

The Group faces several risks to its business and strategy, which are included in the Financial Review section of the Annual report and Accounts 2010.

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. Further information on the going concern assessment of the Directors is given in the Financial Review of the Annual Report and Accounts 2010.

### **Changes in accounting policies**

The accounting policies and methods of computation adopted in the preparation of the interim condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations as of 1 January 2011, noted below:

#### *IAS 24 Related party disclosures*

The revised standard was issued in November 2009 and became effective for financial years beginning on or after 1 January 2011. The changes of the revised standard were made to simplify the disclosure requirements for government-related entities and clarify the definition of a related party. The adoption of this revised standard did not have an impact on the financial position or performance of the Group.

#### *IAS 32 Financial instruments: presentation*

The amended standard was issued in October 2009 and became effective for annual periods beginning on or after 1 February 2010. The amendment to IAS 32 addresses the classification of rights issues and will affect future right issues offered for a fixed amount in a foreign currency. This amendment did not have an impact on the financial position or performance of the Group.

#### *IFRIC 14 Prepayment of a minimum funding requirement*

The amendment to IFRIC 14 became effective for financial years beginning on or after 1 January 2011. The amendment provides guidance on assessing the recoverable amount of net pension assets and permits an entity to treat the prepayment of a minimum funding requirement as asset. The application of this amendment did not have impact on the financial statements of the Group.

#### *IFRIC 19 Extinguishing financial liabilities with equity instruments*

The new interpretation became effective for annual periods beginning on or after 1 July 2010 and addresses the accounting by the entity that issues equity instruments in order to settle, in full or in part, a financial liability. The adoption of this interpretation did not have an effect on the financial statements of the Group.

### **Improvements to IFRSs (issued May 2010)**

In May 2010 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.

#### *IAS 34 Interim financial reporting.*

The amendment requires a description of changes in the business or economic circumstances that affect the fair values of the Group's financial instruments and additional disclosures for fair values and changes in classification of financial assets. No such changes or transfers occurred in the current or comparative periods.

Other amendments resulting from improvements to the following standards and interpretations did not have an impact on the accounting policies, financial position or performance of the Group:

- >> IFRS 3 *Business combinations*
- >> IFRS 7 *Financial instruments: disclosures*
- >> IAS 1 *Presentation of financial statements*
- >> IAS 27 *Consolidated and separate financial statements*
- >> IFRIC 13 *Customer loyalty programmes*

### **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. While the revenue generated by the Group is analysed, there are no separate measures of profit reported to the Group's Chief Operating Decision-Maker (CODM). In accordance with *IFRS 8 Operating Segments*, the Group presents its results in a single segment which are disclosed in the income statement for the Group.

The management monitors the operating result of the Group based on a number of measures including EBITDA, 'C1' costs and the net financial indebtedness.

### **EBITDA**

The Group calculates EBITDA as profit from continuing operations before tax and finance, but excluding the effect of depreciation, amortisation, share based payments, non-recurring items, and net gains and losses from the 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.

	Notes	6 months ended 30.06.11 (unaudited)	6 months ended 30.06.10 (unaudited)	Year ended 31.12.10 (audited)
<b>US\$ 000</b>				
Profit before tax and finance		380,256	181,484	542,225
Write-down of VAT receivable	12	-	15,000	10,936
Gain on bargain purchase		-	-	(2,623)
Write-offs and impairment losses	9	198	2,124	1,618
IPO costs		-	55	55
Share based payments		416	801	1,366
Losses on disposal of PPE		150	627	1,305
Depreciation and amortisation		19,733	15,081	30,415
<b>EBITDA</b>		<b>400,753</b>	<b>215,172</b>	<b>585,297</b>

### 'C1' costs

"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.

	6 months ended 30.06.11 (unaudited)	6 months ended 30.06.10 (unaudited)	Year ended 31.12.10 (audited)
<b>US\$'000</b>			
Cost of sales – pellet production	280,822	216,335	481,857
Depreciation and amortisation	(13,628)	(12,380)	(24,662)
Purchased concentrate and other items for resale	(48,817)	(39,615)	(101,351)
Processing costs for purchased ore and concentrate	(3,901)	(4,426)	(11,042)
Production cost of gravel	(178)	(28)	(88)
Inventory movements	3,374	8,747	18,608
Pension service costs	(2,630)	(1,614)	(2,049)
Other	(3,276)	898	(2,754)
<b>C1 cost</b>	<b>211,766</b>	<b>167,916</b>	<b>358,519</b>
Own ore produced (tonnes)	4,394,000	4,441,200	9,033,000
<b>C1 cash cost per tonne US\$</b>	<b>48.19</b>	<b>37.81</b>	<b>39.69</b>

### Net financial indebtedness

Net financial indebtedness as defined by the Group comprises cash and cash equivalents, term deposits, interest bearing loans and borrowings.

	Notes	As at 30.06.11 (unaudited)	As at 30.06.10 (unaudited)	As at 31.12.10 (audited)
<b>US\$ 000</b>				
Cash and cash equivalents	13	945,146	60,172	319,470
Interest bearing loans and borrowings - current	15	(387,901)	(117,837)	(22,563)
Interest bearing loans and borrowings – non-current	15	(531,855)	(199,238)	(401,290)
<b>Net funds position/(financial indebtedness)</b>		<b>25,390</b>	<b>(256,903)</b>	<b>(104,384)</b>

#### Note 4: Revenue

Revenue consisted of the following:

<b>US\$ 000</b>	<b>6 months ended 30.06.11 (unaudited)</b>	<b>6 months ended 30.06.10 (unaudited)</b>	<b>Year ended 31.12.10 (audited)</b>
Revenue from sales of ore pellets:			
Export	811,114	523,752	1,288,665
Ukraine	279	203	453
	811,393	523,955	1,289,118
Revenue from logistics and bunker business	36,550	-	-
Revenue from services provided	853	1,113	674
Revenue from other sales	6,068	765	5,108
<b>Total revenue</b>	<b>854,864</b>	<b>525,833</b>	<b>1,294,900</b>

Export sales by geographical destination were as follows:

<b>US\$'000</b>	<b>6 months ended 30.06.11 (unaudited)</b>	<b>6 months ended 30.06.10 (unaudited)</b>	<b>Year ended 31.12.10 (audited)</b>
China	240,327	102,583	320,572
Austria	232,205	166,991	405,511
Serbia	115,955	72,752	156,806
Czech Republic	61,226	45,391	99,235
Slovakia	50,891	72,868	143,478
India	37,653	-	14,153
Japan	33,304	-	45,318
Turkey	28,136	44,222	62,166
Hungary	9,125	4,589	16,575
Germany	-	13,177	24,833
Other	2,292	1,179	18
<b>Total export revenue</b>	<b>811,114</b>	<b>523,752</b>	<b>1,288,665</b>

During the period ended 30 June 2011 sales made to three customers accounted for approximately 53.8% of the sales revenue (30 June 2010: 68.3%; 31 December 2010: 62.5%).

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

<b>US\$'000</b>	<b>6 months ended 30.06.11 (unaudited)</b>	<b>6 months ended 30.06.10 (unaudited)</b>	<b>Year ended 31.12.10 (audited)</b>
Customer A	232,205	166,991	405,511
Customer B	166,846	145,620	300,284

## Note 5: Cost of sales

Cost of sales consisted of the following:

	6 months ended 30.06.11 (unaudited)	6 months ended 30.06.10 (unaudited)	Year ended 31.12.10 (audited)
<b>US\$ 000</b>			
Materials	37,094	31,279	67,661
Purchased concentrate and other items for resale	48,817	39,615	101,351
Electricity	58,286	46,015	101,528
Personnel costs	28,887	23,530	47,930
Spare parts and consumables	9,013	8,891	16,616
Depreciation and amortisation	13,628	12,380	24,662
Fuel	21,321	16,030	31,299
Gas	27,989	21,964	48,236
Repairs and maintenance	28,291	19,808	45,230
Royalties and levies	5,093	3,210	8,489
Cost of sales from logistics business	11,657	-	-
Bunker fuel	9,636	-	-
Stock movement	(3,374)	(8,747)	(18,608)
Other	5,777	2,360	7,463
<b>Total cost of sales</b>	<b>302,115</b>	<b>216,335</b>	<b>481,857</b>

	6 months ended 30.06.11 (unaudited)	6 months ended 30.06.10 (unaudited)	Year ended 31.12.10 (audited)
<b>US\$ 000</b>			
Cost of sales - pellet production	280,822	216,335	481,857
Cost of sales – logistics and bunker business	21,293	-	-
<b>Total cost of sales</b>	<b>302,115</b>	<b>216,335</b>	<b>481,857</b>

## Note 6: Selling and distribution expenses

Selling and distribution expenses consisted of the following:

	6 months ended 30.06.11 (unaudited)	6 months ended 30.06.10 (unaudited)	Year ended 31.12.10 (audited)
<b>US\$ 000</b>			
International freight for pellets	53,283	19,238	74,885
Railway transportation	42,692	42,266	81,451
Port charges	17,594	15,774	32,339
Other pellet transportation costs	5,245	4,037	11,892
Costs of logistics business	16,053	-	-
Gravel delivery costs	1,321	-	1,816
Advertising	3,371	1,759	3,472
Depreciation	3,997	849	1,757
Other	2,620	931	4,394
<b>Total selling and distribution expenses</b>	<b>146,176</b>	<b>84,854</b>	<b>212,006</b>

## Note 7: General and administrative expenses

General and administrative expenses consisted of the following:

<b>US\$ 000</b>	<b>6 months ended 30.06.11 (unaudited)</b>	<b>6 months ended 30.06.10 (unaudited)</b>	<b>Year ended 31.12.10 (audited)</b>
Personnel costs	14,881	11,573	26,362
Buildings and maintenance	1,081	1,381	2,475
Taxes other than income tax and other charges	747	1,264	1,581
Professional fees	2,752	3,584	4,840
Depreciation and amortisation	2,024	1,847	3,867
Communication	545	275	899
Vehicles maintenance and fuel	751	466	1,222
Repairs	375	274	815
Half year review fees	184	184	184
Audit fees	550	506	910
Non-audit fees	253	806	1,395
Security	856	763	1,613
Other	480	1,183	3,012
<b>Total general and administrative expenses</b>	<b>25,479</b>	<b>24,106</b>	<b>49,175</b>

## Note 8: Foreign exchange gains and losses

<b>US\$ 000</b>	<b>6 months ended 30.06.11 (unaudited)</b>	<b>6 months ended 30.06.10 (unaudited)</b>	<b>Year ended 31.12.10 (audited)</b>
Operating foreign exchange losses	(567)	(718)	(1,078)
Non-operating foreign exchange gains / (losses)	5,427	835	(3,888)
<b>Total foreign exchange gains/(losses)</b>	<b>4,860</b>	<b>117</b>	<b>(4,966)</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: 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 for the six months ended 30 June 2011 consisted of the following:

<b>US\$ 000</b>	<b>6 months ended 30.06.11 (unaudited)</b>	<b>6 months ended 30.06.10 (unaudited)</b>	<b>Year ended 31.12.10 (audited)</b>
(Reversals)/write-off of inventories	-	-	(254)
(Reversal)/write-off of property, plant and equipment	-	-	(251)
Impairment of available-for-sale financial assets	198	2,124	2,124
<b>Total write-offs and impairment losses</b>	<b>198</b>	<b>2,124</b>	<b>1,618</b>

The impairment of the available-for-sale financial assets is related to the investment in Vostok Ruda LLC and the one in the equivalent comparative period to Atol LLC.

**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>6 months ended 30.06.11 (unaudited)</b>	<b>6 months ended 30.06.10 (unaudited)</b>	<b>Year ended 31.12.10 (audited)</b>
<b>Profit for the period / year attributable to equity shareholders:</b>			
Basic earnings per share (US cents)	49.80	23.62	72.34
Diluted earnings per share (US cents)	49.73	23.57	72.24
<b>Underlying earnings for the period / year:</b>			
Basic earnings per share (US cents)	49.04	26.50	72.98
Diluted earnings per share (US cents)	48.97	26.44	72.91

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

<b>Thousands</b>	<b>6 months ended 30.06.11 (unaudited)</b>	<b>6 months ended 30.06.10 (unaudited)</b>	<b>Year ended 31.12.10 (audited)</b>
<b>Weighted average number of shares</b>			
Basic number of ordinary shares outstanding	584,742	584,812	584,568
Effect of dilutive potential ordinary shares	667	1,201	854
<b>Diluted number of ordinary shares outstanding</b>	<b>585,409</b>	<b>586,013</b>	<b>585,422</b>

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>6 months ended 30.06.11 (unaudited)</b>	<b>6 months ended 30.06.10 (unaudited)</b>	<b>Year ended 31.12.10 (audited)</b>
Profit attributable to equity holders		291,122	138,117	422,906
Under recovery of VAT receivable	12	-	15,000	-
Write-offs and impairment losses	9	198	2,124	1,618
IPO costs		-	55	55
Gain on bargain purchase		-	-	(2,623)
Losses on disposal of PPE		150	627	1,305
Non-operating foreign exchange (gains) / losses	8	(5,427)	(835)	3,888
Tax on adjusted items		639	(124)	(346)
<b>Underlying earnings</b>		<b>286,682</b>	<b>154,964</b>	<b>426,803</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

<b>US\$ 000</b>	<b>6 months ended 30.06.11 (unaudited)</b>	<b>6 months ended 30.06.10 (unaudited)</b>	<b>Year ended 31.12.10 (audited)</b>
<b>Proposed per ordinary share</b>			
Interim dividend for 2011: 3.3 US cents	19,301	-	-
Interim dividend for 2010: 3.3 US cents	-	19,289	-
Final dividend for 2010: 3.3 US cents	-	-	19,289
<b>Total dividends proposed</b>	<b>19,301</b>	<b>19,289</b>	<b>19,289</b>
<b>Paid per ordinary share</b>			
Final dividend for 2010: 3.3 US cents	19,362	-	-
Interim dividend for 2010: 3.3 US cents	-	-	19,292
Final dividend for 2009: 3.3 US cents	-	19,289	19,289
<b>Total dividends paid during the period</b>	<b>19,362</b>	<b>19,289</b>	<b>38,581</b>

## Note 11: Property, plant and equipment

During the six months ended 30 June 2011, the Group acquired property, plant and equipment with a cost of US\$136,129 thousand (30 June 2010: US\$43,381 thousand; 31 December 2010: US\$166,775 thousand) and disposed of property, plant and equipment with original costs of US\$8,461 thousand (30 June 2010: US\$3,361 thousand; 31 December 2010: US\$8,669 thousand).

## Note 12: Other taxes recoverable and prepaid

<b>US\$ 000</b>	<b>As at 30.06.11 (unaudited)</b>	<b>As at 30.06.10 (unaudited)</b>	<b>As at 31.12.10 (audited)</b>
VAT receivable	107,671	123,448	101,683
Withholding tax	-	255	-
Other taxes prepaid	536	18	1,964
<b>Total other taxes recoverable and prepaid</b>	<b>108,207</b>	<b>123,721</b>	<b>103,647</b>

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

Of the US\$108,207 thousand outstanding as at 30 June 2011, US\$53,592 thousand relates to balances outstanding as at 31 December 2010. These balances are confirmed by the tax authorities as repayable. It is, however, not yet clear when and on what terms these amounts will be refunded although the amounts are expected to be received, as in 2010, in full within the next year.

## Note 13: Cash and cash equivalents

As at 30 June 2011 the Group held cash and cash equivalents of US\$945,146 thousand (30 June 2010: US\$60,172 thousand; 31 December 2010: US\$319,470 thousand).

The balance of cash and cash equivalents consists of restricted cash of US\$1,000 thousand (30 June 2010: US\$ nil; 31 December 2010: US\$37,768 thousand). The restricted cash as of 31 December 2010 was released subsequent to the year end, following payment of the net proceeds in relations to the acquisition of Helogistics.

#### **Note 14: Share capital and reserves**

The share capital of Ferrexpo plc at 30 June 2011 was 613,967,956 (30 June 2010: 613,967,956; 31 December 2010: 613,967,956) ordinary shares at par value of £0.10 paid for cash, resulting in share capital of US\$121,628 thousand which is unchanged since the Group's Initial Public Offering in June 2007.

This balance includes 25,343,814 shares (30 June 2010: 25,343,814 shares; 31 December 2010: 25,343,814 shares) which are held in treasury, resulting from a share buyback that was undertaken in September 2008 and 3,744,658 shares held in the employee benefit trust reserve (30 June 2010: 4,019,759 shares; 31 December 2010: 4,019,759 shares).

#### **Note 15: Interest bearing loans and borrowings**

As at 30 June 2011 the Group has a syndicated US\$350 million pre-export finance facility in place and a US\$500 million Eurobond.

The pre-export finance facility was drawn in full on 7 October 2010 (30 June 2010: fully drawn; 31 December 2010: fully drawn, each in respect of the pre-export finance facility then existing) and is repayable in 24 instalments with the first instalment falling due in March 2012 following a 18 month grace period. On 8 July 2011, the Group repaid this facility in full.

The major bank debt facility as at 30 June 2011 was guaranteed and secured as follows:

- Ferrexpo AG assigned the rights to revenue from certain sales contracts;
- OJSC Ferrexpo Poltava Mining assigned all of its rights of certain export contracts for the pellets sales to Ferrexpo AG;
- the Group pledged a bank account of Ferrexpo AG into which all proceeds from the sale of certain iron ore pellet contracts are received; and
- Ferrexpo AG pledged all its rights under certain contracts for the sale of iron ore pellets and its rights under certain related credit support documents.

The US\$500 million Eurobond was issued on 7 April 2011 and is due for repayment on 7 April 2016. The bond has a 7.875% coupon and interest is payable on a semi-annual basis.

As at 30 June 2011, the Group has other committed credit lines amounting to US\$50,000 thousand (30 June 2010: US\$ nil; 31 December 2010: US\$ 65,000 thousand). These are undrawn as of 30 June 2011.

#### **Note 16: Related party disclosure**

During the periods presented the Group entered into arm's length transactions with entities under the common control of the majority owner of the Group, Kostyantyn Zhevago, with associated companies 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.

Entities under common control are those under control of Kostyantyn Zhevago. Associated companies relate to TIS Ruda LLC, in which the Group holds an interest of 48.6%. This is the only associated company of the Group. Other related parties are principally those entities controlled by Olexander Moroz. He was a supervisory board member of OJSC Ferrexpo Poltava Mining until 14 May 2010 and transactions taking place up to 31 May 2011, being within one year of his resignation from the supervisory board, are considered to be transactions with a related party for the financial year 2011.

Related party transactions entered into by the Group during the periods presented are summarised in the following tables:

## Revenue, expenses, finance income and finance expenses

US\$ 000	6 months ended 30.06.11 (unaudited)			6 months ended 30.06.10 (unaudited)			Year ended 31.12.10 (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 <sup>a</sup>	2,618	807	1,735	492	-	873	1,398	951	2,263
<b>Total related party transactions with revenue</b>	<b>2,618</b>	<b>807</b>	<b>1,735</b>	<b>492</b>	<b>-</b>	<b>873</b>	<b>1,398</b>	<b>951</b>	<b>2,263</b>
Materials <sup>b</sup>	1,855	-	8,475	2,220	-	5,733	4,232	-	14,946
Purchased concentrate and other items for resale <sup>c</sup>	17,452	-	-	48,928	-	-	104,367	-	-
Spare parts and consumables <sup>d</sup>	1,967	-	256	1,154	-	166	2,794	-	278
Fuel <sup>e</sup>	3,798	-	-	-	-	-	-	-	-
Diesel <sup>e</sup>	7,741	-	-	-	-	-	14,432	-	-
<b>Total related parties transactions within cost of sales</b>	<b>32,813</b>	<b>-</b>	<b>8,731</b>	<b>52,302</b>	<b>-</b>	<b>5,899</b>	<b>125,825</b>	<b>-</b>	<b>15,224</b>
Selling and distribution expenses <sup>f</sup>	-	6,039	8,909	-	5,301	6,274	-	8,362	18,496
General and administration expenses <sup>g</sup>	4,011	-	4	2,154	-	5	4,813	-	22
<b>Total related parties transactions within expenses</b>	<b>36,824</b>	<b>6,039</b>	<b>17,644</b>	<b>54,456</b>	<b>5,301</b>	<b>12,178</b>	<b>130,638</b>	<b>8,362</b>	<b>33,742</b>
Finance income <sup>h</sup>	584	9	-	254	52	-	964	96	-
Finance expenses <sup>h</sup>	(200)	-	-	(275)	-	-	(443)	-	-
<b>Net finance income/(expenses)</b>	<b>384</b>	<b>9</b>	<b>-</b>	<b>(21)</b>	<b>52</b>	<b>-</b>	<b>521</b>	<b>96</b>	<b>-</b>

The Group entered into various related party transactions with entities under common control. A description of the material transactions, all of which were carried out on an arm's length basis in the normal course of business for the members of the Group (see note 1), are listed below:

- <sup>a</sup> Tolling fees of US\$315 thousand paid by Vostok Ruda Ltd. to OJSC Ferrexpo Poltava Mining for the production of pellets.(30 June 2010: US\$ nil; 31 December 2010: US\$ nil). Sales of power, steam and water and other materials to Kislrod PCC for US\$803 thousand (30 June 2010: US\$285 thousand; 31 December 2010: US\$181 thousand).
- <sup>b</sup> Purchases of compressed air and oxygen from Kislrod PCC for US\$1,855 thousand (30 June 2010: US\$1,740 thousand; 31 December 2010: US\$3,667 thousand).
- <sup>c</sup> Purchases of concentrate and other items for resale from Vostok Ruda Ltd. in the amount of US\$9,994 thousand (30 June 2010: US\$6,129 thousand; 31 December 2010: US\$11,700 thousand).
- <sup>d</sup> Purchases of merchant concentrate from Vostok Ruda Ltd. US\$7,458 (30 June 2010: US\$42,799 thousand; 31 December 2010: US\$92,667 thousand). Vostock Ruda Ltd. earned fees on the purchase and resale for this concentrate amounting to US\$6 thousand (30 June 2010: US\$50 thousand; 31 December 2010: US\$140 thousand). This covered costs incurred procuring and delivering third party merchant concentrate supplied.
- <sup>e</sup> Handling commissions to SIA Wellmark Latvia amounting to US\$25 thousand (30 June 2010: US\$ nil; 31 December 2010: US\$69 thousand) for the purchase of goods.
- <sup>d</sup> Purchases of spare parts from Komsomolsk Cogeneration Company LLC in the amount of US\$736 thousand (30 June 2010: US\$ nil; 31 December 2010: US\$ nil);
- <sup>d</sup> Purchases of spare parts from OJSC Berdichev Machine-Building Plant Progress of US\$448 thousand (30 June 2010: US\$ 329 thousand; 31 December 2010: US\$ nil thousand); and
- <sup>d</sup> Purchases of spare parts from Valsa GTV of US\$370 thousand (30 June 2010: US\$373 thousand; 31 December 2010: US\$ 553 thousand).
- <sup>e</sup> Purchases of fuel for US\$3,798 thousand (30 June 2010: US\$ nil; 31 December 2010: US\$ nil) and gas of US\$7,741 thousand (30 June 2010: US\$ nil; 31 December 2010: US\$14,432 thousand) from OJSC Ukrzakordongeologia.
- <sup>g</sup> Purchases from FC Vorskla for advertisement, marketing and general public relation services for US\$3,184 thousand (30 June 2010: US\$1,663 thousand; 31 December 2010: US\$3,313 thousand).

<sup>h</sup> Transactional banking services received from Bank Finance & Credit (Bank F&C) Finance income and expenses relate to these transactional banking services. Further information is provided under transactional banking arrangements below.

*The group entered into related party transactions with its Associated Company TIS Ruda LLC, which were carried out on an arm's length basis in the normal course of business for the members of the Group (see note 1). These are described below:*

<sup>f</sup> Purchases of logistics services in the amount of US\$6,039 thousand (30 June 2010: US\$5,301 thousand; 31 December 2010: US\$8,362 thousand) relating to port operations including port charges, handling costs, agent commissions and storage costs.

*The group entered into various transactions with other related parties. Descriptions of the material transactions are below:*

<sup>a</sup> Sales of scrap metal to Ferolit amounting to US\$1,201 thousand (30 June 2010: US\$1,021 thousand; 31 December 2010: US\$2,193 thousand) and other sales of US\$509 thousand (30 June 2010: US\$13 thousand; 31 December 2010: US\$30 thousand).

<sup>b</sup> Purchases of cast iron grinding bodies from Ferolit for US\$8,475 thousand (30 June 2010: US\$5,733 thousand; 31 December 2010: US\$14,946 thousand).

<sup>f</sup> Purchases of logistics management services from Slavutich Ruda Ltd related to customs clearance services and the coordination of rail transit. Total billings amounted to US\$8,901 thousand (30 June 2010: US\$ 6,251 thousand; 31 December 2010: US\$18,294 thousand). Slavutich Ruda Ltd. earned commission income of US\$405 thousand on these services (30 June 2010: US\$378 thousand; 31 December 2010: US\$755 thousand).

<sup>g</sup> Purchases of legal services from Kuoni Attorneys at Law Ltd. amounting to US\$4 thousand as of 30 June 2011 (30 June 2011: US\$118 thousand; 31 December 2010: US\$119 thousand). No services were provided by Wolfram Kuoni directly. All services were provided on an arm length basis by other members of Kuoni Attorneys at Law Ltd.

## 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	6 months ended 30.06.11 (unaudited)			6 months ended 30.06.10 (unaudited)			Year ended 31.12.10 (audited)		
	Entities under common control	Asso- ciated compa- nies	Other related parties	Entities under common control	Asso- ciated compa- nies	Other related parties	Entities under common control	Asso- ciated compa- nies	Other related parties
Purchase of property plant and equipment <sup>i</sup>	11,239	-	-	-	-	-	22,459	-	-

<sup>i</sup> During period ended 30 June 2011, the Group entered into the following transactions with related parties that were not of a revenue nature, but were in the normal course of business. As such these transactions were subject to an independent confirmation that the terms are fair and reasonable in accordance with the requirements of the Listing Rules, and additionally in the case of the transaction in respect of the purchase of 400 rail cars to shareholder approval, which was obtained on 15 March 2011.

- In June 2011, project management services in the amount of US\$105 thousand were procured from Vorskla Steel Ltd. in connection with the construction of service facilities.
- In May 2011, the Group entered into an agreement for the purchase of equipment for the crushing and beneficiation plants from CJSC Kiev Shipbuilding and Ship Repair Plant (KSRSSZ) in the amount of US\$493 thousand. Orders were also placed for three press-filters for US\$8,991 thousand from OJSC Berdichev Machine-Building Plant Progress.
- In April 2011, the Group entered into an agreement for engineering services to be provided by OJSC DIOS in the amount of US\$1,650 thousand for the project of the crushing and concentrating equipment.
- The purchase of 400 rail cars, with an option to purchase an additional 600 rail cars, was approved by the general meeting of the shareholders on 15 March 2011. In March and April 2011, this authority was used to purchase 112 rail cars from OJSC Stahanov Rail Cars Plant amounting to US\$7,950 thousand, leaving a balance still to be purchased under this authority of 888 rail cars for up to US\$106,560 thousand.

Between August and December 2010, the Group purchased 300 rail cars from Trading house Wagonplant LLC in the amount of US\$17,500 thousand and conducted drilling programmes by OJSC Donbasgeology at the Northern deposit of OJSC Ferrexpo Poltava Mining and at LLC Ferrexpo Belanovo GOK amounting to US\$4,959 thousand.

## Balances with related parties

The outstanding balances, as a result of transactions with related parties, for the periods presented are shown in the table below:

US\$ 000	As at 30.06.11 (unaudited)			As at 30.06.10 (unaudited)			As at 31.12.10 (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 <sup>j</sup>	2,336	-	-	2,178	-	-	3,353	-	-
Prepayments for property, plant and equipment <sup>k</sup>	605	-	-	972	-	-	182	-	-
<b>Total non-current assets</b>	<b>2,941</b>	<b>-</b>	<b>-</b>	<b>3,150</b>	<b>-</b>	<b>-</b>	<b>3,535</b>	<b>-</b>	<b>-</b>
Loans <sup>l</sup>	-	-	-	-	2,550	-	-	1,000	-
Trade and other receivables <sup>m</sup>	2,160	2,205	9	2,138	-	9	514	203	15
Prepayments and other current assets <sup>n</sup>	2,042	-	15	157	805	50	95	27	1
Cash and cash equivalents <sup>o</sup>	334,080	-	-	15,860	-	-	156,807	-	-
<b>Total current assets</b>	<b>338,282</b>	<b>2,205</b>	<b>23</b>	<b>18,155</b>	<b>3,355</b>	<b>59</b>	<b>157,416</b>	<b>1,230</b>	<b>16</b>
Trade and other payables <sup>p</sup>	7,696	208	1,438	2,158	2	1,020	1,563	12	1,668
<b>Current liabilities</b>	<b>7,696</b>	<b>208</b>	<b>1,438</b>	<b>2,158</b>	<b>2</b>	<b>1,020</b>	<b>1,563</b>	<b>12</b>	<b>1,668</b>

### Entities under common control

<sup>j</sup> The balance of the investments available-for-sale comprised of shareholdings in OJSC Stahanov Rail Cars Plant (3.14%) and Vostok Ruda Ltd. (1.10%). The majority ownership of these companies is indirectly held by Kostyantyn Zhevago through other companies under his control. OJSC Stahanov Rail Cars Plant is further listed on the Ukrainian stock exchange. The changes of the values in the table above are related to fair value adjustments recorded during the respective reporting periods. The shareholdings for all investments remained unchanged during the periods disclosed above. The investment in LLC Atol was subject of an additional impairment of US\$2,124 thousand recorded as of 30 June 2010 resulting in a full impairment of this investment. Further information is provided in note 18 of the Interim Report 2011.

<sup>k</sup> Prepayments for drilling programmes in the amount of US\$74 thousand have been made to OJSC Donbasgeology in period ended 30 June 2011 (30 June 2010: US\$ nil; 31 December 2010: US\$ nil). Prepayments of US\$372 thousand were made to DIOS (30 June 2010: US\$ nil; 31 December 2010: US\$ nil) for the design documentation for the concentration sections and US\$92 thousand to CJSC Kiev Shipbuilding and Ship Repair Plant (KSRSSZ) for the purchase of equipment.

<sup>m</sup> As of 30 June 2011 trade and other receivables included outstanding amounts due from Vostok Ruda Ltd. of US\$1,647k in relation to the production of pellets under a tolling scheme and from Kislorod PCC of US\$289 thousand (30 June 2010: US\$277 thousand; 31 December 2010: US\$311 thousand) for the sale of power, steam and water. The outstanding balances as of 30 June 2010 included US\$1,169 thousand relating to the disposal of shares in Vostok Ruda Ltd. to OJSC Berdichev Machine-Building Plant Progress during the financial year 2008. The full amount was repaid in the second half of the financial year 2010.

<sup>n</sup> Prepayments and other current assets relate to advance payments of US\$1,725 thousand (30 June 2010; US\$ nil; 31 December 2010: US\$ nil) made to OJSC Ukrzakordongeologia for the supplies of fuel and gas. The advance payments are in the normal course as requested by any third party suppliers of fuel and gas in the Ukraine.

<sup>o</sup> As of 30 June 2011 cash and cash equivalents with Bank F&C were US\$334,080 thousand (30 June 2010: US\$15,860 thousand; 31 December 2010: US\$156,807 thousand). Further information is provided under transactional banking arrangements below.

<sup>p</sup> Trade and other payables amounting to US\$5,745 thousand as of 30 June 2011 are due to SIA Wellmark Latvia for the purchase of other items for resale. (30 June 2010: US\$ nil; 31 December 2010: US\$ nil). US\$613 thousand as of 30 June 2011 are related to concentrate purchased from Vostok Ruda Ltd. (30 June 2010: US\$1,545 thousand; 31 December 2010: US\$1,013 thousand) and US\$448 thousand to compressed air and oxygen purchased from Kislorod PCC (30 June 2010: US\$377 thousand; 31 December 2010: US\$416 thousand).

### Associated companies

<sup>l</sup> The remaining outstanding amount of the loans granted to TIS Ruda LLC in 2007 and 2008 was fully repaid in March 2011.

<sup>m</sup> Other receivables consist a declared dividend due from TIS Ruda LLC in the amount of US\$2,205 thousand (30 June 2010: US\$ 781 thousand; 31 December 2010: US\$ nil).

*Other related parties*

<sup>P</sup> Trade and other payables amounting to US\$983 thousand as of 30 June 2011 are in respect of purchased material from Ferolit (30 June 2010: US\$849 thousand; 31 December 2010: US\$1,291 thousand) and distribution services provided by Slavutich Ruda Ltd. of US\$453 thousand (30 June 2010: US\$132 thousand; 31 December 2010: US\$373 thousand).

**Transactional banking arrangements**

The Group has transactional banking arrangements with Bank 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 multicurrency revolving loan facility agreement in April 2007 with Bank F&C which expired on 16 April 2010 and has been extended to 16 April 2013 upon the same terms and conditions except for two changes. The maximum facility limit has been increased from UAH50,500 thousand to UAH80,000 thousand (US\$10,034 thousand at the exchange rate as of 30 June 2011) and the interest rates increased for UAH advances from 16% to 18% per annum. The total value of pledges for this loan facility is US\$11,266 thousand.

**Note 17: Commitments and contingencies**

*Commitments*

<b>US\$ 000</b>	<b>As at 30.06.11 (unaudited)</b>	<b>As at 30.06.10 (unaudited)</b>	<b>As at 31.12.10 (audited)</b>
Operating lease commitments	52,594	19,165	53,528
Capital commitments on purchase of PPE	99,040	54,727	70,618

*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 18: Other financial assets**

Other financial assets are available-for-sale investments, which are measured subsequent to initial recognition at fair value, categorised into Levels 1 to 3 based on the degree to which the fair value is observable.

There were no changes in fair value hierarchy during the period ended 30 June 2011 and in the equivalent comparative period.

During the period ended 30 June 2011, a decrease of the fair value of the available-for-sale investments of US\$794 thousand was recorded in other comprehensive income and US\$198 thousand as an impairment in the income statement. In the equivalent comparative period, an impairment of US\$2,124 thousand was recorded in the income statement and an increase of the fair values of other available-for-sale investments of US\$637 thousand in other comprehensive income.

**Note 19: Events after the reporting period**

On 8 July 2011, the Group made an early repayment of its syndicated US\$350 million pre-export finance facility, which cannot be re-drawn. This facility would have been repayable in 24 instalments with the first instalment falling due in March 2012 following a 18 month grace period.