2019

Annual Report

FERREXPO

FPM pit

Who we are

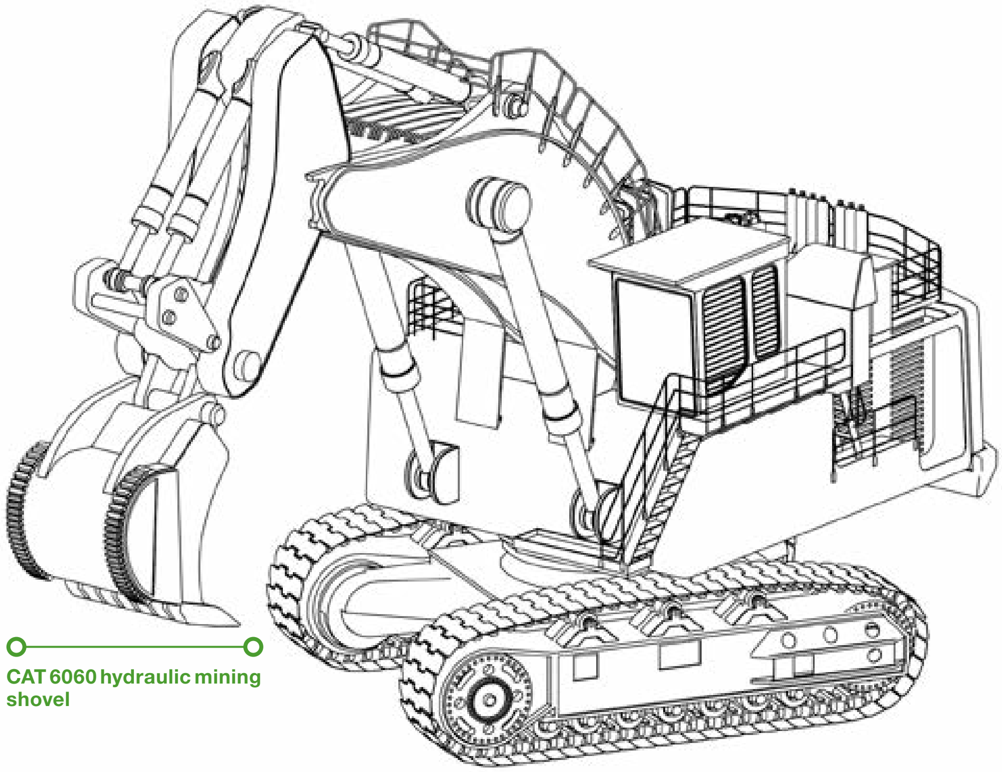
Since 1977, Ferrexpo has supplied high quality iron ore pellets to the global steel industry. We have been listed on the London Stock Exchange for over ten years.

The Group has had a premium listing on the Main Market of the London Stock Exchange since its IPO in June 2007 and it is currently a constituent of the FTSE 250 Index and the FTSE4Good Index. Ferrexpo is the largest exporter of iron ore pellets in the Former Soviet Union (the "FSU") and currently the third largest supplier of blast furnace pellets to the global steel industry.

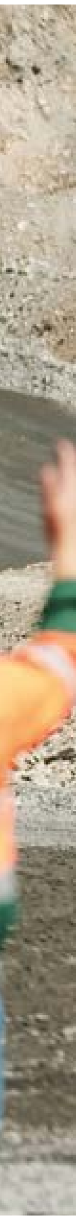
SEE PAGES 14–17

Our Purpose

We produce and market premium quality iron ore pellets, vital for sustainable steel production and essential to modern life.



CAT 6060 hydraulic mining shovel



Group Performance 2019

0.58X
Lost time injury frequency rate
(2018: 1.18x)

10.5MT
Total production
(2018: total production 10.6Mt)

US$1.5BN
+18%
Revenue
(2018: US$1.3BN)

68.4¢
+21%
Diluted EPS
(2018: 56.7 US cents)

US$473M
+62%
Net cash flow from operating activities
(2018: US$292M)

US$586M
+17%
Underlying EBITDA[A]
(2018: US$503M)

US$155M
+60%
Dividends paid
(2018: US$97M)

0.48X
Net debt to underlying EBITDA[A]
(2018: 0.67x)

US$403M
+20%
Profit for the year
(2018: US$335M)

US$247M
+83%
Capital investment[A]
(2018: US$135M)

Alternative performance measures
*Words with the symbol **A** are defined in the Alternative Performance Measures section of the Annual Report on pages 180–182.*

Strategic Report

Corporate Governance

Financial Statements

At a Glance

Long-life resource base

Ferrexpo's significant magnetite resource base is situated along a single ore body, which allows for efficient expansion through brownfield developments. Magnetite ore allows for isolation of iron units so as to produce a uniform and high iron content product. Pelletising magnetite concentrates into pellets is an exothermic process (i.e. releases heat energy), which reduces energy requirements to produce pellets and lowers costs compared to the hematite ores more commonly used by the Group's competitors.

55

At current production rates, the Group has enough reserves for the next 55 years of production

Reserves and Resources

Ferrexpo has updated its Reserve and Resource Statement for its Gorishne-Plavninske-Lavrykivske ("GPL") and Yerystivske projects. As a result, total JORC reserves have increased to 1.6 billion tonnes (from 1.3 billion tonnes) and total resources have decreased to 5.7 billion tonnes (from 6.5 billion tonnes). There has been a notable increase in the Fe magnetic content of GPL's reserve and resource base (see below).

These statements are prepared in accordance with the guidelines set out in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code", 2012 edition). At current production rates, the Group has enough reserves for the next 55 years of production. The changes compared to the Group's previous Reserve and Resource Statement are as follows:

JORC Reserve Statements as at 1 January 2020[1]

Deposit	Proved Mt	Fe total %	Fe magnetic %	Probable Mt	Fe total %	Fe magnetic %
Gorishne-Plavninske-Lavrykivske ("GPL")	403	33	26	718	31	23
Yerystivske	227	34	27	281	33	26
JORC Reserves	630	33	26	999	32	24

1. Compared to the Group's previous Reserve Statement there is a 285 million tonne increase in proved reserves and a 72 million tonne increase in probable reserves. Total JORC classified reserves increased by 357 million tonnes to 1.6 billion tonnes. GPL, the area or reserve mined by FPM, has seen an increase in its proved reserves Fe total content from 27% to 33% and an increase in its Fe magnetic content from 17% to 26%.

JORC Resource Statements as at 1 January 2020[2]

Deposit	Measured Mt	Fe total %	Fe magnetic %	Indicated Mt	Fe total %	Fe magnetic %	Inferred Mt	Fe total %	Fe magnetic %
Gorishne-Plavninske-Lavrykivske ("GPL")	567	33	25	1,217	31	23	704	31	23
Yerystivske	254	34	27	524	33	26	402	33	25
Bilanivske	336	31	24	1,149	31	23	217	30	21
Galeschynske	–	–	–	268	55	–	58	55	–
JORC Resources	1,157	33	25	3,158	33	22	1,381	32	22

2. Compared to the Group's previous Resource Statement there is a 328 million tonne increase in measured resources, a 454 million tonne decrease in indicated resources and a 696 million tonnes decrease in inferred resources. Total JORC classified resources decreased by 822 million tonnes to 5.7 billion tonnes. GPL has seen an increase in its Fe total content from 30% to 33% and an increase in its Fe magnetic content from 20% to 25%.

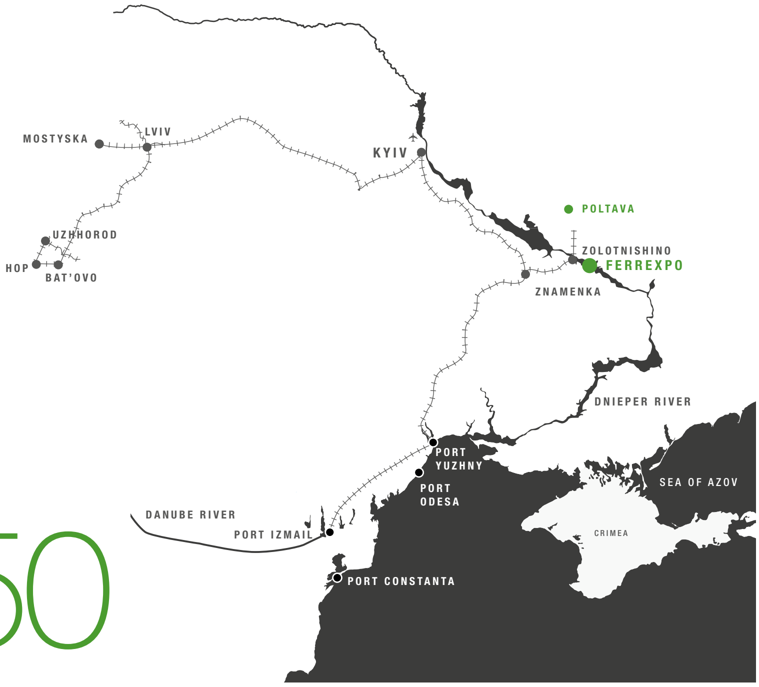
Established logistics infrastructure

The Group's logistics infrastructure enables it to transport its pellets by rail to the western border of Ukraine to connect with the European rail network, by barge on the Danube River into Europe and by capesize vessel from its TIS Ruda Terminal in the southern port of Yuzhny.

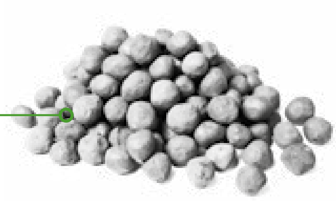
28
Number of capesize vessels loaded in 2019

154
Own barges

2,850
Own rail cars



Iron ore pellets



Pellets (10mm)

— From magnetite, c.8% of global exports
— Uniform in size and composition (c.62–65% iron content)
— Highest value form of iron ore for steel producers, since pellets are the most efficient source of iron for a steel furnace
— Pellets reduce energy requirements, slag volumes and air emissions in the steelmaking process while improving the quality of the final product…
— … and thus command a premium on the market relative to fines, lump and concentrate
— Manufactured by agglomeration of concentrate ("pellet feed") in a pelletising plant

Other types of iron ore

Fines (150μm – 6.8mm)

— From hematite ore, c.70% of global iron ore exports
— Global benchmark for iron ore pricing
— Agglomerated into 'sinter' at the sinter plant of a steel mill before use in a furnace. The resultant operating cost causes fines to have a lower relative value

Lump (6.8mm – 15mm)

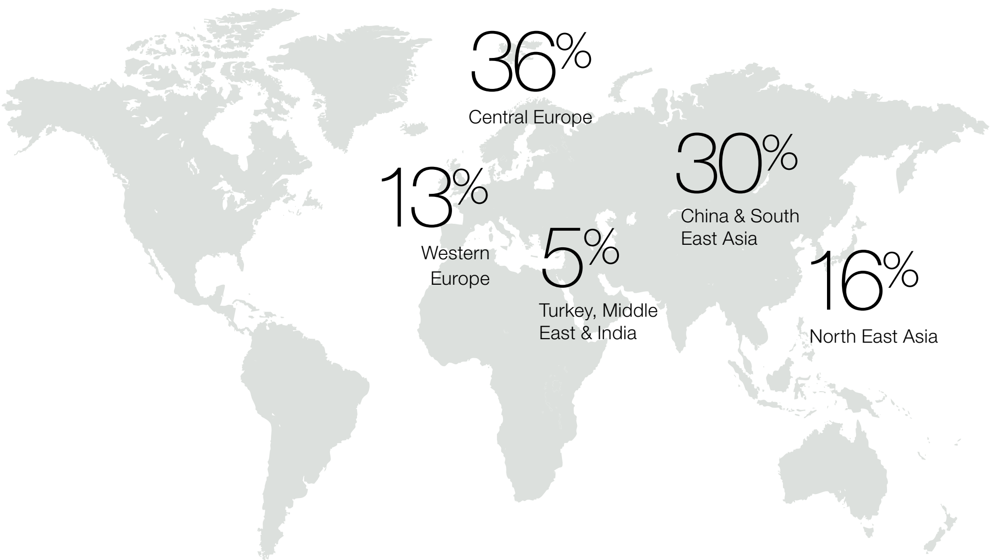
— From hematite ore, c.17% of global exports
— Can be charged directly into furnace, enabling steel producer to avoid sintering, thus sold at premium to fines

Pellet feed (60μm – 150μm)

— From magnetite – also known as concentrate, c.6% of global exports
— Can require pelletising which is more costly than sintering iron ore fines

World class customer base

Ferrexpo's world class customer base produces high quality steels for value added finished products.



At a Glance
continued

Efficient and well-invested

Ore extraction

Open cut, hard rock iron ore mining, using truck and shovel. Average Fe content of 31%.

Beneficiation

The ore is ground to produce concentrate which is then upgraded to 67% Fe content. Waste material is removed to the tailings storage area.

67%

Fine ore particles are collected to produce 67% Fe concentrate

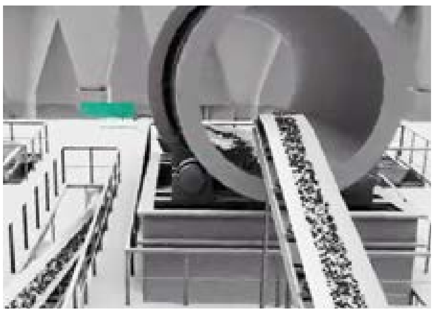
process

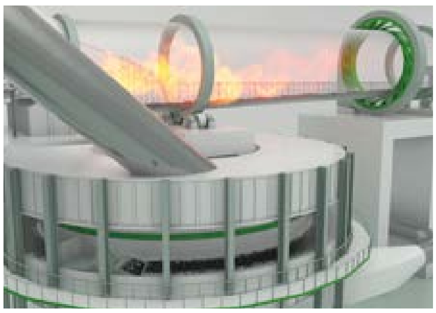
Crushing

The ore is crushed and screened before entering one of two crushing plants.

Pelletising

Four kiln grate units heat and form the pellet feed into pellets of around 16mm.



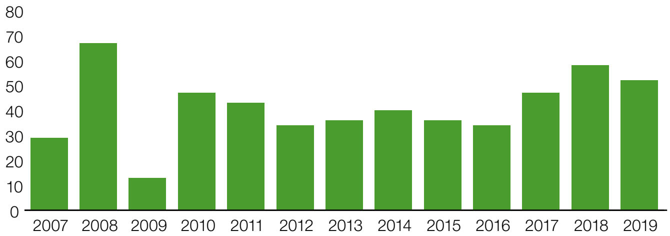


Investment Case

01
Premium product

— 100% of production is in the form of iron ore pellets
— Of which 96% contain 65% Fe (iron content), regarded globally as a high quality product

Non-Chinese pellet premia
US$ per tonne

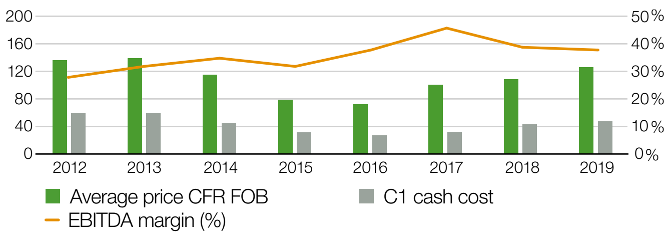


Pellet premia vary according to target market. Published BF premia are based on material sold to non-Chinese markets and do not include an iron content adjustment.

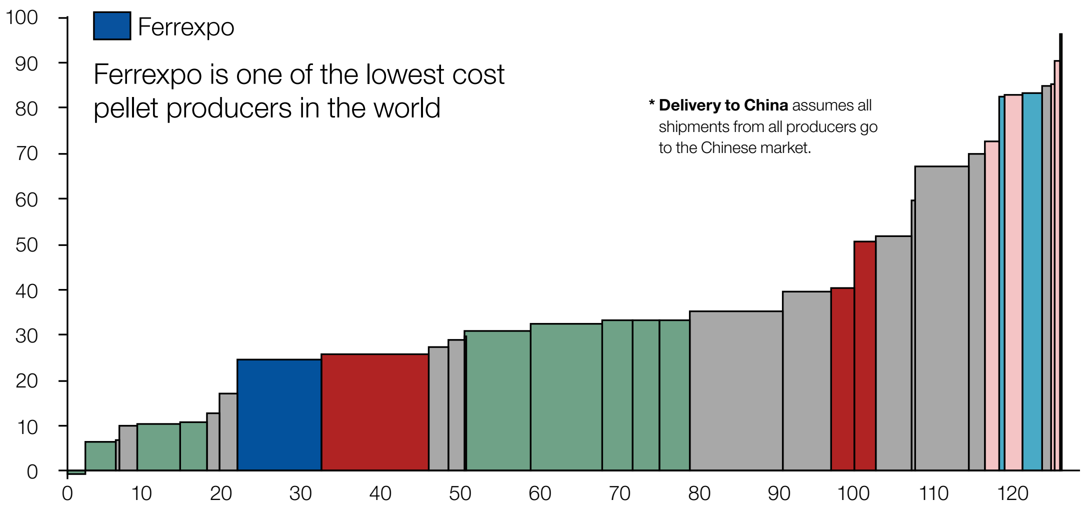
02
Strong cash flow

— Iron ore pellets receive a price premium through the commodity cycle
— One of the lowest pelletising costs in the industry
— Globally competitive on iron ore concentrate cost curve
— Operate in niche market with high barriers to entry

Eight-year history of key financials through the cycle
US$ per tonne



CRU breakdown pellet cost curve to China

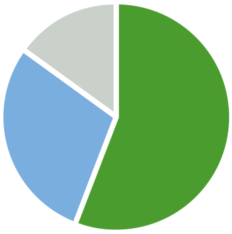


y-axis: Business costs for pellet exports, 2019, US$/dmt CFR China
x-axis: Cumulative pellet exports, 2019, Mt (dry)
Definition: Business costs are the sum of realisation costs and site costs. Realisation costs include the cost of getting the material to market, the marketing of the material and the financing cost of selling the material. The power of business costs is that by adjusting all product qualities relative to the same benchmark (62% Fe fines product delivered to North China), it allows all mines to be compared on a cost curve on a like-for-like basis. This also means that by subtracting the benchmark price from the business costs for a mine an estimate of cash flow from that operation is obtained. Source: CRU Group.

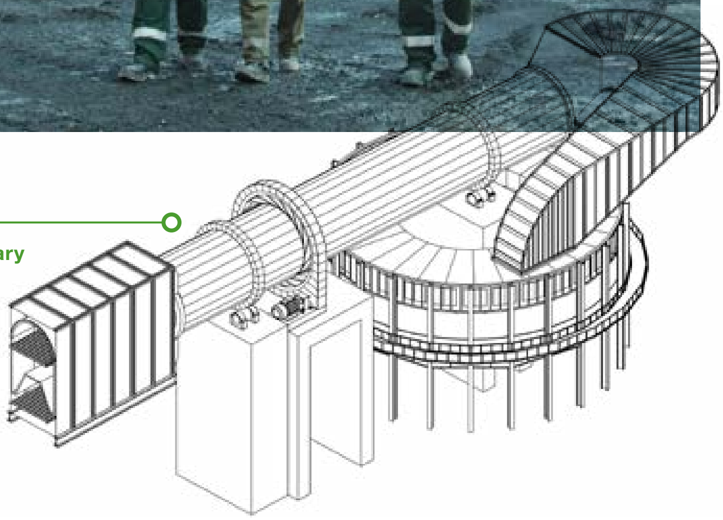
03
Well-invested asset base

- Over US$2.5 billion invested since 2007, into our mining, processing and logistics operations
- Significant resource base with multiple brownfield growth opportunities
- Pellet output can increase sustainably over the long term

Over US$2.5bn invested since IPO




FPM pit


Travelling grate-rotary kiln cooler

04
High quality and diverse customer base

- Sell to customers producing high value added steel products which are “crisis resistant”
- Balanced sales portfolio split between Asia and Europe

05
Integrated logistics

- Own 49.9% interest in port of TIS Ruda (Yuzhny) on the Black Sea
- Transport pellets from mine to border points with own rail cars
- Competitively load capesize vessels
- Own river barge fleet for delivery into Europe
- Geographically well positioned to supply main pellet markets in Europe, Asia and Middle East

06
Disciplined capital allocation

- Ferrexpo is committed to maintaining low net debt
- It aims to pay a sustainable dividend through the commodity cycle
- Investment capital is principally allocated from cash generation and invested in incremental high IRR projects to sustainably increase output

07
Experienced management team

- Governance in line with requirements of LSE premium listing
- Local management with detailed knowledge of operations
- International management with worldwide experience

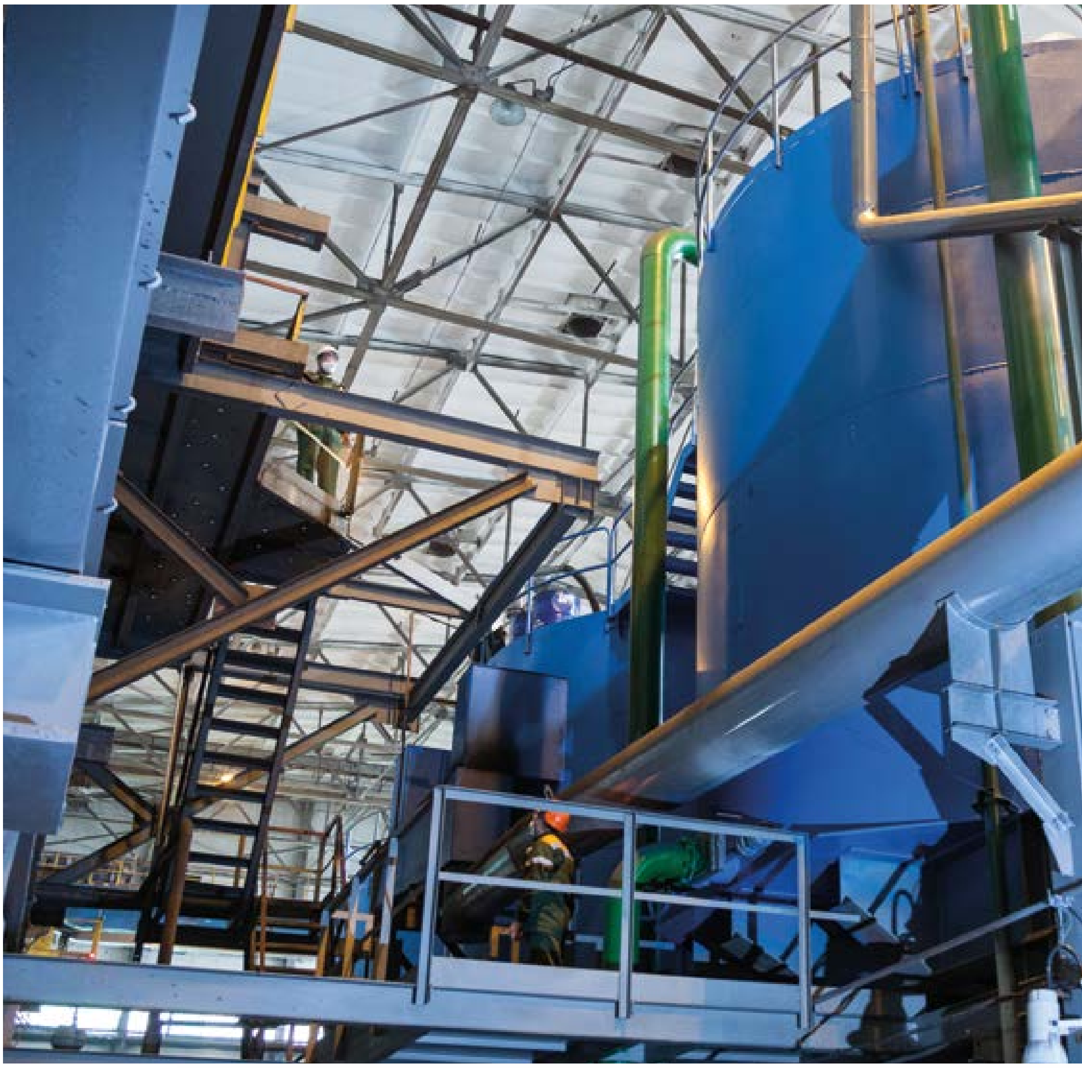
PREMIUM MAIN MARKET LONDON STOCK EXCHANGE

FTSE4Good

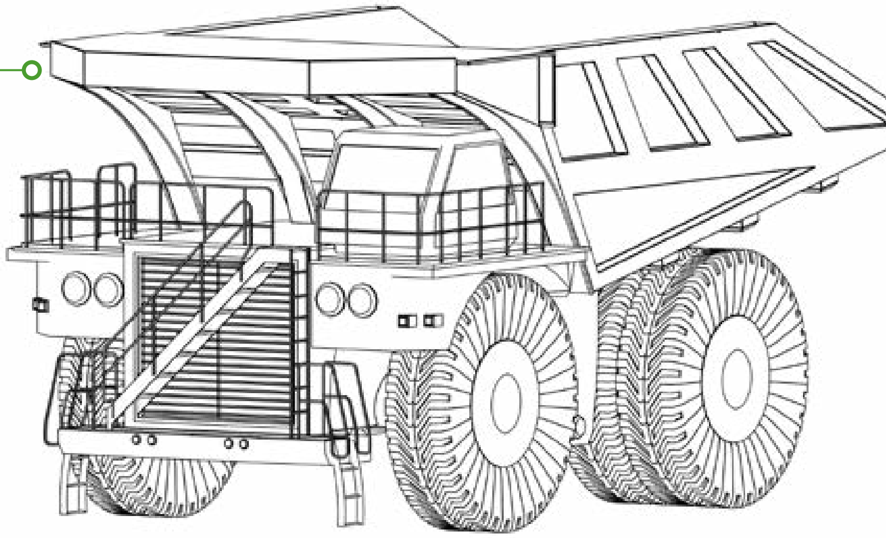
In 2019, the Group was pleased to renew and/or extend several key long-term contracts as well as secure a new long-term contract with a leading German steel mill.

Chairman's Statement

Focused on Governance



CAT 793D truck



Tanks in flotation section of beneficiation plant

US$155M

Total dividends paid in 2019
(2018: US$97m)

0.48X

Net debt to underlying EBITDA
(31 December 2018: 0.67x)

***Steve Lucas,** Chairman*

Health and safety

I am very pleased to be able to report that the Group had no fatalities in 2019 (2018: one fatality). Furthermore, the Group's lost time injury frequency rate ("LTIFR") declined to 0.58x – a record for the Group and a strong improvement on 2018 when the Group LTIFR was 1.18x.

This performance is thanks to a relentless focus in our operations on the safety of our people, improving the reporting of near-miss incidents and a determined focus on training.

COVID-19

The Board is closely monitoring the impact of the virus on the world, our people and our key customers and suppliers. Meanwhile, the health of our staff is of the highest priority and we have implemented a number of measures to protect our workforce as far as practicable.

Year in summary for all stakeholders

At the end of a year which has posed a number of challenges, I am pleased to be able to report a strong set of financial results and significant progress on corporate governance matters (see Corporate governance below).

Ferrexpo's operations continued to perform strongly in 2019. Production of high quality 65% Fe pellets from own ore increased 3% to 10.1 million tonnes (2018: 9.8 million tonnes) while sales volumes increased to 10.3 million tonnes (2018: 10.2 million tonnes). Despite lower demand from some steel mills compared to 2018, the Group signed new long-term contracts for supply into Germany and Taiwan as well as renewing a long-term contract for supply into Japan. Ferrexpo has a geographically diversified sales portfolio which allowed the Group to maintain consistent supply to the market despite some periods of weaker demand from specific regions during the year.

Reported underlying EBITDA for the year rose by 17% to US$586 million compared to US$503 million in 2018. Net cash flow from operations increased by 62% to US$473 million compared to US$292 million.

Total dividends declared for the 2019 financial year amount to 13.2 US cents per share (2018: 23.1 US cents per share). The Board is committed to dividends and intends to consider a potential final dividend for the 2019 financial year once the general market situation and the effect of the COVID-19 virus has become clearer. Overall, in 2019 the Group paid out dividends of US$155 million, a 60% increase on 2018 when US$97 million was paid.

During the year, the Group paid taxes and royalties of US$114 million in Ukraine (2018: US$73 million) while it remained a major customer of state infrastructure in areas such as electricity, gas and railway facilities. The Group was the largest exporter of iron ore pellets in the region and accounted for approximately 2% of Ukraine's total exported goods in 2019.

In 2019, Ferrexpo's workforce totalled 11,292 people (including subcontractors). Total wages and salaries paid to employees were US$109 million (2018: US$86 million invested in local communities projects). Average salaries at FPM in 2019 were 60% above the national average in Ukraine[1].

In terms of community developments in 2019, US$6 million was invested directly into local community projects (2018: US$6 million invested in local community projects) including refurbishment of an X-ray room in a municipal hospital, creation of a salt spa therapy room in a municipal hospital, refurbishment of the local chess club, continued support for our local rowing club, Gornyak, as well as supporting preparations for the 2020 Summer Olympic games through the purchase of equipment, rowing boats and oars. At five local schools classes were updated with the latest technology such as the physics room, IT, mathematics and technical drawing classes. In terms of infrastructure development, a new community square was built with a children's playground as well as an audio system and a big screen.

Ferrexpo's scope 1 and 2 carbon intensity ratio was 240kg of CO_2 per tonne of pellets produced in 2019 (2018: 237kg per tonne of pellets). The increase was primarily as a result of a 1% increase in electricity consumption due to a 5% increase in tonnes of ore processed during the year. The use of sunflower husks to partially heat the Group's pelletisers, as an alternative energy source, increased by 15% in 2019[2]. For the first time, Ferrexpo is publishing its estimate of its downstream scope 3 emissions.

Downstream scope 3 emissions represent the emissions from activities that relate to the distribution and use of the Group's pellets. Ferrexpo's scope 3 emissions in 2019 were estimated to be 10.0 million tonnes (2018: 9.9 million tonnes). Ferrexpo's calculation of scope 3 emissions utilises independent research from CRU. The research shows that steel mills produce 38% less greenhouse

1. Source: www.ukrstat.gov.ua/
2. Sunflower husks are reported separately to CO_2 emissions given they are a sustainable energy source

Chairman's Statement
continued

gases if they use Ferrexpo's magnetite iron ore pellets instead of the more commonly used iron ore fines.

Finally, in March 2019 the Group commissioned Knight Piésold Consulting to conduct an independent review of our tailings storage facility in terms of design, construction and operational management (in addition to regular inspections by the Ukrainian government and internal specialists). The conclusion of the Knight Piésold report was that our tailings facility is an appropriate design for the volume of tailings being deposited, it is well managed and it has an appropriate inspection and monitoring regime. The report raised a number of key differences between the structure of Ferrexpo's tailings dam and the Brumadinho dam in Brazil that failed in January 2019, specifically the topography of the area of construction of Ferrexpo's dam is on flat land (rather than valley fill), with embankments at a shallower angle and dam walls constructed using a mixture of materials including coarse compacted rock (as opposed to uncompacted material). The report made a number of recommendations for improving the dam's operational management controls, which the Company is now looking to adopt. For further information see the case study on pages 46 and 47.

Corporate governance

A number of corporate governance changes were made during the year which are described in further detail below. When considering corporate governance, it is worth taking into account that Ferrexpo's production base resides exclusively in Ukraine, currently rated Caa1 by Moody's. This is a non-investment grade rating and classifies the country as having substantial risks.

Since Ferrexpo's IPO on the London Stock Exchange in 2007, the Board has managed a variety of risks including regional geopolitical tensions as well as counterparty risks in areas such as payments to local third parties, recovery of VAT, the requirement to prepay corporate profit tax and the management of legal and other related claims, amongst others.

For further information see the Risk section on page 50.

The following sections detail how we have focused on corporate governance in 2019.

Independent review of Blooming Land charity

As announced in February 2019, the Group established an Independent Review Committee ("IRC") to investigate the use of funds donated by Ferrexpo to a Ukrainian charity called Blooming Land (the "Charity"). The work of the IRC and its advisers included a forensic review undertaken by BDO LLP, a review of relevant documentation, interviews with Ferrexpo employees and Directors, correspondence with the Charity and other third parties, together with advice from legal counsel in the UK and Ukraine.

The IRC was unable to conclude as to the ultimate use of all of Ferrexpo's funds by the Charity, a third party.

Donations to the Charity were suspended in May 2018, and in August 2019 the Group formally terminated the relationship. The Board's current policy regarding charitable donations is to only support causes or charities local to the Company's operations. Should the Company resume any national corporate social responsibility programme in Ukraine, the Board will ensure adherence to the highest standards of diligence, oversight, governance and reporting. For further information see the Independent Review report on page 75.

New Board appointments

In 2019, I was pleased to make a number of appointments to the Board which I feel significantly strengthen our team. As part of the selection process, a wide range of factors were taken into consideration, including requirements for diversity, mining sector experience and emerging market knowledge. I now feel that, subject to one further appointment which is in progress, we have the right mix of skills on the Ferrexpo Board.

In February, we announced the appointment of Lucio Genovese as a Non-independent Non-executive Director. Lucio has been involved in the mining and commodities industry for over 30 years. He has deep knowledge across the sector, including in iron ore. He has extensive experience of operating in emerging markets, specifically in Russia and the CIS states. As a previous Board member (from 2007 to 2014) and, as a Board member of Ferrexpo AG, Lucio has in-depth knowledge of the Group which is extremely valuable to the Board.

In June, Graeme Dacomb joined as an Independent Non-executive Director and as the Chair of the Audit Committee. Graeme was a partner at Ernst & Young for 26 years where, for his last 12 years, he was a lead partner in the extractive industry, responsible for coordinating the provision of a full suite of services to multinational mining and oil and gas clients including Xstrata, Fresnillo and BP across a broad range of countries including emerging markets. In addition to audit services, he provided critical advice to his clients on corporate governance structures, risk management, acquisitions, disposals and financial systems and controls. From 2011 to 2018, Graeme was a member of the Financial Reporting Review Panel.

In August, we announced the appointment of Vitalii Lisovenko as Senior Independent Director and Fiona MacAulay as an Independent Non-executive Director and as Chair of the Remuneration Committee.

Vitalii, who joined the Ferrexpo Board in November 2016, has made a strong contribution to the Board and has deep knowledge of financial markets and the Ukrainian business environment.

Fiona has extensive operational experience in emerging markets in the upstream oil and gas sector, having worked for a number of large multinationals as well as mid and small-sized companies. This includes as CEO of Echo Energy Plc. Fiona is Chair of Independent Oil & Gas Plc where she also chairs the Technical, Health, Safety and Environment and Remuneration Committees. Fiona is also a member of the Exploration Advisory Board of Cairn India, the largest private sector producer of crude oil in India as well as being on the board of Coro Energy Plc, where she is a member of the Remuneration Committee and chairs the Health, Safety, Environment and Sustainable Committee.

During the year, three Directors resigned: Simon Lockett, Mary Reilly and Bert Nacken. I would like to thank them for their contributions to the Company.

In October 2019, Kostyantin Zhevago informed the Board of his decision to step aside, temporarily, from his position of Chief Executive Officer of the Group to focus on resolving certain matters in Ukraine relating to one of the businesses he owned until 2015.

The Board, including Kostyantin, believes that this temporary change of leadership was necessary and in the interests of all shareholders to enable him to focus on these matters in Ukraine without impacting the Company's operations. Kostyantin remains on the Board as a Non-independent Non-executive Director and has the full support of the Board.

We were very pleased that Chris Mawe agreed to step into the role of Acting Chief Executive Officer. His extensive knowledge of the Group's operations will ensure business continuity.

As a result of Chris becoming Acting Chief Executive Officer, Roman Palyvoda was appointed Acting Chief Financial Officer given his extensive financial experience within the Group. Roman joined Ferrexpo in September

Construction of the Group's new concentrate stockyard

2008 in a senior financial role. Previously, Roman worked at Renault Group for over five years, latterly as the Financial Controller for Russia, Ukraine and the CIS.

The Group has a strong executive management team with a track record of delivering the Group's strategic objectives. In addition, many of the senior management team have been with the Group for at least ten years, further adding stability during volatile times.

For further information on members of the Board, see page 64 in the Corporate Governance section.

Last but not least, Ferrexpo acknowledges the need for diversity in its Board, management and employee structures. A programme to deliver our diversity objectives is ongoing.

Auditor appointment

In July 2019, Ferrexpo announced that following the completion of an audit tender led by the Company's Audit Committee, MHA MacIntyre Hudson, the UK member of Baker Tilly International, was appointed as the Company's new auditor. Baker Tilly International operates one of the top ten audit networks in the world and, importantly, has significant audit capability in Ukraine having operated there since 1999.

Purpose, values and strategy

Our purpose is to produce and market premium quality iron ore pellets, vital for sustainable steel production essential to modern life. Our values underpin our purpose and culture.

In summary, these values are to Act Responsibly, Make it Happen, Integrity in What We Do, Diversity within One Team and Continuous Innovation. For further information on Our Values see page 18. These values were first defined at the Group's leadership conference in Kyiv in October 2017 and were subsequently refined and approved by the executive management team and the Board.

Our strategic priorities can be found on page 30. They are: to produce high quality pellets, be a low cost producer, sell to a world class customer portfolio, maintain a social licence to operate and to maintain appropriate capital allocation between a strong balance sheet, returns to shareholders and investment for growth.

Safety and responsibility is our number one priority and the Board is strongly focused on ensuring that it is embedded in everything we do.

Ferrexpo has a unique culture that is very focused on collaboration especially when the Group is impacted by external factors, such as the current coronavirus pandemic. I'm proud to say that our team is hardworking and conscientious and works tirelessly for the good of the Group. We all very much believe in the value Ferrexpo adds to all stakeholders and to Ukraine. Our decisions are for the long term and ensure a sustainable future for all.

Alongside our culture and values we have a Code of Business Conduct, available on our website at www.ferrexpo.com, which sets out the specific standards of conduct that we all commit to meet.

We also expect our suppliers to adhere to our standards of conduct. All suppliers are expected to comply with our anti-bribery and anti-corruption policy, and to our Code of Conduct which commits them to appropriate ethical and human rights standards, including anti-slavery.

The Board monitors culture in a number of ways so that it is in alignment with our Purpose, Values and Strategy, including site visits and interacting with management and employees as part of our duties. We also review a number of cultural indicators from employee surveys as well as accident statistics, internal audit reports and whistleblowing data, which is collected via an independently managed hotline.

Chairman's Statement
continued

Workforce engagement
Workforce engagement, as set out by the 2018 Corporate Governance Code, is managed via the Board and executive management. The Board took the view that the most appropriate way to achieve meaningful and effective engagement with the workforce was through the CSR Committee, a sub-committee of the Board. For further information see Workforce engagement on page 28.

Iron ore pellet market
In 2019, steel demand was muted in some regions, particularly in the second half of the year, reflecting increased raw material costs and weaker end-user demand. The Group, however, had the ability to deploy product to other markets to offset any regional weakness. Overall, the price the Group received for its pellets remained attractive compared to historic levels. For further information see Market Review on page 14 and Operations Review – Marketing on page 42.

Capital allocation
The Group is committed to maintaining low net debt, paying dividends to shareholders and allocating capital to incremental investments with high internal rates of return with the aim to sustainably increase output. We maintain a strong focus on liquidity especially during the current very uncertain business climate.

Ferrexpo people
I would like to thank all of Ferrexpo's workforce, the senior management team and our Board members. Their hard work and determination to overcome challenges this year have once again proven our resilience and our ability to stay focused when it is needed most. This underpins our Purpose and Values as a Group and secures the long-term future for all.

I would also like to say a special thanks to Nikolay Petrovich Goroshko who retired as the General Director of Ferrexpo Yeristovo Mining on 31 January 2020. Nikolay first joined the Company in 1984 and oversaw the Group's listing in 2007 as the Chief Financial Officer as well as heading the development of Ferrexpo Yeristovo Mine – the first new open pit mine in the former USSR since Independence.

Outlook
During 1Q 2020, COVID-19 began causing disruption to Chinese supply chains impacting the distribution networks of steel producers and their customers. This could result in short-term volatility for the iron ore market as high levels of steel inventory, built up during this period, are released into the supply chain once normal operations resume. Early signs are indicating that the Chinese economy is beginning to recover from the peak of the COVID-19 virus.

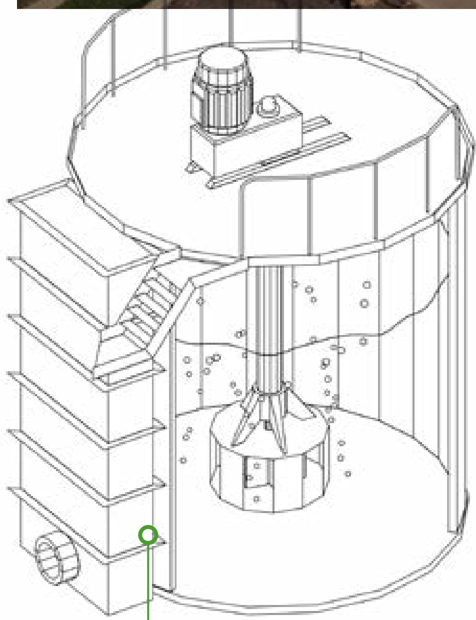
The spread of the virus into Europe, however, could result in further economic uncertainty. Prior to the virus, we had expected steel profitability in Europe to show a mild recovery in key markets from the second half of the year onwards.

Incumbent pellet suppliers that have the ability to supply their domestic market and to export will likely switch back to domestic customers in 2020 given lower international pellet premiums compared to 2018. In addition, lower pellet premiums could see some high-cost supply exiting the market.

Ferrexpo remains well placed to manage our way through the current uncertainties, due to our low cost position relative to our peers, our well-invested asset base, our premium customer portfolio and our strong balance sheet.

Steve Lucas
Chairman


FYM facilities and infrastructure


Flotation tank

Acting Chief Executive's Review

Continuing to unlock our full potential through disciplined capital allocation.

***Chris Mawe,** Acting Chief Executive Officer*

In October 2019, I was appointed Acting Chief Executive Officer by the Board of Ferrexpo. I joined Ferrexpo in 2008 as Chief Financial Officer and I am pleased to serve as interim CEO to ensure continuity and stability through what has been a challenging 2019.

By focusing on areas within our control, such as completing existing capital projects (to increase our pellet output by 14% to 12 million tonnes of pellet per annum by 2021), continuing to improve our pellet quality and further strengthening our customer relationships, we have further developed the business based on our strengths.

Ferrexpo has always had significant organic growth potential. This potential, however, requires careful consideration in relation to country and iron ore price volatility whilst maintaining a strong balance sheet to ensure a sustainable and prosperous future for all stakeholders. This strategy requires evolution not revolution and sound financial discipline.

The success of this strategy can be measured by our track record of consistent operational performance – total production of 65% Fe pellets has increased by 6.4 million tonnes or by 173% since 2007.

Since 2007, Ferrexpo has generated US$3.8 billion in free cash flow from operations. Shareholders have received over US$750 million in dividends, whilst taxes of US$829 million have been paid to the Ukrainian government and we have invested over US$2.5 billion into our mining, processing and logistics operations, making us one of the largest investors in Ukraine over this period.

I'm very proud to say that Ferrexpo can compete with the best peers in the world. I would like to express my sincere gratitude to the executive management team and workforce for their full support during this temporary period.

Chris Mawe
Acting CEO

Market Review

Ferrexpo rail cars and pellet loading at port

Market trends in 2019

01
Change in pricing terms for pellet producers

02
Iron ore supply deficit in 1H 2019 following major supply outage in Brazil

03
Strong price reaction with 62% Fe iron ore fines price peaking at US$125 per tonne for the first time since 2014

04
High input costs and weak steel demand significantly reduced steel mill profitability

05
Steel mills look to reduce costs through lower productivity

06
Iron ore supply recovers in 2H 2019

07
62% Fe iron ore fines price stabilises at around US$88 per tonne in 4Q 2019

08
Global 2019 steel production increases by 3% compared to 2018

Table 1: Summary of industry key statistics for 2019 and 2018, US$/tonne (unless otherwise stated)

	2019	2018	Change
Avg Platts 62% Fe iron ore fines price CFR China	**93**	69	35%
Avg Platts 65% Fe iron ore fines price CFR China	**104**	90	16%
65% Fe spread over 62% Fe	**11**	21	-48%
Avg Atlantic pellet premium	**57**	58	-2%
Avg Chinese spot pellet premium	**28**	57	-51%
C3 Freight	**18**	18	0%
Global steel production, (million tonnes)	**1,870**	1,808	3%

Source: worldsteel.org

Table 2: Global pellet exporters, million tonnes

		2019	2018	%	2019 Mkt share	2018 Mkt share
Vale – Group	Brazil, Oman	32.7	44.1	-26%	**24%**	32%
LKAB	Sweden	16.3	18.8	-13%	**12%**	13%
Ferrexpo	Ukraine	10.3	10.2	+1%	**8%**	7%
Bahrain Steel	Bahrain	9.1	7.6	+20%	**7%**	5%
IOC	Canada	8.9	8.3	+7%	**7%**	6%
Metalloinvest	Russia	7.2	4.2	+71%	**5%**	3%
US Steel	USA	7.0	5.3	+32%	**5%**	4%
QCM	Canada	6.5	5.6	+16%	**5%**	4%
Cliffs	USA	4.7	5.0	-6%	**3%**	4%
Metinvest	Ukraine	5.0	5.4	-7%	**4%**	4%
Severstal	Russia	3.8	5.5	-31%	**3%**	4%
BRPL	India	3.0	2.0	+50%	**2%**	1%
JSPL	India	2.2	1.6	+38%	**2%**	1%
Grange	Australia	2.3	2.1	+10%	**2%**	2%
KIOCL	India	2.1	1.5	+40%	**1%**	1%
CMP	Chile	0.2	3.0	-93%	**0%**	2%
Subtotal		**121.3**	**130.2**	**-7%**	**90%**	**93%**
Other	Iran, Venezuela, India, CIS	13.7	9.4	+46%	10%	7%
Total		**135.0**	**139.6**	**-3%**		

Source: CRU, Market Outlook January 2020, Company

Table 3: Average ore burden mix to produce hot metal

	Sinter (2019)	Sinter (2018)	Lump (2019)	Lump (2018)	Pellets (2019)	Pellets (2018)
EU 28	**64%**	58%	**10%**	8%	**26%**	34%
China	**78%**	79%	**10%**	11%	**12%**	10%
Japan	**66%**	66%	**22%**	21%	**12%**	13%
South Korea	**70%**	70%	**24%**	21%	**6%**	9%

Source: CRU, Market Outlook January 2020

Summary of iron ore market in 2019

A significant supply deficit emerged in the first half of 2019 due to the tragic tailings dam accident in Brazil in January and poor weather conditions in Australia and Brazil during most of the period. This coincided with strong steel production in China with Chinese output rising 10% compared to the first half of 2018.

Prices responded accordingly and the 62% Fe fines price rose US$45 per tonne to an average first half 2019 price of US$91 per tonne and traded above US$125 per tonne for the first time since 2014.

In the second half of the year, steel production from Europe and North Asia declined due to weak industrial production and significantly lower profitability given higher input costs. As such, steel mills looked to reduce production through lower productivity or by idling blast furnaces. Following weather-related supply weakness in the first half of 2019, iron ore supply recovered from Brazil and Australia in the second half of the year. As a result, the benchmark 62% Fe fines price corrected from August reaching a low of US$80 per tonne in November. Overall, reduced steel mill capacity utilisation led to increased demand for lower quality ore and the price premium between high grade 65% Fe ore and 62% Fe ore narrowed to an average of US$11 per tonne in 2019 from US$21 per tonne in 2018.

Iron ore pellets in 2019

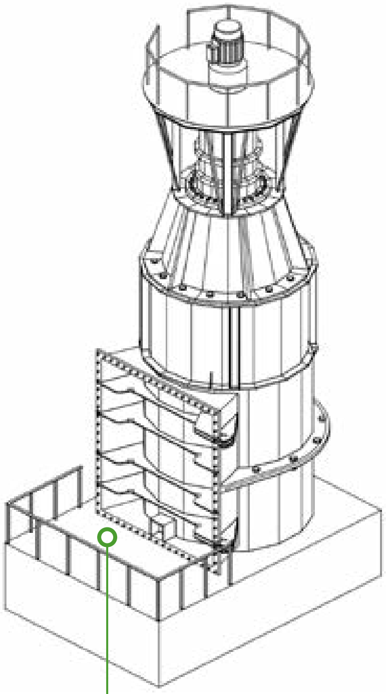
In the first half of 2019, the supply of pellets to the global export market reduced by 11 million tonnes, or by 8%, due to the major supply disruptions in Brazil. This underpinned a near all-time high for pellet premiums in the first nine months of the year – the Platts Atlantic pellet premium (which remains based off the 62% Fe fines price) averaged US$61 per tonne in the first half of 2019. From the fourth quarter of 2019, the Platts Atlantic pellet premium fell to an average of US$37 per tonne as steel mills looked to economise and reduce losses.

Overall in 2019, the total pellet export market declined by 3% to 135 million tonnes vs. 140 million tonnes in 2018.

Table 2: *Global pellet exporters* shows the market share of the top pellet exporters in 2019 compared with 2018. Production from Brazil declined by 26% due to the tailings dam accident and resulting constraints on wet processing and tailings storage. Production from Sweden also declined while there was a strong increase in production from Russia, India and Iran as local producers switched sales from domestic markets to international markets to take advantage of higher pellet premiums.

Market Review
continued

Loading pellets for shipment to Asia at the Group's port facility



Vertical mill

Average ore burden mix to produce hot metal

In 2019, according to CRU, China increased pellet imports by 63% from 19 million tonnes to 31 million tonnes. As a result, China became the second largest importer of pellets behind Europe which imported 34 million tonnes (2018: 39 million tonnes). This reflected a strong increase in supply of pellets to China during the year and higher profit margins of steel producers in China compared to European steel producers. It also reflected requirements to reduce environmental emissions and an increasing requirement to use higher quality ore to produce more sophisticated steel products.

Traditional pellet markets in 2019 (Europe, Japan, South Korea, Taiwan) witnessed a reduction in pellet consumption compared with 2018, reflecting lower pellet availability in the first half of 2019 and challenges in their steel markets due to higher cost inputs and weaker end-user demand.

Table 3: *Average ore burden mix to produce hot metal* reflects this switch, with Europe increasing consumption of sinter and reducing pellet consumption which was partially offset by an increase in pellet consumption in China.

Pellet premiums and the pelletising cost curve

Graph 1: *Export cost curve of converting concentrate to pellet* shows the cost to pelletise beneficiated ore. The pellet premium determines which pellet producers can sustain production in a lower pellet premium environment.

In 2019, the average Platts Atlantic pellet premium of US$59 per tonne supported global production. The Chinese spot pellet premium, however, was more volatile falling to approximately US$16 per tonne in September 2019 (see Graph 2: *Monthly average Chinese spot pellet premium in 2019*). The Chinese market tends to act as the market of last resort for exporters. At these levels, and if demand elsewhere is weak, a significant proportion of exporters would have been loss making (as can be seen from Graph 1), and historically supply has exited the market around these levels.

Ferrexpo believes that the structure of the pelletising cost curve (shown on Graph 1) should support pellet premiums in 2020 and over the medium to long term.

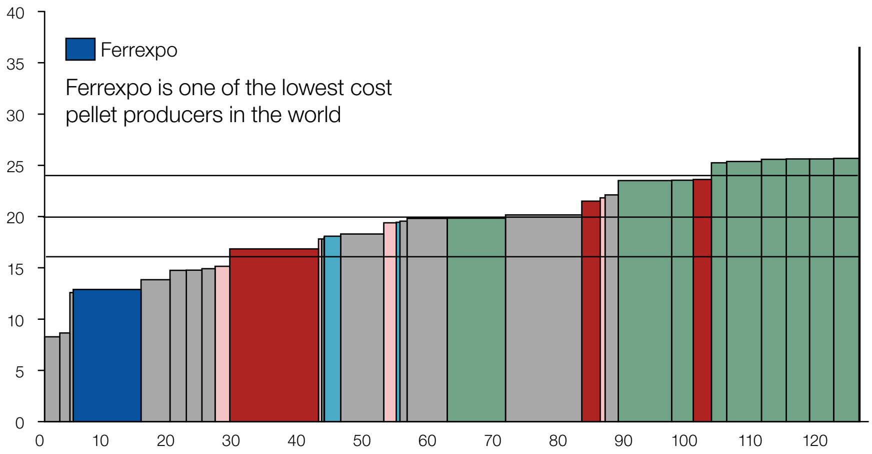
As can be seen from Graph 1, Ferrexpo is a low cost pellet producer which supports its cash generation through the cycle.

2020 pellet outlook

High barriers to entry, especially given relatively low pellet premiums, are unlikely to incentivise new pellet supply in 2020. Incumbent producers can balance supply by switching production from blast furnace to direct reduction pellets or from international export to domestic consumption. In 2020 pellet seaborne supply should not increase due to international prices moderating to historical levels and continued supply issues from Brazil. An extended period of low pellet premiums could result in some capacity reduction for producers with high pellet conversion costs.

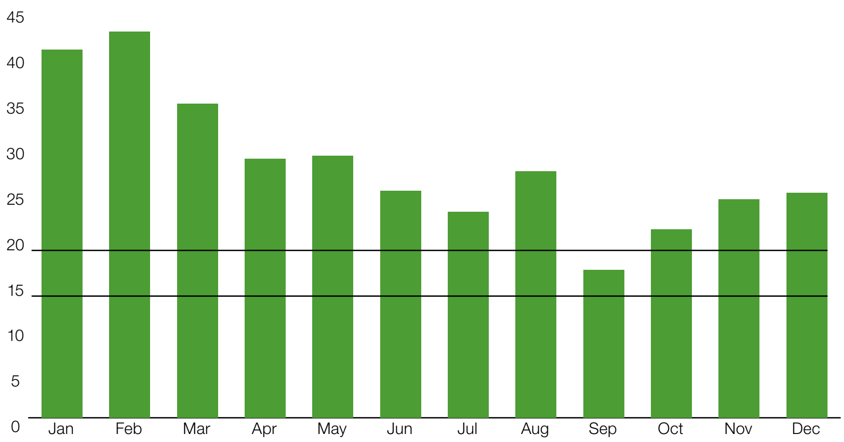
At the end of 2019, industry levels of pellet stocks were higher than the historical average and it may take some time for the market to absorb these, especially taking into account the impact of the COVID-19 virus. This could prevent pellet premiums from rising in the short term.

Graph 1: Export cost curve of converting concentrate to pellet

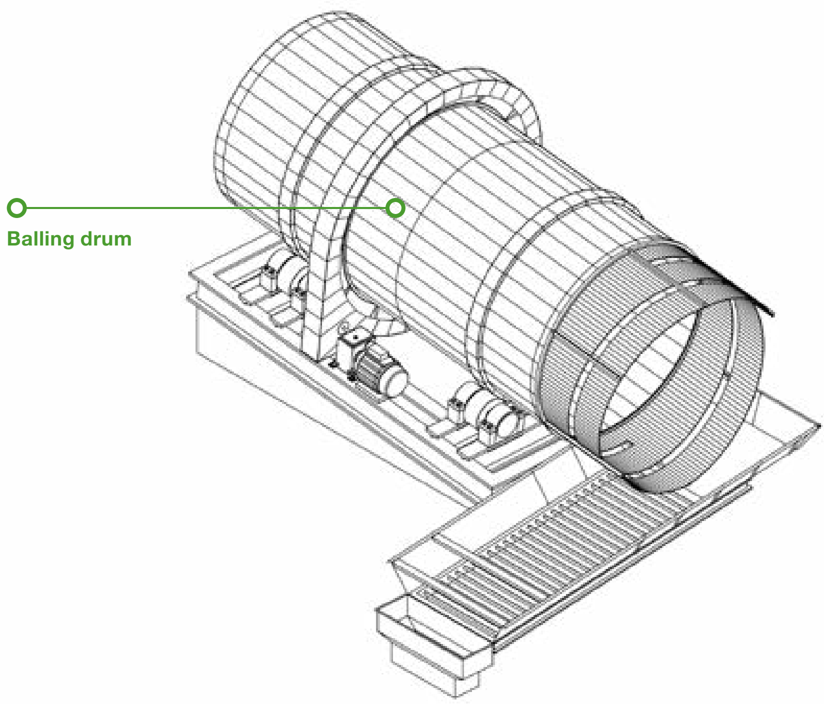


y-axis: Pelletising conversion costs for pellet exports, 2019, ex-works, US$/dry metric tonne
x-axis: Cumulative pellet exports, 2019, Mt (dry)

Graph 2: Monthly average Chinese spot pellet premium in 2019, US$/tonne



Source: Platts



Business Model

We believe our business model is sustainable on the basis that we have a competitive cost position on the iron ore cost curve, our high quality product commands a price premium in a niche market with high barriers to entry, we have a first class customer portfolio, a well-invested asset base and favourable long-term industry dynamics supporting pellet consumption. This enables the business to be cash generative throughout the commodities cycle.

Our key resources

1. **Long-life iron ore deposit in Ukraine**
2. **Well-invested production process**
3. **Skilled workforce**
4. **Infrastructure network** (with access to water/ electricity/gas)
5. **Global logistics capability**
6. **Customer relationships** (with high quality 'crisis-resistant' steel mills)
7. **Financial stability**

What we do

Ore extraction

Drilling
Blasting
Excavation
Haulage
Ore to crusher

Pelletising

Thickening
Filtration
Balling
Induration

Our purpose

We produce and market premium quality iron ore pellets, vital for sustainable steel production and essential for modern life.

Underpinned by our values

Responsibility

Means at all times exercising self-discipline, putting health and safety first, being environmentally responsible and being accountable to our communities.

Make it happen

Means taking the initiative, being engaged, not fearing failure, ensuring work is done once and done well, achieving superior business results by stretching our capabilities and focusing our efforts on adding value.

We create value for our stakeholders through the careful development of our long-life iron ore deposit in Ukraine, and through its conversion into a high quality iron ore product. Our ongoing success is dependent on the people who we employ, continued investment into our operations, ongoing development of our diversified global customer base and the support of our communities.

Crushing

Coarse crushing
Medium crushing
Screening
Fine crushing
Dry magnetic separation

Beneficiation

Grinding
Classification
Hydro separation
Magnetic separation
Flotation upgrade
Tailings

Sustainable stakeholder relationships

Employees
Wages and salaries paid

US$109M
(2018: US$86M)

Customers
Revenue generated

US$1.5BN
(2018: US$1.3BN)

Suppliers
Money spent on suppliers

US$944M
(2018: US$900M)

Communities
Charitable donations

US$6M
(2018: US$15M)

Environment
Money spent to safeguard the environment

US$16M
(2018: US$11M)

Government
Taxes and royalties paid

US$114M
(2018: US$73M)

Investors
Dividends declared for the financial year

US$155M
(2018: US$97M)

Capital providers
Debt repaid and interest payments

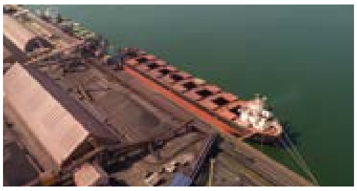
US$263M
(2018: US$352M)

Integrity in what we do
Means no double standards, being truthful, honest and open at all times, upholding high ethical standards and delivering on our commitments.

Diversity within one team
Means valuing difference, learning from each other, respecting other opinions, building on our strengths, harnessing the capabilities of the whole team and working collaboratively across boundaries for the benefit of one Ferrexpo.

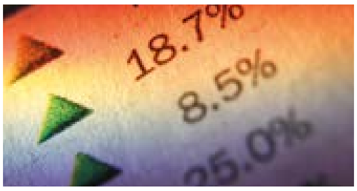
Continuous innovation
Means showing courage, seeking to improve not only the business but ourselves, not being afraid to try something new, investigating if there is a better way, taking personal accountability and accepting change.

Our Stakeholders

	How we engaged	Why we engage
Employees 	– **Employee engagement surveys in 2017 and 2019** – **Town hall meeting of 350 supervisors and managers (representing their departments) with the CHRO, Executive Directors and Senior Independent Director** – **FPM and FYM quarterly town hall meetings with General Managers** – **Family days** – **Annual performance review and career development discussions** – **Biennial senior leadership conference**	There are many reasons why it is good business sense to engage with the workforce. These include: – Aligning Company values and culture – Reinforcement of the importance of health and safety and required procedures – Communication and discussion of Ferrexpo's goals and strategy – Recruitment and retention of talent – Individual and team performance – Career development – Opportunity for employees to voice concerns
Customers 	– **1–2–1 meetings** – **Group presentations** – **Regular updates and communication**	Long-term customers are key to our success and provide valuable feedback, which is instrumental in building trusted relationships and creating products to their satisfaction
Suppliers 	– **Regular meetings to assess supplier performance and address issues** – **Annual compliance week**	– To receive updates on new products and services including new technologies – To provide customer feedback – To monitor contractor performance specifically regarding cost escalation and schedules – To address any grievances that a supplier or contractor may have
Communities 	– **General Directors meet with village, town, regional and district authorities on a regular basis**	To discuss relevant issues such as: – the purchase of land – agreeing the budget for charity donations and approving the list of annual charity projects – agreeing joint projects with regional government for good causes e.g. the development of heating systems or municipal transportation

What matters most	How we are responding	How we assess the quality of the engagement	Comments for engagement for 2020
– Satisfaction with employer – Job security – Leadership succession – Pay and benefits – Health and safety – Personal development – Motivation levels – Commitment to goals – Continuing to adjust and enhance our Employee Value proposition	We are: – asking Department Heads to discuss the survey's findings with employees to draw up specific Departmental Joint Action Plans (January 2020) – giving employees the opportunity to do more of what they like and less of what they dislike – assuming this is aligned to reasonable business needs	– Employee feedback – In last employee engagement survey over 50% of participants responded – Labour union feedback	– Repeating the survey in August/September 2020 – Quarterly town hall meetings to continue
– Consistent quality of product – Timely delivery – Competitive pricing	– We constantly monitor our product quality – We have regular communication with customers to maintain and enhance the business relationship – We have six marketing teams located around the world to build regional relationships	– Feedback is regularly assessed following communication with customers	– Regular communication to further strengthen relationships
– In 2019, our payments ratio to suppliers was 19.1 days (2018: 18.4 days) – Contract performance – Local purchasing – Cost inflation – Foreign exchange risk	– We continue to engage regularly with suppliers – Annual Compliance Week	– We receive feedback from our suppliers and contractors and tailor future meetings to suit the needs of both parties	– Continue regular supplier meetings – Expand our Annual Compliance Week in 2020 to include more suppliers
– Community projects – Resettlement plans – Health and safety – Children's health – our aim is for all children in the region to have a healthy environment today and in the future	– We engage with the community to understand challenges – We provide charitable support to responsible charities that are well run and which provide all necessary financial records as required by our CSR and Audit Committees	– We assess the engagement by way of direct feedback from our community and CSR meetings with relevant parties	The focus of 2020 remains the same as previous years – to support children and the younger generation through: – education – sports – improved infrastructure – healthcare

Our Stakeholders
continued

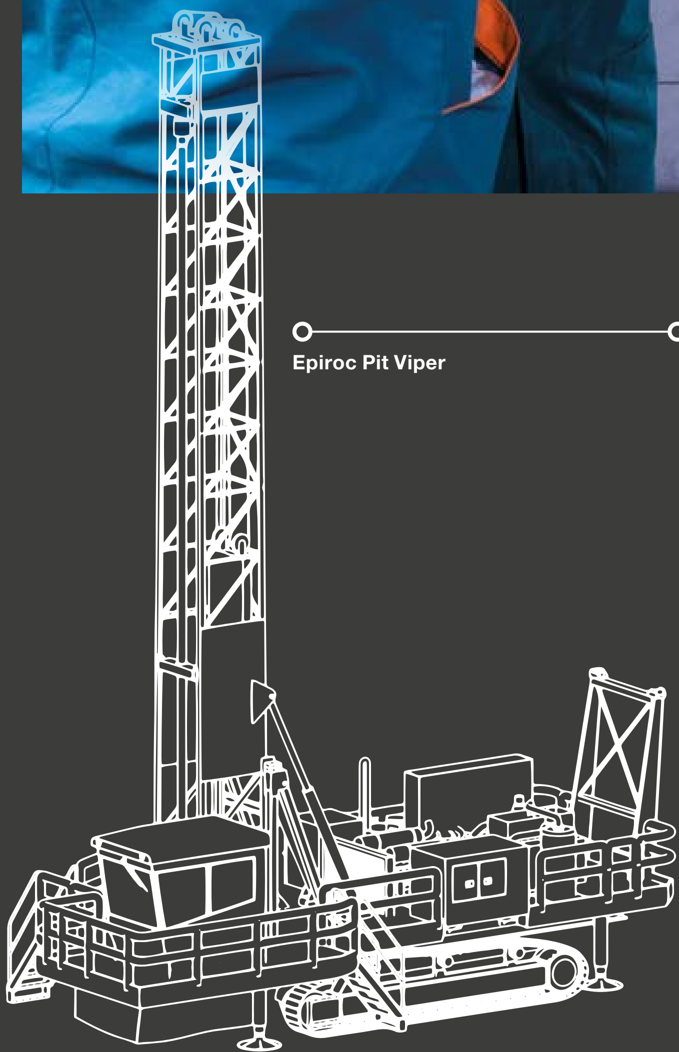
	How we engaged	Why we engage
Environment 	– **CSR Committee reporting to the Board** – **Annual sustainability report**	– We are committed to minimising the impact of our operations on the environment – It is also important to our employees, customers, shareholders and capital providers
Government 	– **Regular meetings with local government officials and tax authorities** – **Meetings with public officials** – **Periodic invitations to round table governmental initiatives** – **Meeting with UK and Swiss embassies**	We engage for a number of reasons: – To represent the interests of the Company – To correct common misconceptions and poor media and social media reporting – To provide a clear and accurate narrative of our achievements which are for the good of Ukraine – To promote wider initiatives such as female worker drivers and to lobby for legislative change to promote more female-friendly legislation generally
Investors 	– **1–2–1 meetings and telephone calls with institutional investors** – **Participation in equity conferences** – **Annual and half year management results roadshows** – **Board engagement with shareholders at the Annual General Meeting**	– As a publicly owned company we are accountable to all of our investors – We value their input and are pleased to meet with them to provide updates and to explain the attractions of investing in our business
Capital providers 	– **1–2–1 meetings**	– Loan providers require regular updates on the performance of the Company

FOR MORE INFORMATION ON THE GROUP'S STAKEHOLDERS AND HOW WE HAVE ENGAGED WITH THEM DURING 2019 SEE PAGES 28–29 AND PAGES 26–27 OF THE SECTION 172 STATEMENT

What matters most	How we are responding	How we assess the quality of the engagement	Comments for engagement for 2020
– CO_2 emissions – Renewable energy – Green steel	– Developing a comprehensive environmental strategy – Aiming to install solar panels on the Group's waste dumps – On average 20% of the fuel used in the Group's pelletiser is biofuels	– Reduction in CO_2 emissions – Increasing use of renewable energy	– Subject to market conditions and cash flows, commence development of pilot solar panel project
– Corporation tax – Royalty payments – Future investment plans in the country – Employment – Employee/community wellbeing – Making sure Ferrexpo is a responsible employer	– Continue to meet with the government on a regular basis so that good relations are maintained	– We evaluate the quality of engagement (including the seniority of the relevant party and the interest displayed) and the interest in follow-up meetings/actions	– Scheduled meetings with government officials – Scheduled participation in government forums
– Corporate governance – Iron ore pellet market dynamics – Annual production – Capital investments – Shareholder returns	– Appointment of new Directors, new auditors and a new Senior Independent Director – Concluded Independent Review	– Feedback from investors	– Normal shareholder engagement to continue – Widen shareholder base by meeting new investors
– Financial performance – Corporate governance – Environmental emissions	– Appointment of new directors, new auditors and a new Senior Independent Director – Concluded Independent Review	– Our own evaluation of the quality of interaction and feedback from the relevant counterparty	– Normal engagement to continue – Available to respond to specific requests and ad hoc meetings

Responsible Business in Action
Case Study

Health & Safety



Epiroc Pit Viper

Safe work at heights

Working from heights is a high risk activity for Ferrexpo's employees and contractors, and applies to a number of key activities in the Company's mines and in the Company's processing facilities. This area of safety is of particular importance to Ferrexpo given the fall from height incident that occurred in 2018 that led to a fatality, in addition to the extensive pelletiser refurbishments that took place during 2019, the latter of which required contractors to dismantle one of the Company's pelletiser kilns that sits approximately 9 metres off the ground. Efforts in 2019 to improve safety for those working at height concentrated on the following:

a) Newly implemented and standardised safety barriers, which are typically installed whilst maintenance is performed on walkways and equipment at height, providing clearer signage for other passing workers to recognise and avoid such areas;
b) Work descriptions and third party contracts now specify personal protective equipment ("PPE") requirements, rather than providing generic references to PPE, referencing the relevant items such as fall prevention harnesses and safety ropes;
c) Pre-work skills assessments for contractors to ensure those necessary safety skills are in place prior to work commencing, rather than relying on qualification certificates; and
d) Greater penalties for non-compliance, with contracts terminated for supervisors and contractors that do not comply, and authorisations revoked for future work on Ferrexpo sites.

The Company is pleased to announce that the final pellet line refurbishment, which required significant operating at height by contract staff, was completed in 4Q 2019 without a lost time injury ("LTI"), a significant improvement on previous pellet line refurbishments.

Reagent mixing room for flotation in the beneficiation plant

Ferrexpo believes in employee engagement in all safety-related activities.

Contractor safety

Whilst the majority of Ferrexpo's workforce are employees, around 20% of those at the Company's sites are contractors, and whilst these individuals are covered by the same health and safety policies as Ferrexpo employees, their supervision and quality of their PPE had often in the past been left to the contracting firm, creating separate safety standards. In 2019, and continuing into 2020, the Company has increased its focus on contractor safety training, with a 44% increase in the number of contractors undertaking safety courses in 2019. Ferrexpo has also amended its technical documents to specify each piece of PPE for each technical activity, rather than giving a general requirement for PPE to be worn.

The Company continues to install tag out lock out systems, which are safety mechanisms that prevent equipment from being restarted whilst maintenance is being performed, across its processing plant. The initiative started in 2018, and in 2019 these systems were installed in the flotation and crusher areas.

48%

reduction in number of LTIs across the Group in 2019. For further information see page 33

44%

increase in the number of contractors completing safety training in 2019 to 333 contractors

Section 172 Statement

This section serves as Ferrexpo's Section 172 Statement. Section 172 of the Companies Act 2006 requires that a director of a company must act in a way that he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to other stakeholder interests, amongst other matters.

Six key considerations Directors must have regard to when performing their duties are:

1. the likely consequences of any decision in the long term;
2. the interests of the Company's employees;
3. the need to foster the Company's business relationships with suppliers, customers and others;
4. the impact of the Company's operations on the community and the environment;
5. the desirability of the Company maintaining a reputation for high standards of business conduct; and
6. the need to act fairly between members of the Company.

FOR MORE INFORMATION ON THE GROUP'S STAKEHOLDERS AND HOW WE HAVE ENGAGED WITH THEM DURING 2019 SEE PAGES 20–23

Examples of Section 172 in practice

The following are examples of how the Directors have had regard to the matters set out in S172 (1)(a)(f) when discharging their Section 172 duties and the effect of that on certain of the decisions taken by them.

Board changes

There were a number of Board changes made during 2019 which the Board believes were in the best interests of the Company and all stakeholders, as referred to in the Chairman's Statement, New Board Appointments on page 10.

Lucio Genovese (Non-independent Non-executive), Graeme Dacomb (Independent Non-executive) and Fiona MacAulay (Independent Non-executive) joined in February, June and August respectively. Vitalii Lisovenko, who joined the Board in 2016, was appointed as Senior Independent Director ("SID") in August. Following these appointments, Ferrexpo's Board consists of a majority of Independent Non-executive Directors and together with Vitalii's appointment as SID ensured the Group was in line with the high standards of business conduct set out in the UK Corporate Governance Code.

In October, Kostyantin Zhevago informed the Board of his decision to step aside, temporarily, from his position of Chief Executive Officer of the Group to focus on resolving certain matters in Ukraine relating to one of his previously owned businesses (Bank Finance & Credit). While the Board was in agreement with Kostyantin's decision, it considered whether there would be any immediate impact on key relationships Kostyantin had developed as CEO of the Group and any mitigating actions that could be taken. This principally concerned customers, long-term growth projects, community and government relationships. It was decided that Kostyantin would be available to the Group Chief Marketing Officer on certain customer relationship points and be able to provide insights into long-term growth projects if required, while Chris Mawe and Vitalii Lisovenko would head engagement with the government. Any additional requirements for community engagement would be handled by Chris and the General Directors of the Group's three mines.

Overall, the Board, including Kostyantin, was mindful of any long-term consequences of Kostyantin stepping aside temporarily and believed that it was in the interests of all stakeholders so as to enable Kostyantin to focus on resolving his ongoing matters in Ukraine without impacting the Group's operations. Further, the Board considered the decision to be in line with best practice corporate governance. This provided assurance that the step was in the long-term interests of the Company.

The appointment of Chris Mawe as Acting CEO was considered to be in the interests of all stakeholders as, having been with the Group since 2008 as CFO, he has previously had interactions with all stakeholders and was well placed to understand their relevant concerns. The Board unanimously believed that Chris' appointment ensured stability and continuity for the Group given he had been instrumental in the Company's strategic direction and its impact on stakeholders for over ten years.

Roman Palyvoda, who also joined the Company in 2008, was promoted to Acting CFO from Group Management Accountant. Roman has a thorough understanding of the financial position of the Group and his appointment ensured further stability. In particular, Roman has the skills and expertise the Board considers necessary to engage with investors and capital providers.

Dividends

In 2019, Ferrexpo paid US$155 million in dividends to shareholders. When the Board took the decision to approve and pay a dividend during the year, it took various factors into account. This included the Group's cash balance before and after payment, as well as the cash flow impact payment would have on capital investment projects and payments to employees, suppliers and governments (taxes and royalties). Payments of debt and interest to lenders and covenants under loan agreements were also considered as well as the expectations of investors and any longer-term implications on growth projects or future debt repayments.

Overall, the Board determined that the dividend payments were in the best interest of all shareholders and that no other stakeholders would be disadvantaged as result of the payments.

After the year end, however, given the general market uncertainty caused by the spread of the COVID-19 virus, the Board decided to defer consideration of a potential final ordinary and/or special dividend to a more appropriate time when the effect of the virus on its workforce, customers and suppliers had become clearer.

Establishment of the Independent Review Committee ("IRC")

In February 2019, the Board established an Independent Review Committee to conduct an independent review into donations made to a third party charity, Blooming Land (the "Charity"). Details of the review and the conclusions of the IRC are set out in the IRC Report on page 75 of this Annual Report. The establishment of the IRC was considered to be important for all stakeholders as transparency and accountability are a vital part of our relationship with internal and external stakeholders and key to our long-term reputation for high standards of business conduct.

In reaching its decision to establish the IRC, the Board considered the impact it could have on various stakeholders including: (1) the workforce, especially those individuals who may be asked to participate in any review; (2) the importance of transparency to the Company's capital providers, investors, customers, suppliers and others; (3) potential impacts on communities and the Group's CSR initiatives; and (4) maintaining appropriate dialogue and engagement with governments and regulatory bodies.

Although payments to the Charity were suspended in May 2018, pending the receipt of further information from the Charity, the Board was aware that the community would be most impacted if donations were ceased on a permanent basis and the Group's relationship with the Charity was terminated. For this reason the Board had tried, at first, to maintain an open dialogue with the Charity to obtain the required information.

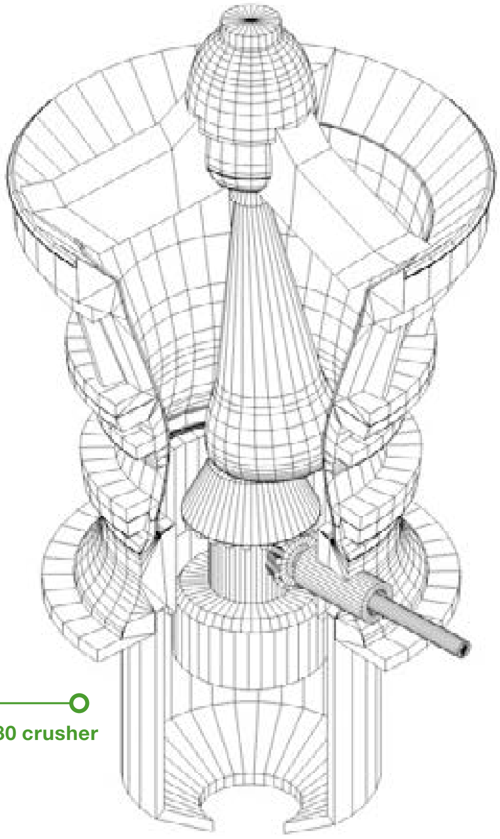
Subsequently, given that the Board felt it wasn't making sufficient progress with the Charity, the Board decided to establish the IRC. This was considered imperative as a matter of good corporate governance and in the long-term interests of the Group. Furthermore, the Board believed it was in the interests of a number of stakeholders, in particular employees, to review if there had been any involvement by Ferrexpo personnel in any misappropriation of funds (and the IRC was ultimately able to conclude that there had been no such involvement by Ferrexpo Directors, management or employees).

Budget and capital allocation

Every year when the budget is set there are usually competing demands for capital from different stakeholders of the Group given the expected level of cash generation. The most common conflict arises between capital required for growth projects and the Board's desire to maintain a strong balance sheet and to pay dividends to shareholders.

The Board believes that production growth should be executed in a sustainable manner so as not to put the Group's balance sheet under stress, as access to bank debt can, at times, be limited due to country risk constraints. As part of setting the budget, the Group also needs to have regard to matters such as investments in the workforce, obligations owed to suppliers, debt servicing costs and principal repayments to capital providers and taxes, and royalties payable to government entities.

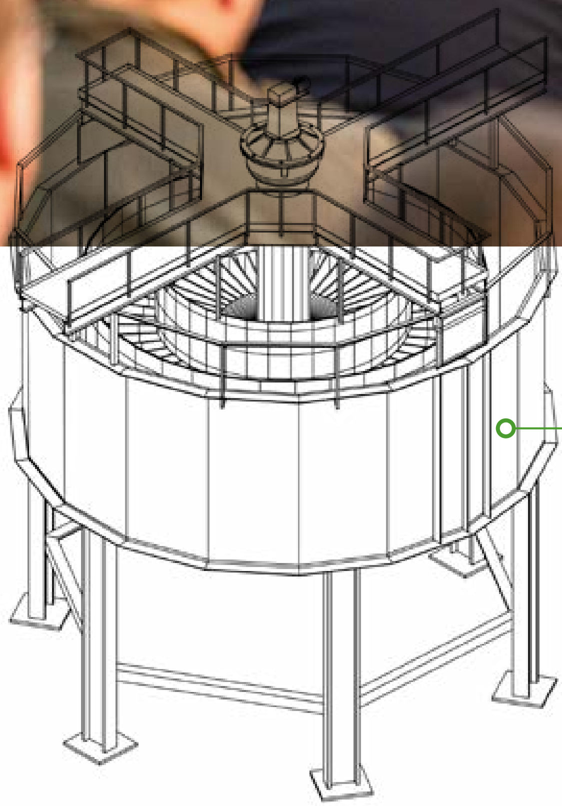
In order to manage competing demands, and operational management's expectations, the Group identifies priority capital investments which are included in the budget. It then identifies "standby" capital investments and lists them in order of priority. If actual financial performance is greater than budget then cash is allocated to these "standby" capital projects.



KKD 1500/180 crusher

Responsible Business in Action Workforce Engagement

Town hall meeting with Ferrexpo's workforce



Magnetic hydraulic separator

4,769

the number of employees across our worldwide operations who participated in the 2019 employee engagement survey

245

members of the workforce who attended the engagement forum in October 2019

Workforce Engagement

Workforce engagement

The Board has designated the CSR Committee to lead engagement with the workforce. Members of the CSR Committee in 2019 included Yuriy Khimich (General Director of FBM), Viktor Lotous (Head of Managing Board of FPM), Kostyantin Zhevago (Non-independent Non-executive Director), Steve Lucas (Non-executive Director) and Greg Nortje (Group Chief Human Resources Officer). As most of these CSR members are based in Ukraine, or regularly visit Ukraine, and engage with the community and workforce on a daily basis, the Board considered this method to be the most appropriate way to engage. The CSR Committee will report to the Board on workforce engagement matters on a regular basis.

Employee survey

In order to fully understand employee views, a survey consisting of 45 questions was developed to find out opinions on strategy alignment, Group culture, employee development, reward and recognition, team work and integration, effectiveness of leadership and areas of accountability and performance. The survey elicited a good response, with over 50% of total employees participating (4,769 employees across our worldwide operations). This was the second employee engagement survey, with the first taking place in 2017.

The results of the survey were fed back and considered by the Board in July 2019 as well as to 60 of the Group's top leaders at a leadership conference in Kyiv in September 2019 (which has been held every second year since 2015).

Engagement forum

In October 2019, a town hall session was held at Horishni Plavni (the main town surrounding our mines) with over 245 members of the workforce attending. Senior management in attendance included Jim North (Group Chief Operating Officer), Viktor Lotous (Head of Managing Board of FPM), Nikolay Goroshko (General Director of FYM), Yuriy Khimich (General Director of FBM) and Greg Nortje (Group Chief Human Resources Officer), as well as Vitalii Lisovenko (Senior Independent Director). The purpose of the forum was to:

— provide feedback from the employee engagement survey for 2019;
— communicate Ferrexpo's results and immediate and long-term strategy; and
— give members of the workforce the opportunity to discuss the survey and bring any other matters to the attention of the senior management.

As part of the question and answer session, the workforce raised a number of topics including career progression opportunities, remuneration and reward structures, potential impacts for the Group from changes to mining royalties in Ukraine and operational improvements (including the use of technology). The topics discussed have been fed back to the Board and management, and each functional head in the business has been tasked to identify any areas of improvement and to build on the existing strengths with their colleagues. It is our intention to monitor these action plans and assess their effectiveness on an annual basis.

Investing in and rewarding the workforce

Attracting and retaining a skilled and diverse workforce is central to Ferrexpo's success. By keeping people engaged, safe and motivated, the Group maximises the ways in which it can generate value for its stakeholders.

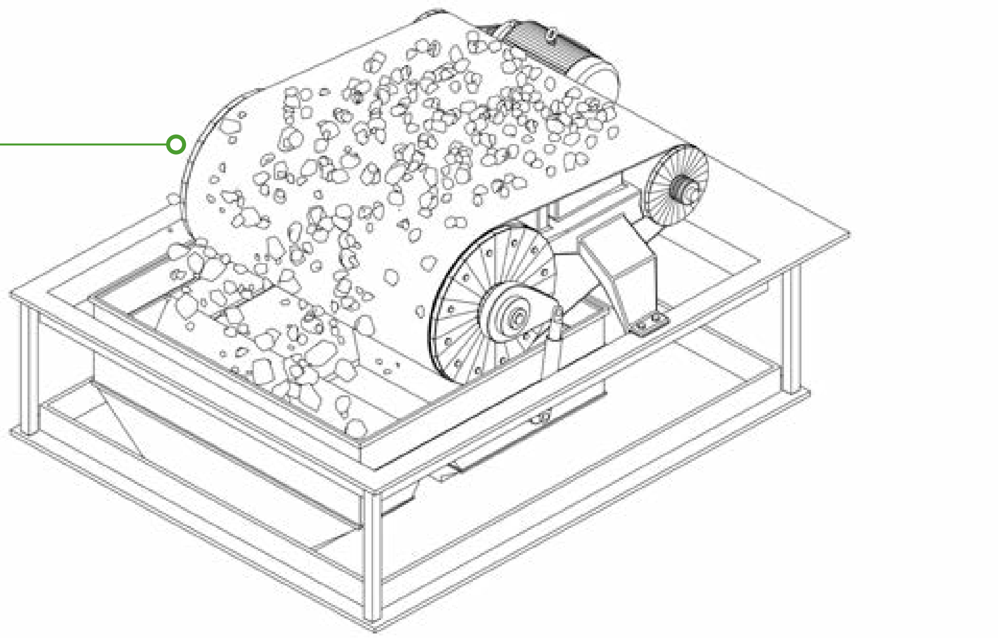
The Group is committed to developing the careers of its workforce by providing its staff with training in skills, safety and other functional areas. The average number of training hours provided to employees was 17 hours in 2019. In addition, over 5,800 vocational training courses were undertaken by employees in 2019, an increase of 19% on 2018.

Strategic Framework

Ferrexpo's strategy is to produce and export high quality pellets to premium steel mills around the world that produce sophisticated steel products. It aims to be a low-cost, efficient producer with a reliable logistics infrastructure.

Over the medium to long term, and subject to cash flows and adequate financial return, the Group intends to increase its pellet output to over 20 million tonnes per annum. The Group looks to consistently reduce business risk and deliver sustainable value to all stakeholders over the long term.

Top five strategic priorities	What we said we would do in 2019
1. Produce high quality pellets	– Maintain consistent quality in line with customer expectations – Complete refurbishment of final pellet line (number 2)
2. Be a low cost producer	– Increase production levels to improve efficiencies and reduce C1 cash cost – Continue to implement small-scale projects to improve productivity and reduce operating costs – Automation of drill rigs – Continue to improve fixed plant maintenance processes and procedures
3. Sell to a world class customer portfolio	– Continue to focus on servicing the Group's long-term customer base – Renew long-term contracts as they expire with key customers – Maintain a geographically diversified portfolio of crisis-resistant customers
4. Maintain a social licence to operate	– Eliminate fatal and serious accidents by focusing on material operational risk management – Support the community through various initiatives – Reduce consumption of key inputs such as electricity and gas, and reduce emissions per tonne
5. Maintain appropriate capital allocation between a strong balance sheet, returns to shareholders and investment for growth	– If market conditions are appropriate, look to extend the Group's debt maturity profile – Subject to cash flows, continue to pay dividends – Subject to cash flows, further resume development capex to expand the Group's concentrate and pelletising capacity



Belt type magnetic separator

What we did		What we aim to do in 2020
– Production of 65% Fe pellet represented 96% of total pellet output in 2019 – Completed refurbishment of final pellet line – Installed new updraft drying system in pelletiser number 2 which has improved pellet strength	– Production from own ore was in line with 2018 – Production from own ore of 65% Fe pellets increased by 3% compared with 2018	– Maintain consistent quality in line with customer expectations – Commence regular production of 67% Fe DR grade pellets for market development amounting to c.2% to 3% of total production – Complete new grinding section in concentrator
– Phase 1 of drill rig automation complete – Continued to improve fixed plant maintenance processes and procedures – Improved excavator rates and cycle times for haul trucks, reducing diesel consumption for every tonne per kilometre by 9% since 2016		– Increase production levels to improve efficiencies and reduce C1 cash cost – Final consolidation of mining and mobile maintenance activities into one organisation
– Ferrexpo was pleased to renew and extend several key long-term contracts in 2019 – The Group also secured a new long-term contract with a leading German steel mill		– Continue to focus on servicing the Group's long-term customer base – Renew long-term contracts with key customers as they expire – Maintain a geographically diversified portfolio of crisis-resistant customers – 67% Fe DR pellet trial shipments for market development
– No fatalities in 2019 – The lost time injury frequency rate ("LTIFR") decreased to 0.58x in 2019 (2018: 1.18x) – 15% increase in biofuel consumption (sunflower husks) as a substitute for gas consumption	– Continued to provide financial support to community initiatives around the mine	– Eliminate fatal and serious accidents by focusing on material operational risk management – Support the community through various initiatives – Reduce consumption of key inputs such as electricity and gas, and reduce emissions per tonne
– 60% increase in dividends paid in 2019 vs. 2018 – 83% increase in capital investment in 2019 vs. 2018		– If market conditions are appropriate, look to extend the Group's debt maturity profile and increase available facilities – Subject to cash flows, continue to pay dividends – Subject to cash flows, increase development capex to expand the Group's concentrate and pelletising capacity

FOR MORE ON OUR KEY PERFORMANCE INDICATORS SEE PAGES 32–33

Key Performance Indicators

See pages 180 to 182 for a reconciliation of Alternative Performance Measures to the IFRS equivalent.

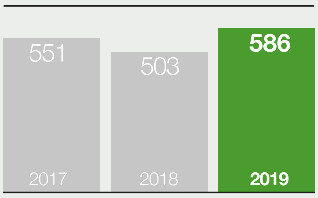
Financial KPIs

Underlying EBITDA[A]

The Group calculates underlying EBITDA as profit before tax and finance plus depreciation and amortisation, net gains and losses from disposal of investments and property, plant and equipment, share-based payments and write-offs and impairment losses. Underlying EBITDA measures the Group's ability to generate cash as well as providing a useful measure of operating performance excluding certain non-cash items. In 2019, EBITDA was US$586 million, reflecting higher average received prices and increased sales volumes partially offset by higher costs.

US$586M

(2018: US$503M)



Link to strategy
1 2 3 4 5

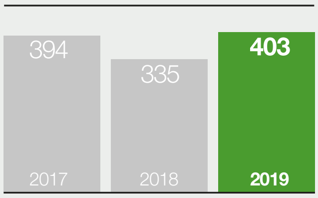
Closest equivalent IFRS measure: profit before tax and finance

Profit for the year

In addition to Alternative Performance Measures, Ferrexpo considers the IFRS results of the Group to be an important measurement of profitability. In 2019, profit for the year was US$403 million reflecting a 16% increase in operating profit and lower net financial expense, offset by a non-operating foreign exchange loss of US$18.5 million.

US$403M

(2018: US$335M)



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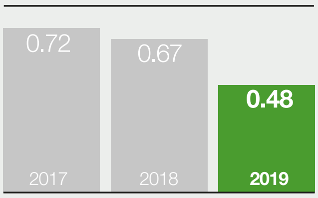
Net debt to underlying EBITDA[A]

Ferrexpo uses net debt to underlying EBITDA to monitor its debt levels relative to profitability. It is an industry standard measurement used to determine relative levels of indebtedness. In 2019, net debt to underlying EBITDA reduced to 0.48x.

0.48X

(2018: 0.67x)



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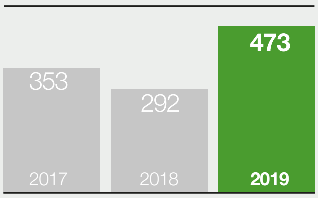
Net cash flow from operating activities

Net cash flow from operating activities represents the cash flow generation ability of the Company and indicates available cash flow for investments, returns to shareholders and debt reduction. In 2019, net cash flow from operating activities increased 62% to US$473 million, reflecting an adjustment for non-cash operating losses (due to a strong Hryvnia) higher EBITDA and a lower working capital outflow.

US$473M

(2018: US$292M)



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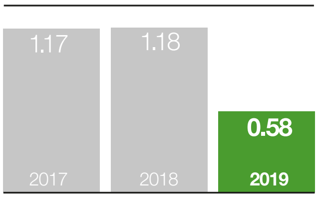
Non-financial KPIs

Lost time injury frequency rate and fatalities (“LTIFR”)

It is the Group’s highest priority to ensure its employees operate in a safe environment. The LTIFR is an industry standard measurement and an important indicator of how safe the work environment is. The LTIFR in 2019 was 0.58x.

0.58X

(2018: 1.18x)



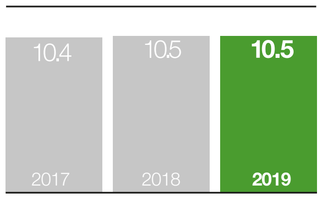
Link to strategy
1 2 3 4 5

Production volumes from own ore

Production volumes measure the Group’s ability to meet customer demand as well as provide an indication of the Group’s operational performance. In 2019, production from own ore was slightly above 2018 levels.

10.5MT

(2018: 10.5MT)



Link to strategy
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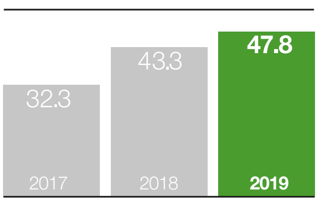
C1 cash costs[A]

This is the cash cost of production of iron pellets from own ore to the factory gate, divided by production volume from own ore. This is an industry standard measurement and assesses Ferrexpo’s relative competitiveness compared to other pellet producers. It is an important measure to assess the Group’s ability to withstand periods of volatile iron ore pricing. In 2019, Ferrexpo’s C1 cash cost of production increased to US$47.8 per tonne. This reflected local inflation of 4%, appreciation of the Hryvnia vs. the US Dollar of 14% and repairs and maintenance activities.

US$47.8/t

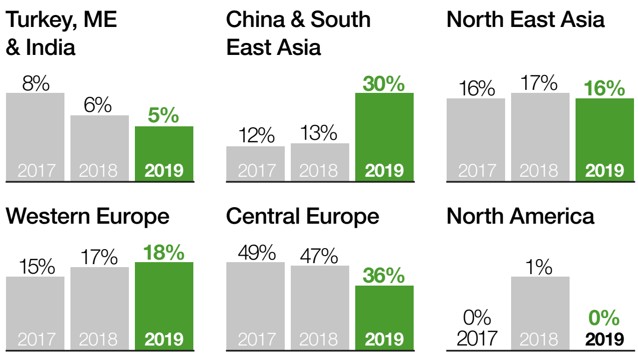
(2018: US$43.3 per tonne)



Link to strategy
2 5

Sales volume by region

Ferrexpo believes it is important to have a diversified customer base to be able to withstand periods of volatility in specific regions. In 2019, general weakness in the European steel market resulted in an increase in volumes to China.



Link to strategy
3 5

Responsible Business in Action
Case Study

Supporting Community

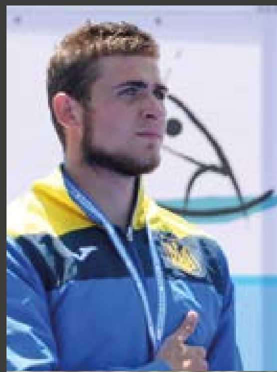
Building positive relationships

Ferrexpo understands the need for positive interaction with the communities that surround and support the Company's operations. Working with local community leaders, the Company aims to improve the lives of those it interacts with either directly or indirectly, to ensure a positive relationship for the future wellbeing of each community. Ferrexpo provides this assistance either directly through the Ferrexpo Charity Fund, an entity that is administered by FPM, or as direct assistance from each Ferrexpo operating entity to local groups that border that operating entity.

Expenditures are typically made to projects located within 10km of the Company's operations and in 2019 expenditure by these Ferrexpo controlled entities amounted to UAH143 million, approximately US$6 million (2018: UAH142 million). The largest single areas of focus for this expenditure are: supplementing the local council budget in Horishni Plavni for basic day-to-day activities, sport and recreation, material aid to individuals, the local Palace of Culture, as well as modernisation of local schools and hospitals.

Projects specific to 2019 include the creation of Ferrexpo Square through renovation of derelict land in the centre of Horishni Plavni into a meeting place that now includes audiovisual facilities for hosting local concerts and cultural events, a central fountain and meeting area, as well as a children's playground. Funding for essential medical procedures, that would otherwise be unaffordable for local individuals, was provided to over 700 individuals in 2019 through the Charity Fund. Ferrexpo's Charity also continues to help modernise and equip local schools and hospitals, and 2019 saw Ferrexpo equip the local municipal hospital with two additional x-ray rooms.

Ferrexpo also continues to sponsor the Palace of Culture in the local town of Horishni Plavni, which for 30 years has been a centre for performances of local music, folk singing, traditional dance, choirs, amateur theatre and even a circus collective. A total of 267 events were held at the Palace of Culture in 2019, each hosted in one of the Palace's three performance halls.



Ferrexpo Square, Horishni Plavni

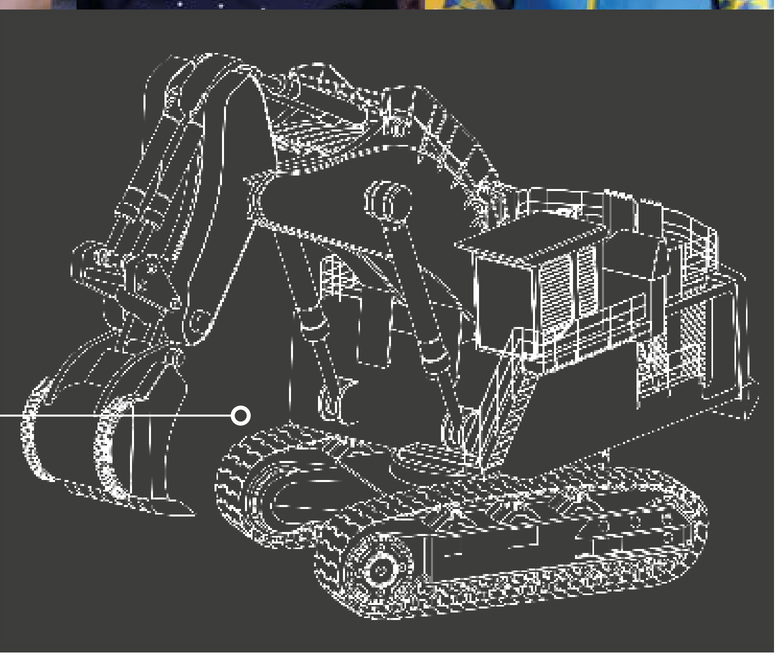
CAT 6060 hydraulic mining shovel

Case study

Eleven world medallists

One of the key aims of Ferrexpo's community engagement programme is to develop sports facilities for the local population living close to the Company's operations so that they can enjoy a healthy and active lifestyle, all year round. As part of this programme, Ferrexpo sponsors a number of talented individuals, enabling them to participate in national and international tournaments, to ultimately compete at the highest level. Ferrexpo is proud to announce that 11 of the athletes that it helps sponsor have had the honour of reaching the pinnacle of their respective sports in 2019, with each winning medals in European or World Championships. This is an incredible achievement from a relatively small town in central Ukraine. These 11 sportsmen and women participate in a range of sports: six canoeists, two marksmen, two swimmers and one boxer; all of whom Ferrexpo congratulates on their excellent achievements!

A further mention goes to Liudmyla Kuklinovska, Liudmyla Luzan and Inna Gryshchun, who are all local athletes who had been invited to join the Ukrainian national squad that were due to participate in the Tokyo Olympics in the summer of 2020, each set to compete in their respective canoeing events.



Ferrexpo understands the need for positive interaction with the communities that surround and support the Company's operations.

Responsible Business in Action
Energy Efficiency

For the Environment

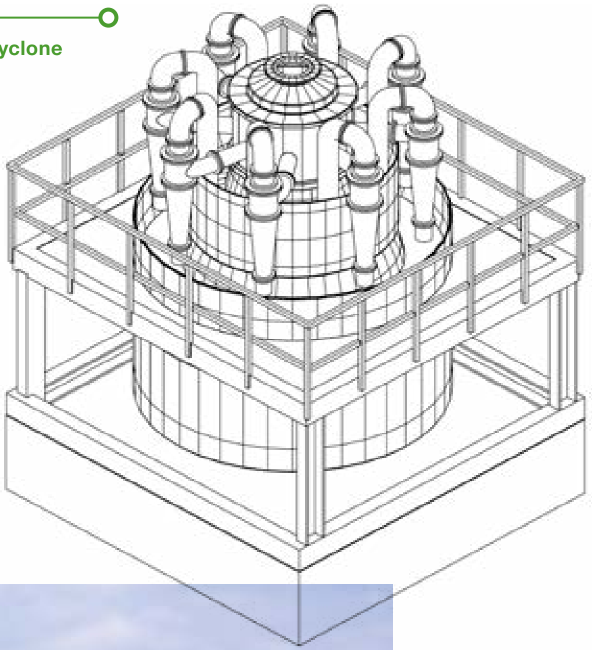
15%

increase in use of sunflower husks as a gas substitute in 2019 compared with 2018.

Since September 2015, Ferrexpo has been partly using sunflower husks as a fuel source in its pelletisers. For the majority of our product types, testing has shown that we can increase the use of biofuels in the pelletiser from 19% to 30%.

Ferrexpo uses sunflower husks as a fuel alternative in its pelletisers

Hydrocyclone



Energy efficiency

Mitigating impact

Ferrexpo's Sustainable Continuous Improvement ("SCI") team is tasked with implementing efficiency saving initiatives across the business, and, in 2019, this team commenced a process to upgrade over 450 low voltage motors in the beneficiation and pelletising plants, and 22 high voltage motors in the pelletising plant. The existing motors typically date back to Soviet times, and will be replaced with modern motors that comply with the IE3 international standard of motor efficiency. Once complete, this project will reduce the Company's electricity consumption by over 42 million kilowatts, also reducing the Company's Scope 2 CO_2 emissions. Approximately a third of the relevant motors have been replaced as part of this project, with the remaining expected to be replaced during periods of maintenance downtime in the first half of 2020.

The SCI team is also working to replace all lighting across Ferrexpo's processing plant with modern LED lighting, which delivers an electrical saving of four million megawatts but also provides a significant safety benefit of greatly improved visibility in working areas. Over 900 lights have been replaced to date, with work completed on ground-level lighting in the majority of working areas as of the end of 2019.

Ferrexpo's Sustainable Continuous Improvement team is tasked with implementing efficiency saving initiatives across the business.

Performance Review

Supplying High quality iron ore

FYM pit

Roman Palyvoda, *Acting Chief Financial Officer*

Financial review

Summary

Group revenue and profit before tax increased by 18% in 2019 compared with 2018. Strong cash flow generation, up 62% year on year, funded dividend payments of US$155 million and capital investment of US$247 million, an increase in investment of 84%, whilst net debt reduced by 17% to US$281 million.

Revenue

Group revenue increased by 18% to US$1.5 billion in 2019 (2018: US$1.3 billion), principally due to a 17% increase in Ferrexpo's realised free on board ("FOB") price and an increase in pellet sales volumes. Higher realised prices during the period mainly reflected a significant increase in the iron ore fines price.

In 2019, the 62% Fe iron ore fines price increased 35% from an average of US$69 per tonne to US$93 per tonne. This increased revenue by US$246 million. During the year, in line with the industry, Ferrexpo progressively switched to pellet pricing based off the 65% Fe fines index rather than the 62% Fe fines index, reflecting the higher iron content of its pellets.

Following the switch to the 65% Fe fines index, the average realised pellet premium in 1H 2019 was in line with the average of 2018.

However, a fall in long-term customer pellet premiums in 4Q 2019 and a corresponding increase in spot sales to China, reduced the average weighted pellet premium for the year by 12% compared with the average 2018 level. This decreased revenue by US$73 million. For further information see Market Review on page 14.

Ferrexpo's agreed sales prices are based on a variety of reference periods, ranging from the average iron ore fines price for a month to a quarterly lag. In 2019, this difference in timing had a positive effect on sales, increasing revenue by US$19 million compared to 2018.

Seaborne freight revenue arising from CFR sales increased revenue by US$25 million compared to 2018. This reflected a higher proportion of sales to Asia.

Sales volumes for the period increased to 10.3 million tonnes (2018: 10.2 million tonnes), increasing revenue by US$10 million. For further information see Operational Review – Marketing on page 42.

Lastly, the Group's barging operations increased revenue by US$5 million in 2019 compared with 2018.

Costs

C1 cash cost of production

The Group's average C1 cash cost of production[A] was US$47.8 per tonne in 2019 compared with US$43.3 per tonne in 2018.

The increase in costs was primarily due to domestic cost inflation and a strong local currency against the US Dollar. Together these factors added US$2.5 per tonne to the C1 cash cost compared to 2018, reflecting Ukrainian inflation of 4% while the Hryvnia appreciated against the US Dollar by 14% during the year. Over half of the Group's operating costs are in local currency and are impacted by the Hryvnia exchange rate and inflation. For further information see Currency on page 40.

Repair and maintenance costs increased by US$2.0 per tonne in 2019. This expenditure was primarily focused on fleet truck repairs.

Performance Review
continued

New grinding section to increase FPM's concentrate capacity

An improvement in consumption norms offset the majority of commodity cost increases during the year.

In 2020, the Group expects royalties to increase by approximately US$1 per tonne due to new royalty tax legislation expected to be adopted in March 2020, impacting the Group from 2Q 2020.

The Group's C1 cash cost represents the cash costs of production of iron pellets from own ore (to the mine gate), divided by production volume from own ore, and excludes non-cash costs such as depreciation, pension costs and inventory movements, also the costs of purchased ore, concentrate and gravel.

The C1 cash cost of production (US$ per tonne) is regarded as an Alternative Performance Measure ("APM"). For further information see page 180.

Selling and distribution costs

Total selling and distribution costs were US$294 million (2018: US$260 million). This included an increase in rail tariffs of 15% from April 2019. International freight costs arising from CFR sales increased by US$25 million compared to 2018; this figure is also included in revenue.

General, administrative and other expenses

General and administrative and other expenses was US$66 million compared with US$45 million in 2018. This reflected an increase in local personnel costs due to the appreciation of the local currency against the US Dollar and higher audit and professional fees as a result of the independent review into the Blooming Land Charity. For further information see the Independent Review Report on page 75, Principal Risk 1 on page 52, and Note 30 Contingencies to the Consolidated Financial Statements.

Currency

Ferrexpo prepares its accounts in US Dollars. The functional currency of the Group's operations in Ukraine is the Hryvnia, which represents approximately half of the Group's operating costs. In 2019, the Hryvnia appreciated 14% from UAH27.688 per US Dollar on 1 January to UAH23.686 per US Dollar as of 31 December 2019. For further information see C1 cash cost of production on page 39.

Local balances as of 31 December 2019 are converted into the Group's reporting currency at the prevailing exchange rate. The appreciation of the Hryvnia resulted in a US$265 million increase in net assets in 2019 (2018: increase of US$12.1 million), as reflected in the translation reserve.

Operating foreign exchange gains/losses

Given that the functional currency of the Ukrainian subsidiaries is the Hryvnia, an appreciation of the Hryvnia against the US Dollar results in foreign exchange losses on the subsidiaries' US Dollar denominated receivable balances (from the sale of pellets). The operating foreign exchange loss in 2019 was US$46.8 million compared to a loss of US$5.3 million in 2018.

Non-operating foreign exchange gains/losses

Non-operating foreign exchange losses are mainly due to the conversion of UAH denominated intercompany payable balances and the conversion of Euro denominated loans (at the Group's barging facility) into the functional currency of the respective Group's subsidiary. The increase of the non-operating foreign exchange losses to US$18.5 million (2018: US$1.6 million) was driven by a 14% appreciation of the Hryvnia during the year against the US Dollar and the change in the Euro/US Dollar exchange rate. For further information see Note 9 to the Consolidated Financial Statements.

Underlying EBITDA[A]

Underlying EBITDA[A] in 2019 increased 17% to US$586 million compared to US$503 million in 2018.

This reflected a 17% increase in the Group's received pellet price contributing US$246 million to Group revenue compared to 2018 together with higher sales volumes contributing US$10 million. This was partially offset by an increase of US$47 million in the cash cost of production, higher selling and distribution expenditure of US$12 million, an increase in other of US$10 million and a non-cash operating forex loss of US$47 million.

Interest

Interest expense on loans and borrowings declined 23% to US$34 million compared to US$43 million in 2018 due to a lower outstanding debt balance and final repayment of higher cost Eurobonds in April 2019. The average cost of debt for the period ended 31 December 2019 was 7.0% (average 31 December 2018: 8.2%). The decrease was due to the repayment of US$173 million 10.375% Eurobonds.

Further details on finance expense are disclosed in Note 10 Net finance expense to the Consolidated Financial Statements.

Tax

In 2019, the Group's tax expense was US$56 million (2018: US$57 million). The effective tax rate for 2019 was 12.2% (2018: 14.5%). This reflected the appreciation of the Ukrainian Hryvnia against the US Dollar, negatively impacting the profitability of the Group's local subsidiaries, as well as lower global pellet premiums compared with 2018.

Table 4: Ukrainian Hryvnia vs. US Dollar

	Spot 16.03.20	Opening rate 01.01.19	Closing rate 31.12.19	Average 2019	Average 2018
UAH per US$	26.596	27.688	23.686	25.846	27.200

Source: National Bank of Ukraine


Refurbishment of one of the Group's pellet lines

The effective tax rate in 2018 reflected strong pellet premiums in the Chinese spot market.

In 2019, the Group paid income taxes of US$84 million (2018: US$44 million), of which US$73 million were paid in Ukraine (2018: US$36 million).

Further details on taxation are disclosed in Note 11 Taxation to the consolidated financial statements.

Profit for the period

Profit for the period increased 20% to US$403 million compared with US$335 million in 2018, reflecting a 16% increase in operating profit and lower net financial expense, offset by a non-operating foreign exchange loss of US$18.5 million (2018: loss of US$1.6 million).

Cash flows

Operating cash flow before working capital increased 26% while the working capital outflow in 2019 was US$30 million compared to an outflow of US$116 million in 2018. The decrease in working capital largely reflected a 58% reduction in inventory build of stockpiled ore due to the redesign of the FPM pit. Low grade ore that was stockpiled in prior years will be processed once the Group increases its beneficiation capacity to 12 million tonnes per annum (expected to be in 2021). Higher pricing in 2019 and a strong sales month in December 2019 compared to December 2018 increased trade receivables. As a result of the higher operating cash flow and the lower net working capital outflow, the net cash flow from operating activities increased 62% to US$473 million in 2019 (2018: US$292 million).

Capital investment was US$247 million, an increase of 83% compared to 2018 (US$135 million), while dividends paid increased 60% to US$155 million compared to US$97 million in 2018.

Capital investment[A]

Capital expenditure in 2019 was US$247 million compared to US$135 million in 2018. Of this, US$102 million was sustaining and modernisation capex (2018: US$66 million) at FPM. As in 2018, sustaining capex also included a substantial refurbishment of one of the Group's four pellet lines during the period.

Investment at FYM of US$46 million (2018: US$32 million) included capitalised stripping, drill automation and development of a spare parts warehouse for the Group as part of the integration of certain key functions between the Group's operations.

Investment in FPM's Concentrate Expansion Programme ("CEP 1") was US$34 million (2018: US$24 million). The project remains on track for completion by the end of 2020 and is expected to increase pellet production by 1.5 million tonnes per annum in 2021. FPM also spent US$22 million on phase 1 of its press filtration project during the year.

Ferrexpo invested US$11 million (2018: US$4 million) in the development and exploration of the Belanovo, Galeschyno and the Northern Deposits.

The Group acquired 600 rail cars in 2019 for approximately US$26 million (2018: US$3 million). While it invested approximately US$4 million of sustaining capex at its logistics company in Austria in 2019 (2018: US$5 million).

Ferrexpo continues engineering studies to expand its pelletising capacity above its current nameplate capacity of 12 million tonnes per annum towards 20 million tonnes per annum.

Dividends

Total dividends declared for the 2019 financial year amount to 13.2 US cents per share (2018: 23.1 US cents per share). The Board is committed to dividends and intends to consider a potential final ordinary and/or special dividend for the 2019 financial year once the general market situation and the effect of the COVID-19 virus have become clearer. Overall, in 2019 the Group paid out dividends of US$155 million, a 60% increase on 2018 (US$97 million), and has paid US$40 million in dividends to date in 2020.

Debt and debt maturity profile

Ferrexpo has a strong balance sheet with low levels of debt. Net debt to underlying EBITDA[A] for the last 12 months was 0.48x compared with 0.67x as of 31 December 2018. Net debt as of 31 December 2019 was US$281 million, down 17% compared to 31 December 2018 (US$339 million). This included a US$68 million increase in cash to US$131 million (31 December 2018 cash: US$63 million).

Gross debt as of 31 December 2019 was US$412 million compared with US$402 million as of 31 December 2018. Of this, US$7 million was as a result of the first-time application of IFRS 16 Leases.

The Group has a US$400 million 2017 PXF facility which will amortise over 12 quarters (US$33 million per quarter) commencing 1Q 2020. The Group has other facilities of US$5 million which mostly relate to export credit agency funding which will amortise monthly over the next 18 months.

Ferrexpo may consider extending its debt maturity profile in 2020 using the PXF market or other debt capital markets.

During the year, Ferrexpo's long-term corporate and debt rating was upgraded by Fitch to BB- (an upgrade of one notch) with a stable outlook. The rating is capped at the maximum level above Ukraine's Sovereign rating.

Related party transactions

The Group enters into arm's length transactions with entities under the common control of Kostyantin Zhevago, a controlling shareholder of the Group. For further information see Note 34 Related party disclosures to the Consolidated Financial Statements.

Management of the Group has recently received information that FC Vorskla (a related party of the Group) provided a loan to another related party, Collaton Limited, which is controlled by Kostyantin Zhevago. The amount of the loan as of 31 December 2019 was approximately US$17 million.

Performance Review
continued

Operations review

Marketing

Total sales volumes in 2019 were 10.3 million tonnes (2018: 10.2 million tonnes) with the Group's premium 65% Fe pellet representing 96% of total pellet output during the year (2018: 94%).

Table 5 below shows the breakdown of sales by key market regions. Sales to China and South East Asia include sales to Vietnam and Taiwan.

Table 5: Sales volume by market region

	2019	2018
Central Europe	**36%**	47%
North East Asia	**16%**	17%
Western Europe	**13%**	16%
China and South East Asia	**30%**	13%
Turkey, Middle East, India	**5%**	6%
North America	**–**	1%
Total sales volume (million tonnes)	**10,312**	10,227

Ferrexpo benefits from a diversified sales portfolio with leading steel mills throughout the world, while its logistics routes to customers provide a competitive advantage given Ukraine's central geographic location. Ferrexpo's average shipping duration to Asia is 30 days compared to its main pellet-producing competitors in Brazil (40 days), Canada (55 days) and Scandinavia (50 days). Ferrexpo is also very competitively placed in terms of shipment days to Europe and Turkey. This ensures that weakness in one region can be compensated by sales into other regions.

In the first half of 2019, overall long-term customer performance was in line with contract agreements and no volumes were sold into the Chinese spot market. In the second half of the year, weakness in Europe (as previously discussed on pages 14 to 17 in the Market Review) saw volumes increase to China, a majority of which were sold on the spot market.

Despite periods of regional weakness through the year, the Group was pleased to renew and/or extend several key long-term contracts as well as secure a new long-term contract with a leading German steel mill.

The Group's pricing formula for its long-term contracts is based on a spot index iron ore fines price. In 2019, this was a 65% Fe index while in 2018, and in prior years, this was the 62% Fe index, plus a negotiated pellet premium and an adjustment for the cost of international freight, typically the C3 index.

Spot market sales to China are also made on the 65% Fe iron ore fines price plus the prevailing Chinese spot pellet premium. The Chinese spot pellet premium can vary significantly from negotiated long-term contract pellet premiums.

Long-term sales contracts are typically of two to five years' duration although the Group has sales contracts of varying tenors up to 13 years. In general, a small proportion of uncommitted volume is maintained for: (1) new customer development; (2) adjusting for production variations; and (3) opportunistic spot sales.

For further information on sales see Revenue in the Financial Review on page 39 and Market Review on page 14.

Production

Health and safety

Zero harm

Ferrexpo is pleased to report that there were no fatalities in 2019 (2018: one) and that it recorded its lowest lost time injury frequency rate ("LTIFR") since listing in 2007.

Table 6: Lost time injury frequency rate (including employees and contractors)

	2019	2018
– FPM	**0.67**	1.25
– FYM	**0.00**	0.66
– FBM	**0.00**	0.00
Mining entities	**0.57**	1.15
Barging	**0.91**	1.83
Group	**0.58**	1.18

The Group has been focused on developing a preventative approach to safety based on an understanding of high potential risk areas across the business, and taking actions to mitigate these risks. In recent years, Ferrexpo has focused on improving reporting of near-miss events without injury, referred to as serious incident reports, to understand the causes of such events. Together with improved risk assessments, this reporting is helping to reduce the number of injuries incurred.

Ferrexpo will continue to improve and adapt its safety practices. Efforts in 2020 are set to focus on contractor training, to ensure the correct safety policies and procedures are adhered to at site, as well as ensuring that contractors maintain the Group's high standards in their personal protective equipment. An analysis of incidents in 2019 revealed three key areas for future improvement: managing activities in close proximity to rotating equipment, transportation of employees and employee walkways.

Pellet production

Pellet production from own ore was in line with 2018 at 10.5 million tonnes. Overall, production levels were impacted by constraints in the processing and pelletising plants. FPM completed a planned 58-day pellet line refurbishment in 4Q 2019. This marks the completion of a refurbishment programme to its four pellet lines.

Once the Group's current capital projects are completed, which include de-bottlenecking the concentrator and building a concentrate stockyard, FPM expects to produce enough pellet feed to ensure its pelletiser can operate at full capacity of 12 million tonnes per annum.

SEE CAPITAL INVESTMENT ON PAGE 45.

Table 7 summarises production in 2019 compared with 2018.

Table 7: Production statistics

(000't unless otherwise stated)	**2019**	2018	Change
Iron ore processed	**28,475**	27,083	5.1%
Average Fe content	**33.45%**	33.80%	-0.35 ppt
Concentrate produced ("WMS")	**13,228**	12,750	3.7%
Average Fe content	**63.22%**	63.36%	-0.14 ppt
Pellets produced from own ore	**10,519**	10,506	0.1%
62% Fe pellets	**403**	682	-40.9%
Average Fe content	**62.65%**	62.53%	-0.12 ppt
65% Fe pellets	**10,116**	9,824	3.0%
Average Fe content	**64.92%**	64.89%	0.03 ppt
Pellets produced from purchased concentrate	**–**	101	-100%
Total pellet production	**10,519**	10,607	-0.8%

Iron ore processed in 2019 increased 5%, this underpinned a 3% increase in 65% Fe pellet volumes to 10.1 million tonnes or 96% of total production – a record percentage of production for the Group.

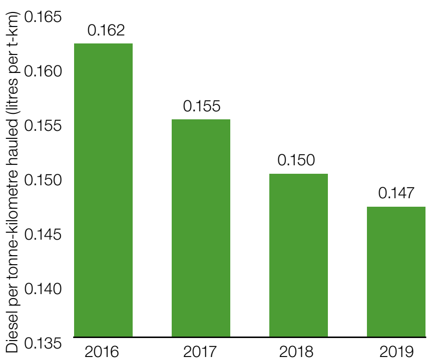
Due to the refurbishment of the Group's final pellet line in 4Q 2019, the Group ended the year with 186,000 tonnes of concentrate.

Mining and production efficiencies

The Group has continued to implement initiatives which contribute to cost savings, efficiency improvements and enhanced health and safety standards.

The Group's excavator rates have benefited from the transition to 100% liquid emulsion in the Company's blasting operations. This has improved the fragmentation of blasted rock, resulting in improved excavator efficiencies and reduced waiting times for haul trucks. In addition, an improved mine design at FPM has led to improved cycle times for haul trucks. Graph 3 shows that for every tonne-kilometre, Ferrexpo's diesel consumption has reduced by 9% since 2016.

Graph 3: Mining haulage – diesel consumed per kilometre hauled



The first stage of implementation of FYM's automated drill rigs has been completed, and drills are now operated by tele remote mode from the Group's centralised mine control room. Use of drones to survey the pit area has also been implemented at FYM.

Consolidation of FPM's and FYM's mining and mobile maintenance activities into one organisation has continued and will be completed in 2020. As such, all maintenance activities for mining will be carried out by one team to optimise the use of resources and improve fleet availability.

Lastly, it is encouraging to note that gas consumed per pellet produced has fallen 34% since the Group's IPO in 2007 from 18.4m³ per tonne to 12.1m³ per tonne in 2019. This is as a result of better heat recuperation from recycling exhaust gases and the increased use of sunflower husks in the Group's pelletisers.

Ferrexpo will continue to implement small-scale projects aimed at improving productivity and efficiency to reduce operating costs.

Performance Review
continued

CO_2 emissions

Table 7: CO_2 emissions

	2019	2018	Change
CO_2 emissions (tonnes)	**2,624,280**	2,605,082	0.7%
Scope 1 (direct) (tonnes)	**579,415**	588,781	-1.6%
Scope 2 (indirect) (tonnes)	**1,940,551**	1,925,670	0.8%
Pellets produced (tonnes, 000s)	**10,519**	10,607	-0.8%
Intensity ratio (kilogramme per tonne of pellets produced)	**240**	237	1.1%
Biofuels (reported separately) (tonnes)	**104,313**	90,631	15.1%

Note: 2018 numbers have been restated due to the adoption of GHG Protocol emissions factors in this report (see above) and this has resulted in an increase in the 2018 intensity ratio from 235 to 237 per kilogramme per tonne of pellet produced.

CO_2 emissions

Overall emissions of greenhouse gases in 2019 remained in line with 2018, with the 1% increase in electricity consumption the principal driver behind the Group's overall emissions intensity ratio increasing from 237 in 2018 to 240 kilogrammes of CO_2 emissions per one tonne of pellets produced in 2019. The increase in electricity consumption is due to the 5% increase in tonnes of ore processed. Electricity accounts for approximately 75% of the Group's greenhouse gas emissions, due to the large component of coal fired power stations that contribute to Ukraine's national grid. Ferrexpo is considering reducing its reliance on electricity from the national grid with solar power, by installing a 5MW pilot plant on the southern extent of FPM's waste dumps. If the pilot project is approved and proves successful, it is envisaged that the Group will expand the use of solar power which could have significant savings in terms of operating cost and Ferrexpo's Scope 2 greenhouse gas emissions.

Scope 1 emissions relate to emissions directly produced through the Group's own activities in Ukraine, such as diesel consumption in mining vehicles. Scope 2 emissions are those that are generated by third parties in the supply of electricity and heat (steam) to the Group's operations. For the first time, Ferrexpo is publishing an estimate of its downstream Scope 3 emissions. Downstream Scope 3 emissions represent the emissions from activities that relate to the distribution and use of the Group's pellets. Ferrexpo's total Scope 3 emissions in 2019 are estimated to be 10.0 million tonnes (2018: 9.9 million tonnes), or the equivalent of 0.95 tonnes of CO_2-equivalent per tonne of pellets produced (2018: 0.94 tonnes of CO_2-equivalent per tonne of pellets produced). Ferrexpo's calculation of its Scope 3 emission utilises independent research by CRU for the allocation of emissions by steel mills in their conversion of Ferrexpo's pellets to hot metal. This research[1] shows that steel mills produce 38% less greenhouse gas if they use Ferrexpo's magnetite iron ore pellets instead of the more commonly used iron ore fines which requires sintering with coking coal before being charged to the blast furnace. This saving of Scope 3 greenhouse gases at the steel mill far exceeds the additional greenhouse gases produced in Ferrexpo's processing and pelletising magnetite ores in Ukraine. As the Group's understanding of its Scope 3 emissions increases, the intention is to add upstream activities, such as goods purchased and business travel, to the Company's Scope 3 estimate.

In 2019, the Group has adopted the standards published by the Greenhouse Gas Protocol for the calculation of the Company's Scope 1 emissions. This has resulted in a minor adjustment to the reported emissions for 2018 (as shown in table above), and as a result, the 2018 intensity ratio has increased from 235 to 237 per kilogramme per tonne of pellet produced. Adoption of the Protocol has also enabled Ferrexpo to publish figures that include emissions of methane (CH4) and nitrous oxide (N_2O). Whilst emissions of these gases are generally much lower than the volumes of carbon dioxide emitted, the greenhouse effect per tonne emitted is much higher – 25 times more for methane and almost 300 times more for nitrous oxide. Inclusion of these gases helps further standardise Ferrexpo's reporting in line with peers. A major component of Ferrexpo's emissions are through its use of electricity (Scope 2), and the emissions factor for this activity is provided by the European Bank of Reconstruction and Development.

40%

Scope 3 reduction in greenhouse gas emissions through steel mills using Ferrexpo pellets instead of sinter

Graph 4: Scope 3 Emission factors (for the conversion of iron ore to steel)

1. CRU Research based on incremental adjustments of pellets and sinter in the burden of a blast furnace of a typical European steel mill. Emissions factor provided is per tonne of hot metal produced and does not account for further processing of steel into flat or long steel products as this depends on the individual customer.


Night mining at FYM

Capital investment

The Group's approved capital projects can be seen in Table 8. Ferrexpo is on track to reach 12 million tonnes of pellets output per annum by 2021.

Ferrexpo is currently considering a series of projects which will allow expansion of pellet capacity to 20 million tonnes per annum. This includes further development of the Group's beneficiating capacity, expansion of the Group's pelletising capacity and de-bottlenecking of logistics infrastructure including rail and port. A preliminary estimate of the required capital investment per tonne is approximately US$150-US$200 per tonne of incremental output.

Table 8: Approved capital projects

Projects to reach 12MTPA	Description	Status	Expected completion	Total cost	Spend FY 2019	Remaining spend
New grinding section	Process 6MTPA of crushed ore into pellet feed	Construction and assembly works under way	2020	US$41M	US$8M	US$5M
Concentrate stockyard	Decoupling of concentrator and pellet plant by providing concentrate storage capacity	Construction and assembly works under way	2021	US$38M	US$11M	US$13M
Phase 2 expansion						
Press filtration plant	Replacement of disc filtration to reduce moisture in balling plant	Construction and assembly works under way	Completed in four phases of 6MTPA Final phase completed 2024	US$115M	US$23M	US$92M
Logistics						
Rail cars	Continuation of programme to replace state rail cars. Number of rail cars as of 31 December 2019: 2,850	600 new rail cars delivered in FY 2019	Completed	–	US$26M	–

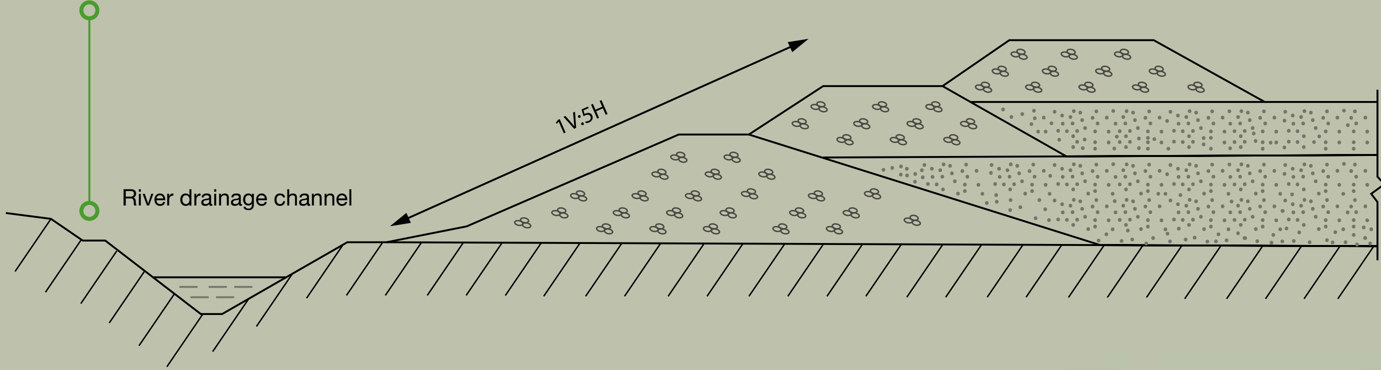
The cost to complete the new grinding section in the beneficiation plant has increased by US$6 million due to labour, equipment and construction material price inflation, exacerbated by the strong Hryvnia compared with the US Dollar. The project is approximately 85% complete and FPM expects to begin commissioning in 3Q 2020.

The concentrate stockyard is approximately 60% complete. Works still to be completed include a thickening area, additional filtration and compression capacity and the load-out area. FPM expects to begin technological commissioning in 2Q 2020 and to complete the loading complex in 1Q 2021. The total cost of the project has increased by US$14 million due to the finalisation of a more detailed design, especially regarding increased filtration capacity, and cost inflation exacerbated by the strong Hryvnia compared with the US Dollar.

Ferrexpo remains on track to reach 12 million tonnes of pellet output per annum by 2021.

Responsible Business in Action
Tailings Dam

Simplified cross-section of tailings dam wall



Ferrexpo's tailings dam

For the Environment

Engineered tailings facilities

Producing tailings is an inherent part of processing iron ore. Ferrexpo's magnetite ores have an iron content of approximately 25–35%, whereas the Company's iron ore pellets that are used by premium steel mills around the world typically have an iron content of 65%. In order to achieve this increase in iron content, Ferrexpo processes its ores to selectively extract iron from the host rock and concentrate it in its pellets, whilst the leftover waste material is referred to as tailings.

Ferrexpo's tailings dam is located one kilometre east of the Company's processing plant and has been in operation since the Company began processing iron ore in the 1970s. The facility is four kilometres wide, five and a half kilometres long and 45 metres high and is segregated into multiple smaller compartments into which wet tailings are deposited. Following deposition, water used to transport tailings in a slurry is recycled back to the processing plant to be utilised again, leaving behind the dry tailings, which comprises an inert silty material. Ferrexpo's tailings dam is constructed in accordance with national mining regulations and is regularly inspected by both the Company and government inspectors.

Following the tragic events surrounding a tailing dam failure in Brazil in January 2019, the Company commissioned an independent third party, Knight Piésold, to conduct a site visit and technical review of its own tailings facility. This report, issued in September 2019, concluded that the Company's facility is well managed, appropriately designed for the volume of tailings being produced, and that the Company has in place an appropriate inspection and monitoring regime. A number of minor actions have been made by the consultants to supplement the existing network of monitoring boreholes, and this work is under way.

Ferrexpo's tailings dam fundamentally differs in design from the tailings facilities that suffered catastrophic failure in Brazil in 2015 and 2019, in that Ferrexpo's facility is located on flat land (as opposed to a steep slope), is built to an overall slope angle of one in five (compared to slopes of up to one in three), to a lower height (45 metres compared to 86 metres), and the facility walls are constructed using compacted sand and rock. Whilst these differences do not eliminate risk of failure, they demonstrate fundamental differences in design and structure.

Case study

Ferrexpo's tailings dam

Ferrexpo's tailings dam is constructed on flat land, to a design set out by independent consultant Ukrgiproruda. The facility's walls consist of a series of sloped surfaces that raise the height of the facility, which are interrupted by several flat benches, which serve to reduce the overall slope angle to one in five. The style of construction is upstream design, with tailings deposition limited to internal paddocks measuring approximately 400 metres by 400 metres. At the base of the dam wall is a drainage channel, which collects water from two drainage lines that sit within the dam wall, and serve to divert water away from the base of the dam and back to the Company's processing plant. Around the perimeter of the dam, there are 34 piezometric borehole lines to monitor the water levels within the facility.

Responsible Business

Yuriy Khimich, Chairman, Corporate Social Responsibility Committee

At Ferrexpo, the work of the Corporate Social Responsibility ("CSR") Committee is to ensure we achieve a safe and engaged workforce, minimise our environmental footprint, safeguard ethical business practices and continue to support local communities.

We also understand the need for clear and transparent reporting in these four reporting areas, as well as consistency with industry best practices, to ensure stakeholders can understand Ferrexpo's performance and compare it with our peer group. It is on that basis that we are expanding our reporting this year to encompass a number of external initiatives – such as adopting the Greenhouse Gas Protocol to ensure transparency in our emissions calculations, which also enables other gases to be incorporated into the Company's Scope 1 calculations. We also recognise that there is a movement within sustainability reporting towards Scope 3 emissions reporting, which captures emissions from both upstream and downstream activities related to the Company's production of pellets.

For Ferrexpo, Scope 3 emissions primarily relate to emissions from steel mills when our pellets are converted into steel, but also a wide range of other areas, including the transport of pellets to our customers and the emissions produced in making the truck tyres that we use to mine our ores, which are two examples. This is the first year in which we are reporting our Scope 3 emissions, and we believe Scope 3 reporting enables stakeholders to quantify the environmental benefits of steel mills using iron ore pellets compared to other iron ore products such as sinter or lump.

On safety, 2019 represented a strong year, with zero fatalities and the lowest full year LTIFR that we have published since our listing in 2007.

The Group's standalone Responsible Business Report, which will comply with the Global Reporting Initiative, will be published in the first half of 2020.

Finally, on behalf of the CSR Committee, I would like to thank all of Ferrexpo's employees and contractors for their hard work in 2019.

Yuriy Khimich
Chairman, Corporate Social Responsibility Committee

Governance and management framework

CSR-related data is collected and stored in the Group's accounting platform, which serves as a comprehensive CSR database for each of the Company's three business units.

The CSR Committee, which is accountable for most of the areas covered by the Responsible Business Report, met four times in 2019, and assists the Board in its oversight of responsible business-related activities. Following regulatory changes in 2019, the Company commenced its first formal employee engagement process, surveying over 4,500 employees, and feedback provided via a number of sessions at the Company's operations. Further details of this programme are provided on pages 28–29. It is the Company's intention to continue this process on an annual basis, providing a regular channel for employee feedback to the CSR Committee and the Board of Directors.

The following diagrams highlight the CSR governance structure at Ferrexpo and a framework of how responsible business considerations (in green) are fully embedded within the corporate strategy.

Changes to the CSR Committee

As of 12 February 2020, the CSR Committee changed its name to Health, Safety, Environment and Community ("HSEC") Committee. Further Fiona MacAulay (Independent Non-executive Director) was appointed Chair and Sergey Chebotaryov (Health and Safety Director of the Group's operations) joined the Committee. Steve Lucas (Non-executive Chairman) and Kostyantin Zhevago (Non-independent, Non-executive Director) stepped down from the Committee.

Governance structure

The Board
Oversight of responsible business matters and performance

CSR Committee as of 31 December 2019[1]
Chairman – **Yuriy Khimich**
Members – **Kostyantin Zhevago, Steve Lucas, Greg Nortje, Viktor Lotous**

Executive Committee
Focus on priorities and execution of responsible business activities

Health & Safety	Community	Workforce	Environment and Sustainable Resources

Strategic relationships – Licence to operate

Employees and contractors	Communities	Suppliers	Customers	Capital providers and shareholders	Government and regulators

1. Yuriy Khimich – FBM General Director; Kostyantin Zhevago – Non-independent Non-executive Director; Greg Nortje – Group Chief Human Resources Officer; Viktor Lotous – FPM Head of Managing Board. The Group's Chief Operating Officer, Jim North, although not a member of the CSR Committee, was present at all Committee meetings during the year. In April 2019, Bert Nacken resigned as a Non-executive Director and as a CSR Committee member.

Non-financial information statement

The Ferrexpo Group complies with the non-financial reporting requirements contained in Sections 414CA and 414CB of the Companies Act 2006. The table below, and information it refers to, is intended to help stakeholders understand the Company's position on key non-financial matters. This builds on existing reporting that the Company already does under the following frameworks: CDP, Global Reporting Initiative, Guidance on the Strategic Report (UK Financial Reporting Council), UN Global Compact, UN Sustainable Development Goals and UN Guiding Principles. In addition to its Annual Reports, Ferrexpo also publishes a standalone report covering its Responsible Business activities, with the report for 2018 available on the Company's website and the report for 2019 expected to be released in 2Q 2020.

Reporting requirements	Policies and standards	Additional information	Risks
Environmental	— Tailings Management	Tailings dam, pages 46–47 Energy efficiency, pages 36–37 Greenhouse gas emissions, page 44 www.ferrexpo.com/responsibility/environment	Environmental risk management, pages 36–45
Employees	— Ethics and Responsible Business Policy — Code of Conduct — Health and Safety Policy	Health and safety, pages 24-25 Learning and development, pages 24–25, 28–29 Culture, pages 11, 59 Diversity, skills & composition, pages 70, 73, 82 www.ferrexpo.com/responsibility/people	Board Diversity Policy, page 84 People risk, page 53 Governance risk, pages 50, 53
Human Rights	— Human Rights Policy statement — Data Privacy Policy — Anti-Slavery and Trafficking Statement — Information and Cyber Security Policy	www.ferrexpo.com/responsibility/health-and-safety	
Social Matters	— Donations Policy — Community Policy	Independent Review Committee, page 75 Chairman's Statement, page 8 Community case study, pages 34–35 www.ferrexpo.com/responsibility/community	Community risk, page 53
Anti-Corruption and Anti-Bribery	— Anti-bribery Policy — Anti-money Laundering and Counter Terrorist Financing Policy — Fraud Risk Management Policy — Whistleblowing	Chairman's Statement, page 8 www.ferrexpo.com/responsibility/governance	Operational risk, pages 50–60
Principal Risks and impact on business activities		Business Model, pages 18–19 Risk Management, pages 50–51 Viability Statement, page 61 Going Concern Statement, page 105	Principal risks, pages 52–60
Non-financial KPIs		Key Performance Indicators, pages 32–33	

Our approach to being a responsible business

Operational level	Our responsible approach		Our stakeholders
Logistics Workforce Marketing Processing Resource base Mining	**People** — Safety — Occupational health — Diversity — Local hiring — Training and development — Employment and turnover — Contracts and collective bargaining	**Economic Indicators and Business Ethics** — Financial performance — Local investment (including purchasing) and recruitment — Direct value generated — Code of conduct — Responsible purchasing	Government Investors Suppliers Workforce Communities Customers Capital providers
	Community — Community support donations — Government relations — Resettlement and closure plans	**Environment** — Energy — Water — Greenhouse gases — Other air emissions — Land use and rehabilitation	

Risk Management

The Group has established risk management and internal control systems which support the identification, understanding and mitigation of the risks that it faces.

Approach

The Group's risk management processes provide a framework to support the identification, prioritisation and management of both emerging and principal risks involved in the Group's activities. It is not and cannot be designed to eliminate risk, particularly in an emerging market economy. Ferrexpo's risk management policies and procedures have been established to identify and analyse the risks faced by the Group, to set appropriate limits and controls and take relevant mitigating actions where considered by the Board of Ferrexpo and its executive management to be beneficial.

Risk assessment

The Group's risk matrix is regularly reviewed and monitored by the Executive Committee and its sub-committee, the Finance and Risk Management Committee, as well as the Audit Committee and the Board. This review process includes ensuring that any new risks are identified, their potential impact on the Group assessed and appropriate controls established. The risks identified are ranked based on the potential impact and the probability of occurrence in order to assess their impact on the Group's operation and viability. The impact and the probability are reassessed on a regular basis based on latest developments in the Group's macro and micro environment. This includes assessing whether any emerging risks may have become principal risks. Ferrexpo considers an emerging risk to be newly developing or changing risks that are difficult to quantify.

It is the responsibility of the Group's Executive Committee to define appropriate actions to adequately monitor those risks and establish an effective control environment. The controls are generally conducted by the Group's internal audit function or members of the Executive Committee and updates are provided to the Executive Committee and the Board.

Risk governance

The Ferrexpo Board is ultimately responsible for defining the Group's attitude to risk and ensuring that appropriate systems of risk management and internal control are established and embedded across the Group, in conformity with its desired risk management culture. Its responsibility extends to ensuring that the emerging and principal risks faced by the Group are robustly assessed and that the Group's exposure to such risks is aligned with its strategic objectives.

The Audit Committee assists the Board in its regular monitoring of risk exposures and the Group's risk matrix, and is responsible for evaluating the adequacy and effectiveness of the established risk management and internal control systems. It also oversees how management monitors compliance with risk management policies and procedures, with assistance from the Group internal audit function which conducts ad hoc reviews of risk management controls and procedures as part of its annual programme of work. For more information relating to the Audit Committee's monitoring and assessment of the effectiveness of the risk management and internal control systems, see the Audit Committee Report on page 76.

The Finance and Risk Management Committee oversees the centralised financial risk management structures, while the Corporate Safety and Social Responsibility Committee monitors safety, environment and community risks and the Executive Compliance Committee monitors compliance risks. These three Committees assist the Audit Committee and Board in the identification and analysis of both emerging and principal risks. Assurance on the internal control and risk management systems is provided in the form of management information, reports and updates from the Group internal audit function, external audits and the oversight by the Executive Committee, Audit Committee and Board.

2020 risk assessment

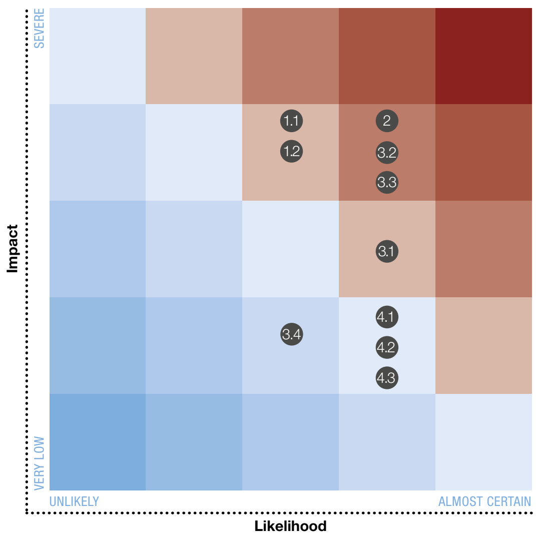
The risks set out in the matrix were assessed by the Finance and Risk Management Committee, Executive Compliance Committee and Audit Committee, as appropriate, and the risks identified as posing the biggest threat to the Company's operations (based on their potential impact and taking account of the mitigating measures in place) were analysed in order to identify the principal risks faced by the Group for assessment by the Board.

At each Board meeting throughout the year, the Board reviewed the risk register and assessed the emerging and principal risks facing the Company over both the short and long term. The Viability Statement is set out on page 61.

Risk matrix heat map

The principal risks identified in the heat map to the right highlight which could have the greatest impact (shaded blue) on the Group's operations and viability.

See pages 52–60 for a full summary of principal risks.



Key

- **1.1** Ukraine country risk (external risk)
- **1.2** Counterparty risk (external risk)
- **2** Global steel demand
- **3.1** Change in pricing methodology
- **3.2** Lower iron ore prices (external risk)
- **3.3** Pellet premiums and pellet supply (external risk)
- **3.4** Seaborne freight rates (external risk)
- **4.1** Operating risks and hazards including mining, processing and logistics (Company-specific risks)
- **4.2** Health and safety risks (Company-specific risk)
- **4.3** Operating cost increases (external and Company risk)

Risk management process

Ferrexpo Board

- Overall responsibility for maintaining sound risk management and internal control systems
- Sets strategic objectives and defines risk appetite
- Monitors the nature and extent of risk exposure, which includes principal and emerging risks

Audit Committee

- Supports the Board in monitoring risk exposure and risk appetites
- Reviews effectiveness of risk management and control systems

Executive Committee

- Assesses and mitigates Company-wide risk
- Monitors internal controls

CSR Committee

- Oversees CSR matters and performance

Finance and Risk Management Committee

- Monitors centralised financial risk management structures

Executive Compliance Committee

- Monitors Group compliance
- Monitors Group and local compliance officers

Internal audit function

- Supports the Audit Committee in reviewing the effectiveness of risk management
- Maintains and develops internal control systems

Operational level

- Risk management processes and internal controls embedded across all Ferrexpo operations

Principal Risks

The principal risks and uncertainties facing Ferrexpo's business as assessed by the Board are listed below.

Principal risks include, but are not limited to, those that could result in events or circumstances that might threaten the Company's business model, future performance, solvency or liquidity and reputation.

Due to the very nature of risk, any list cannot be expected to be completely exhaustive. New risks may emerge and the severity or probability associated with known risks may change over time.

The Group has an internal risk register which considers emerging and principal risks related to the business in terms of monetary impact, probability, maximum foreseeable loss, trend and mitigating actions. The risk register is updated monthly and discussed by executive management at the Group's Finance and Risk Management Committee, where the completeness of the risk register is also considered and any new identifiable risks added. The risk register is also discussed and reviewed by the Audit Committee, at least quarterly per year.

The Board of Ferrexpo has ultimate responsibility for the identification of emerging and principal risks and associated strategies to manage and mitigate such risks, and confirms that during the year it carried out a robust assessment of the Company's emerging and principal risks. The Acting Chief Executive Officer, Acting Chief Financial Officer, Chief Operating Officer and Chief Marketing Officer manage specific risks on a day-to-day basis related to their functions.

Ferrexpo operates in the mining industry where there is an inherent level of risk present due to the nature of its operations. In addition, the iron ore fines price (which forms a major component of the Group's received price) is volatile, while the Group's asset base is located in Ukraine, an emerging market. As such, Ferrexpo recognises and accepts the risks present in its business and looks to manage and mitigate them where possible. In 2019, the kinds of risks included on the register were similar to prior years. There was an emergence of some country risk inherent during times of government change. The Group's operations were not materially impacted and Ferrexpo continued to operate successfully. Risks relating to 2020 are discussed below.

We have indicated how our principal risks would impact our ability to deliver against our strategy, which is:

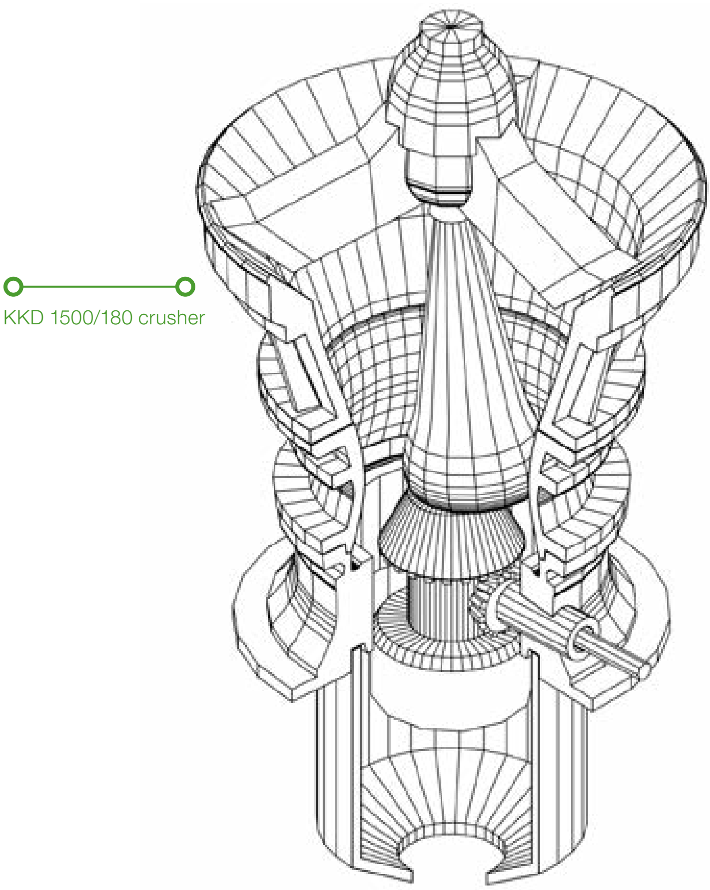
1. Produce high quality pellets
2. Be a low cost producer
3. Sell to a world class customer portfolio
4. Maintain a social licence to operate
5. Maintain appropriate capital allocation between a strong balance sheet, returns to shareholders and investment for growth

↗ Increase in expected risk in 2020

↘ Decrease in expected risk in 2020

→ Risk balance for 2020

FOR MORE INFORMATION ON OUR STRATEGY
SEE PAGES 30–31



1. Country

1.1. Ukraine country risk (external risk)

Root cause and impact

Transparency International ranks Ukraine as 126th out of 180 countries in terms of the level of perceived corruption (with 180th being regarded as the most corrupt). Ukraine's ranking has deteriorated compared to 2018 when it was ranked 120th. Risks associated with these levels of ranking included counterparties that are involved in activities which are not in compliance with relevant international standards, and a weak judicial system that can be susceptible to outside influences and can take an extended period of time for courts to reach final judgement.

Ongoing conflict and/or economic and/or political events in Ukraine can constrain Ferrexpo's ability to raise finance. This could impact the Group's ability to repay debt amortisation and could result in lower levels of capital investment (including sustaining capex which could result in lower production levels). General country instability also has negative social and economic consequences and could impact Ferrexpo's ability to operate without disruption in Ukraine. It can also reduce availability of high skilled labour as emigration levels rise.

Kostyantin Zhevago, a controlling shareholder of Ferrexpo, has a number of other business interests in Ukraine, unconnected to the Group. Developments at these other businesses can inadvertently have a negative impact on Ferrexpo's reputation.

In this regard, a Ukrainian court has placed a restriction over 50.3% of the shares in Ferrexpo Poltava Mining ("FPM") held by Ferrexpo AG Switzerland, the sole shareholder in FPM. Ferrexpo AG has appealed this court order. The restriction does not affect ownership of the shares but prohibits their transfer. The Group believes this restriction is temporary and is in connection with ongoing matters in Ukraine involving Kostyantin Zhevago and one of the businesses he owned until 2015. Ferrexpo's operations remain unaffected and continue as normal. Furthermore, Ferrexpo AG has no intention, and never has had any intention, to transfer its shareholding in FPM. The Board of Ferrexpo believes that an appeal should be successful given the advice received that the order has no proper or reasonable basis under Ukrainian law.

During the year the controlling shareholder, Kostyantin Zhevago, stepped down as CEO in order to resolve certain matters in one of the businesses he previously owned. While this is a separate matter from Ferrexpo, there is a risk that these matters may affect the business due to his 50.3% shareholding.

FOR MORE INFORMATION SEE NOTES 30 AND 34 TO THE CONSOLIDATED FINANCIAL STATEMENTS

Responsibility

Chief Executive Officer
Ferrexpo Board of Directors

Risk appetite

Medium

Link to strategy

1 2 3 4 5

Change

Mitigation

Ferrexpo operates in accordance with relevant laws and utilises internal and external legal advisers as required to monitor and adapt to legislative changes or challenges.

It maintains a premium listing on the London Stock Exchange and it is currently in compliance with the UK Corporate Governance Code and Market Abuse Regulation.

Ferrexpo has a relationship agreement in place with Kostyantin Zhevago, a controlling shareholder, which stipulates that the majority of Board Directors must be independent. For all related party transactions strict procedures, systems and controls are in place.

Ferrexpo prioritises a strong internal control framework including high standards of compliance and ethics. It operates a centralised compliance structure supported and resourced locally at the Group's operations. Ferrexpo has implemented policies and procedures throughout the Group including training.

Ferrexpo prioritises sufficient total liquidity[A] levels and strong credit metrics to ensure smooth operations should geopolitical or economic weakness disrupt the financial system of the country.

Ferrexpo looks to maintain a talented workforce through skills training and by offering competitive wages, taking into account movements of the Hryvnia against the US Dollar and local inflation levels.

Ferrexpo has a high profile given its international client base, its London listing and bank lending from Western financial institutions. Board Directors and relevant senior management are tasked with stakeholder engagement and government relations to communicate the economic contribution that Ferrexpo makes to Ukraine and to show that it operates to world class standards.

Principal Risks
continued

1.2. Counterparty risk (external risk)

Root cause and impact

Ferrexpo has counterparty exposure through ongoing trading relationships as well as with the Ukrainian government, in many areas including taxation, mining licences to operate as well as other permits. It also has counterparty exposure through state monopolies such as the supply of electricity, gas and freight transportation. Ukraine has a weak credit profile as defined by international credit rating agencies. Financial instability or lack of transparency at Ferrexpo's counterparties could lead to financial loss. This could impact the Group's ability to pay dividends to shareholders, repay debt amortisation and could result in lower levels of capital investment, including sustaining capex which could impact production levels.

In 2019, the Group established an Independent Review Committee ("IRC") to investigate the use of funds donated by Ferrexpo to a Ukrainian charity called Blooming Land. The work of the IRC and its advisers included a forensic review undertaken by BDO LLP, a review of relevant documentation, interviews with Ferrexpo employees and Directors, correspondence with the Blooming Land Charity and other third parties and advice from legal counsel in the UK and Ukraine. The review was unable to conclude that all funds had been spent in accordance with the initial intention, which leaves the Group open to regulatory challenges.

FOR MORE INFORMATION SEE PAGE 75

Responsibility

Ferrexpo Board of Directors

Risk appetite

Low

Link to strategy

4

Change ↗

Mitigation

Ferrexpo deals with well-established steel producers that have sound credit profiles.

Ferrexpo's counterparties are subject to regular and thorough review. The results of these reviews are used to determine appropriate levels of exposure, and available alternatives, in order to reduce the potential risk of financial loss.

The Group develops its supplier base in order to avoid excessive dependence on any supplier, actively encouraging a diversity of supply where reasonable and practical.

Companies that would like to work with Ferrexpo are required to undergo an Accreditation Procedure, where their documents, licences and financial stability are checked. In 2019, Ferrexpo added automatic screening and monitoring for sanctions and other risks for counterparties registered in Ukraine. Suppliers that pass accreditation can participate in tenders. Additional checks and further monitoring are required at this stage, including checks for sanctions, adverse media, bribery, use of forced labour, etc.

All supplier contracts must contain the defined set of compliance clauses (related to anti-bribery, sanctions, tax compliance, modern slavery, etc). In 2019, these and other requirements were consolidated into the Business Partners' Code of Conduct, which is now referenced in all contracts.

The Executive Compliance Committee ("ECC"), an executive sub-committee of the Board, met eight times in 2019, and is charged with ensuring that systems and procedures are in place to comply with laws, regulations and ethical standards. The ECC is attended by the Group Compliance Officer and, as necessary, by the local compliance officers from the operations, who present regular reports and ensure that the ECC is given prior warning of regulatory changes and their implications. The ECC enquires into the ownership of potential suppliers deemed to be "high risk", and oversees the management of conflicts of interests below Board level and general compliance activities (including under the UK Bribery Act 2010, the Modern Slavery Act, the Criminal Finances Act, and the EU General Data Protection Regulation).

Donations to the Blooming Land Charity were suspended in May 2018, and in August 2019 the Group formally terminated the relationship.

The Board's current policy regarding charitable donations is not to donate on a nationwide basis. Should the Company resume any national CSR programme in Ukraine, the Board will ensure adherence to the highest standards of diligence, oversight, governance and reporting.

2. Global steel demand

Root cause and impact

The Group's realised price is principally impacted by demand for iron ore which is highly correlated to global demand for steel and steel mill profitability.

A weak demand environment would support demand for low grade iron ore as steel mills look to reduce their input costs and, therefore, reduce the premium paid for high quality ores and pellets. Higher scrap usage could also impact overall demand for iron ore and hence iron ore pricing.

In 2019, steel production increased in China (+8.3%), India (+1.8%) and the Middle East (+19.2%) while it decreased in most of the rest of the world. Europe 28 production was down 4.9%, Japan down 4.8% and South Korea down 1.4%.

Profit margins at steel mills in Germany fell from around mid-teens at the start of 2019 to low single digits by the end of the year. In China, profit margins fell sharply in 3Q 2019 from around break-even levels at the start of the year, and ended the year with a small recovery to positive single digits. Margins were under pressure due to increased raw material costs and weaker end-user demand. To date in 2020, the outlook for steel mill margins is subject to the impact of the coronavirus, which cannot be fully assessed at present. During 1Q 2020, the COVID-19 virus began causing disruption to Chinese supply chains which in turn is impacting the distribution networks of steel producers and their customers. This is likely to result in increased short-term volatility for the iron ore market. Once supply chains return to normal operation, there could be a prompt drawdown of steel inventory, which has built up during this period of disruption, causing downward pressure on steel prices. Further, a significant spread of the COVID-19 virus into Europe could also impact steel demand and subsequently pellet demand from the largest pellet-consuming region.

FOR MORE INFORMATION SEE PAGES 14–17 OF THE MARKET REVIEW

Responsibility

n/a – Ferrexpo's market share of the total iron ore market is very low, and as such, it cannot influence supply or pricing.

Risk appetite

Medium

Link to strategy

3 5

Change ↗

Mitigation

Ferrexpo is a low cost producer relative to the majority of its peers, positioned on the lower half of the pellet cost curve. Ferrexpo's operating costs are partly correlated with commodity prices. When the commodities cycle is in a downward phase, and Ferrexpo typically receives a lower selling price, its cost base in general also reduces. The Hryvnia is a commodity-related currency and historically over the long term it has depreciated during periods of low commodity prices, although movements of the Hryvnia against the US Dollar can also be influenced by short-term political factors.

3. Risks related to realised pricing

3.1 Change in pricing methodology

Root cause and impact

Ferrexpo's achieved price can vary significantly from period to period as it is dependent on the global price for iron ore fines, pellet premiums and freight.

The Group's pricing formula for its long-term contracts is based on the leading iron ore fines indices plus a negotiated pellet premium and an adjustment for the cost of international freight, typically the C3 index.

In 2019, most pellet exporters to the seaborne market, including Ferrexpo, agreed with customers to base pellet pricing off the 65% Fe iron ore fines price. This represented a major change for the industry and allowed producers of 65% Fe pellets, such as Ferrexpo, to directly capture the price premium for higher grade ore.

Price negotiations for 2020 remain ongoing.

FOR MORE INFORMATION SEE PAGE 39 OF THE FINANCIAL REVIEW

Responsibility

Chief Marketing Officer
Chief Executive Officer

Risk appetite

Medium

Link to strategy

1 3 5

Change →

Mitigation

Ferrexpo endeavours to achieve the prevailing market price at all times; however, it is a low cost producer and has always been cash flow positive through the commodities cycle.

For more information on its position on the cost curve see Market Review on page 17. The Group also has the logistics capability to divert sales to other markets to offset any regional weakness.

Principal Risks
continued

3.2. Lower iron ore prices (external risk)

Root cause and impact

A decline in the iron ore fines price will reduce Group revenue, profitability and cash generation. A reduction in cash generation could impact the Group's ability to fund maintenance and development capital investment. Lower levels of maintenance investment could result in lower production volumes, higher production costs, reduced cash generation and a weakened balance sheet. This could impact the Group's ability to pay dividends to shareholders, repay debt amortisation and invest in future production growth.

The 62% Fe iron ore fines price averaged US$93 per tonne in 2019 compared to US$69 per tonne in 2018.

The iron ore forward curve for benchmark 62% Fe iron ore fines is currently in backwardation with delivery in December 2020 at around US$80 per tonne compared to spot on 16 March 2020 of approximately US$90 per tonne. For further information see Iron Ore Supply (Iron Ore Market Review on page 15).

Lower iron ore fines prices will reduce the Group's realised price and profitability.

FOR FURTHER INFORMATION SEE PAGES 14–17 OF THE MARKET REVIEW

Responsibility

N/a – Ferrexpo's market share of the total iron ore market is very low, and, as such, it is considered a price taker.

Risk appetite

Medium

Link to strategy

1 3 5

Change

Mitigation

Ferrexpo is a low cost producer relative to the majority of its peers, positioned on the lower half of the pellet cost curve. Ferrexpo's operating costs are partly correlated with commodity prices. When the commodities cycle is in a downward phase, and Ferrexpo typically receives a lower selling price, its cost base in general also reduces. The Hryvnia is a commodity-related currency and historically over the long term it has depreciated during periods of low commodity prices, although movements of the Hryvnia against the US Dollar can also be influenced by short-term political factors.

Ferrexpo regularly reviews options to hedge the price of its output; however, its current strategy is to not enter into hedging agreements. Ferrexpo has maintained positive profit and cash generation throughout the iron ore price cycle.

3.3. Pellet premiums and pellet supply (external risk)

Root cause and impact

Pellet premiums

Historically, pellet premiums have been correlated to steel mill profitability as they are the most productive source of iron in a blast furnace and thus trade at a price premium to other types of iron ores. When steel producer profitability is under pressure the reduction in usage of higher cost raw materials could lead to lower demand for iron ore pellets and/or a fall in pellet premiums.

Lower pellet premiums will reduce Ferrexpo's realised price and could impact the Group's cash generation ability. This could impact the Group's ability to pay dividends to shareholders, repay debt amortisation and could result in lower levels of capital investment (including sustaining capex).

Historically, a substantial portion of Ferrexpo's profitability has been due to the pellet premium. The average Atlantic pellet premium from 2011 to 2019 was US$42 per tonne.

Pellet premiums are primarily influenced by steel mill profitability; however, in the medium to long term premiums may also be influenced by increasing requirements to reduce air emissions in the steel production process or an increase in supply of lump ores.

High barriers to entry make it unlikely that there will be significant new pellet supply entering the market in 2020. Incumbent producers, however, can switch supply from blast furnace to direct reduction pellets or from international export to domestic consumption. The Group believes that in 2020 pellet seaborne supply will not increase due to weaker international prices. Further low pellet premiums could result in some capacity reduction for producers with high pellet conversion costs.

A producer in Brazil is likely to return to the market (following a five-year outage due to a tailings dam failure) at the end of 2020 which could reduce pellet premiums; however, the producer has indicated that it will operate at around 30–35% of its 25 million tonne capacity for at least five years, given reduced tailings storage capacity.

FOR FURTHER INFORMATION ON TAILINGS SEE PAGES 14–17 OF THE MARKET REVIEW

Responsibility

Chief Marketing Officer
Chief Executive Officer

Risk appetite

Medium

Link to strategy

1 3 5

Change

Mitigation

Ferrexpo sells high quality pellets which underpins demand for its product throughout the commodity cycle. Should the pellet premium decline, Ferrexpo has one of the lowest pellet conversion costs in the industry, which should ensure that it is able to remain a competitive producer.

FOR FURTHER INFORMATION ON PELLET PREMIUMS AND THE MARKET ENVIRONMENT SEE PAGES 14–17

3.4. Seaborne freight rates (external risk)

Root cause and impact

Freight rates

As iron ore is a bulk commodity, seaborne freight rates are an important component of the cost to deliver product to a customer. An increase in freight rates will reduce the net price received from a customer, and reduce profitability, while a reduction in freight rates will increase the net price received from a customer.

Seaborne freight rates, such as C3, are published by the Baltic Exchange. C3 freight represents the cost for ocean transportation for iron ore from the Brazilian port of Tubarão (where the largest seaborne pellet supplier is based) to Qingdao, China (the world's largest steel producer).

Ferrexpo's received price is referenced to transparent freight indices such as the Baltic Exchange C3 freight price. In 2019, the C3 index was in line with 2018 at an average of US$18 per tonne. Freight rates are largely influenced by the price of oil and demand for seagoing vessels from bulk commodity producers.

As of 1 January 2020, the International Maritime Organization enforced a new 0.5% global sulphur cap on fuel content in the shipping industry from the present 3.5% limit. Subject to supply and demand dynamics, including steel mill profitability, the introduction of IMO 2020 could increase freight costs, due to the installation cost of scrubbers or the higher cost of compliant fuel, for iron ore suppliers across the industry and reduce net prices and thus impact profitability.

Responsibility

Chief Marketing Officer
Group Freight Manager

Risk appetite

Medium

Link to strategy

2 3 5

Change

Mitigation

Ferrexpo has its own in-house freight and distribution specialists who procure freight competitively on behalf of the Group. Ferrexpo's geographic proximity to its European customers is a competitive advantage compared to other iron ore producers.

Principal Risks
continued

4. Operating risks

4.1. Operating risks and hazards including mining, processing and logistics (Company-specific risks)

Root cause and impact

Ferrexpo operates large-scale mining operations and industrial process facilities, which pose significant operating challenges and environmental risks. The Group is exposed to geotechnical incidents, including high wall failures and tailings dam breaches, as well as catastrophic processing equipment failure. This could lead to large-scale fatalities, production-related shortfalls or shutdowns as well as logistics bottlenecks.

The Group's operations require significant sustaining capital expenditure and repair and maintenance programmes to ensure safe operation and availability of equipment. A reduction in sustaining capital or repairs and maintenance expenditure can result in accidents and/or fatalities, lower mining volumes, processing plant breakdowns and pelletiser line failures.

Production stoppages will reduce output, increase operating costs, and reduce the quality of the product. Lower volumes, higher costs and financial penalties due to poor quality and late delivery can impact the Group's cash generation ability, reducing liquidity levels and impacting capital investment[A] levels as well as our ability to repay debt and pay dividends to shareholders. Poor pellet quality or late delivery of product can also affect the Group's ability to perform according to customer contracts and its ability to maintain and renew contracts in the future.

Leadership development, in-depth technical know-how and a well-developed succession planning process is required to maintain detailed operating expertise and is key to underpinning the performance of the Group's operations and reducing operating risk.

Responsibility

Chief Operating Officer
Chief Marketing Officer
Chief Executive Officer

Risk appetite

Medium

Link to strategy

2 3 5

FOR MORE INFORMATION SEE PAGES 42–45 OF THE OPERATIONS REVIEW AND THE CASE STUDY ON PAGES 46–47.

Change

Mitigation

In 2019, the Group completed a programme to refurbish its pellet lines. Since listing in 2007, Ferrexpo has spent US$959 million on sustaining and modernisation capital (2019 sustaining capex: US$97 million; 2018 sustaining capex: US$66 million).

Ferrexpo operates one tailings dam covering an area of 1,500 hectares. The dam is constructed on flat topography. The dam is split into three sections with each section subdivided into smaller sections of 400 metres by 400 metres. The walls of the dam and of the sections within the dam are constructed using engineered fill, including siliceous rock. Due to this construction methodology, a total failure or breach of the major walls of the tailings impoundment is unlikely to occur. In the unlikely event of failure of the compartment walls or structure, the impact would be minimal in terms of tailings release. The dam has been designed by external consultant Ukrgiproruda, with biannual inspections by the Ukrainian mining regulator.

Following the tailings dam breach in Brazil in January 2019, the Group commissioned Knight Piésold Consulting to conduct an independent review of our tailings storage facility in terms of design, construction and operational management. The conclusion of the Knight Piésold report was that our tailings facility is an appropriate design for the volume of tailings being deposited, is well managed and has an appropriate inspection and monitoring regime. The report raised a number of key differences between the structure of Ferrexpo's tailings dam and the Brumadinho dam that failed in January 2019, specifically the topography of the area of construction of Ferrexpo's dam is on flat land (rather than valley fill), with embankments at a shallower angle and dam walls constructed using a mixture of materials including coarse compacted rock (as opposed to uncompacted material). The audit report made a number of recommendations for improving the dam's operational management controls, which the Company is now looking to incorporate.

As a result of the continued development of the mines' open pit operations, Ferrexpo has recently implemented improved geotechnical management processes. This includes the use of international geotechnical consultants to regularly review the geotechnical management programme as well as monitoring and operational controls of the pit high walls.

Where possible, Ferrexpo owns its own logistics infrastructure. As of 31 December 2019, this included 2,850 rail cars, which reduces reliance on state rail cars for transportation of pellets to border points, 154 barges to transport pellets into Central Europe, and a 49.9% interest in the port of TIS Ruda on the Black Sea which guarantees the Group independent access to seaborne markets, avoiding reliance on the state port.

The Group operates a talent management and leadership programme to ensure management coverage of business-critical roles. This involves the annual assessment of all managers across the Group of approximately 300 people. The results are presented to the Operations Management Committee, the Executive Management Committee and to the Board.

4.2. Health and safety risks (Company-specific risk)

Root cause and impact

The mining and processing of iron ore is often associated with a hazardous working environment as it includes the use of explosives and the operation and repair of large mining machinery, amongst other things. Failure to provide a safe work environment for the Group's workforce and failure to ensure the right safety culture and subsequent safe behaviours can impact the Group's social licence to operate. Fatalities and lost time injuries negatively impact the workforce, their families and the communities in which we operate, and it can result in production stoppages due to regulatory interventions.

The Group was fatality free in 2019 (2018: one fatality) and the Group's lost time injury frequency rate ("LTIFR") declined to 0.58x – a record for the Group and a significant improvement on the 2018 result when the Group LTIFR was 1.18x.

FOR MORE INFORMATION SEE CASE STUDY ON PAGES 24–25 AND PAGE 42

Responsibility

Chief Operating Officer
Chief Marketing Officer
Chief Executive Officer

Risk appetite

Low

Link to strategy

1 2 3 4 5

Change

Mitigation

Analysis conducted on the Group's incidents highlighted non-compliant behaviour and work practices being the primary cause of accidents with a large proportion of these events involving the Group's contractors.

Actions taken during 2019 have been largely focused on contractors and FPM employees. Activities include:

- significant incident reporting and investigation methods;
- significant risk training and awareness;
- leadership development programme to ensure right safety culture is instilled in the workplace;
- programme to improve housekeeping of maintenance and production areas and workplace conditions;
- increased frequency of external HSE audits and review of subsequent action plans;
- development of a standardised reporting procedure and alignment to international best practice through benchmarking;
- implementation of Visible Leadership programme;
- safety training to instil a culture of accountability. The goal of these workshops is to emphasise and ensure that all employees understand and appreciate the importance of good operating discipline and the strict adherence to safety procedures and that protection of our employees is paramount; and
- an increase in speed checks, implementation of stationary speed monitoring devices and speed cameras, as well as enhanced drug and alcohol testing to provide greater sampling of the workforce.

A portion of all employees' total remuneration, especially the bonus structure, is linked to team and individual safety performance.

Principal Risks
continued

4.3. Operating cost increases (external and Company risk)

Root cause and impact

The production of iron ore pellets is a more capital-intensive process than other types of iron ore production as it requires the enrichment of relatively low grade iron ore into a high grade iron ore product. As such, pellet producers typically have higher operating costs per tonne of output than producers of iron ore fines or lump.

Approximately 30% Ferrexpo's C1 cash cost of production (US$ per tonne) is commodity related, including fuel, gas, explosives, tires and steel grinding media. In times of relatively high iron ore prices the cost of production tends to increase due to commodity cost inflation; however, during periods of low commodity prices the cash cost is typically reduced. In addition, over 60% of the Group's operating costs, including in-land logistics costs, are incurred in Ukrainian Hryvnia. The Hryvnia is a commodity-related currency and historically over the long term it has depreciated during periods of low commodity prices, although movements of the Ukrainian Hryvnia against the US Dollar can also be influenced by short-term political factors.

As such, the Group's cost of production is sensitive to local inflation, exchange rate fluctuations between the Hryvnia and the US Dollar and US Dollar commodity cost inflation.

In the higher pellet premium environment the Group has taken the opportunity to increase its repair and maintenance activities to further improve equipment reliability and performance. The Group is also increasing its mining activity at FPM to sustain existing volumes of higher grade ore and access new plots with higher grade ore.

In 2019, the Group's C1 cash cost of production increased to US$47.8 per tonne from US$43.3 per tonne. See pages 56 and 57 for a description of the factors impacting operating costs.

In 2020, the Group expects royalties (which are included in the C1 cash cost of production) to increase by approximately US$1 per tonne due to new royalty tax legislation expected to be adopted in March 2020, impacting the Group from 2Q 2020.

FOR MORE INFORMATION SEE PAGES 39–41 OF THE FINANCIAL REVIEW

Responsibility

Chief Operating Officer

Risk appetite

Low

Link to strategy

2 5

Change →

Mitigation

Ferrexpo sits in the bottom half of the pellet cost curve. Many of its costs which relate to commodity prices will impact its peers to a similar extent. As such in times of higher commodity prices, the Group should be able to maintain its cost competitiveness relative to its competitors.

Ferrexpo looks to increase production volumes to ensure fixed cost dilution and enable the Group to offset (to some extent) external cost inflation. The Group has a Business Improvement Programme aimed at increasing efficiencies and reducing costs by 1% to 2% per annum.

Ferrexpo has established several sources of suppliers for key products as well as several supply routes.

Viability Statement

The Board monitors the Group's risk management and internal control systems on an ongoing basis, and confirms that during the year it carried out a thorough assessment of the principal risks facing the Group, their potential impact and the mitigating strategies in place, as described on pages 52 to 60.

The principal risks include those that could result in results or circumstances that might threaten the Group's business model, future performance, liquidity, solvency or reputation.

Time horizon

The Board has reviewed the long-term prospects of the business, which remain aligned with Ferrexpo's life of mine assumptions.

For the purposes of assessing the Group's viability in the medium term, the Directors have chosen a five-year time period given the long-life nature of mining assets, including the period required to invest in such assets and taking into account the cash flows generated by those assets, as well as the cyclical nature of the commodities industry. As such, a five-year time period was considered an appropriate length for the Board's strategic planning period.

Stress testing

In determining the viability of the business, the Directors have stress tested the individual risks and combination of risks that could materially impact the future viability of the business.

The Group is primarily exposed to changes in the iron ore fines price, pellet premiums and cost inflation. Based on 2020 expected production volumes of approximately 11.5 million tonnes, a US$5 per tonne fall in the Group's received price would, if not mitigated, reduce the Group's underlying EBITDA by US$5.0 per tonne. While a general production cost increase of 10% would decrease Group underlying EBITDA by US$4.9 per tonne and a 10% decrease in production volumes would decrease underlying EBITDA by US$4.0 per tonne.

Other stress test scenarios included operational incidents that have a significant impact on production volumes, a deterioration in the Group's long-term cost position on the industry cost curve or other operating constraints due to Ukrainian country risk.

The scenario analysis includes severe situations outside the normal course of business, such as a breakdown in the linkage between the movements of the iron ore price with other commodity prices, notably the oil price which forms a significant component of the Group's cost base or an appreciation of the Ukrainian Hryvnia when the iron ore price is weak.

Mitigating actions include a reduction or cancellation of discretionary expenditure such as dividends, non-essential capital investment and repairs and maintenance, or other operating costs, adjusting capital allocation, reducing working capital requirements, altering mining schedules and accessing additional funding.

The Directors take comfort in the Group's historical cash generation ability, particularly in 2015 and 2016 at a time when the iron ore price was trading at a cyclical low. Since 1 January 2016, the Group has reduced its net financial indebtedness by over US$585 million and it currently has a strong financial profile.

Viability Statement

Based on the results of this analysis, the Directors have a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due over the five-year period of this assessment.

Prospects

The Directors, having assessed the Group's current position and the principal risks related to the Group's business model, believe the long-term prospects of the Group remain sound. Principally, this is due to Ferrexpo's competitive cost position on the iron ore cost curve, its high quality product that commands a price premium in a niche market with high barriers to entry, a first-class customer portfolio, a well-invested asset base and favourable long-term industry dynamics supporting pellet consumption.

The Strategic Report was approved by the Board and signed on its behalf by:

Steve Lucas
Chairman

Corporate Governance Report
Chairman's Introduction

***Steve Lucas,** Chairman*

793D haul trucks at FYM

Dear Shareholder

I am pleased to present our Corporate Governance Report, which sets out our governance structure and highlights the governance activity of the Board and its principal committees during the course of the year.

The Board remains committed to maintaining good corporate governance practices throughout the Ferrexpo Group. During the year, with the assistance of external advisers, we reviewed and updated existing arrangements in light of the revision of the UK Corporate Governance Code in 2018 and also as required by law and best practice. The structure, policies and procedures we have adopted, which are described in this report, the Directors' Report and the reports of the various committees, reflect this commitment, but we recognise the need to keep them under review and to make changes where necessary to ensure that standards are maintained and to reflect best practice.

The Board's role includes managing the risks facing the business. This includes taking into account the risks associated with the country of operation, operational and financial risks including health, safety and environmental risks, together with market volatility, financing and refinancing exposures.

This year saw the Independent Review on charitable donations relating to Blooming Land reach a conclusion. (See the Independent Review Report on page 75). Prior to this, all charitable payments had been stopped (from May 2018) and the Board terminated Ferrexpo's relationship with this charity on 30 August 2019. Since then, the Board has taken further steps to improve the control and oversight of CSR payments as detailed below.

Controls over community support donations

In 2019, Ferrexpo continued to support communities on a local and national basis (see Responsible Business section of the Strategic Report on pages 48 to 49). Community support activities took place exclusively in Ukraine and donations were made within a Board-approved framework agreed annually at the time of setting the budget; they are subject to the internal control and approval limits applicable within the individual subsidiaries of the Group, which are set by the Board.

The Board exercises control of the local charitable spending via its CSR Committee, which oversees and directs these activities.

The Audit Committee reviewed reporting from the external auditors in relation to their procedures on CSR as part of their audit of the Group.

Statement of Compliance (In Accordance with Listing Rule 9.8.6R)

During the year to 31 December 2019, the Company applied all Principles and Provisions (marked A–R and 1–41 respectively), and complied with the 2018 UK Corporate Governance Code (the "Governance Code", which is available at www.frc.org.uk).

Developments in 2019 concerning Blooming Land

The Board took a number of steps in 2019 relating to Blooming Land. Specifically:

- It continued its policy of suspending any further payments to the Charity in 2019 pending receipt of satisfactory documentation and responses. Those requirements were not met so no payments were made to the Charity.
- It conducted an Independent Review into the payments to the Charity. The review commenced in February 2019 and concluded in August 2019 (see page 75 for more).
- As of 30 August 2019, it terminated Ferrexpo's relationship with the Charity.

During the year, the controls that existed for all charitable donations were also reviewed and improved. This included reviewing the risk-based due diligence procedures that had been in place since 2014. The current policies and procedures in this field include:

- Third Party Due Diligence Guidance.
- A Know Your Client process.
- Procurement procedures throughout our operations (the current versions were adopted in 2016 and have been reviewed periodically thereafter).
- A Donations Policy for charitable activities has been in place since May 2017. This was reviewed in March 2018.

Compliance is being further improved by introducing automated screening and monitoring. In September 2019, the Executive Compliance Committee reviewed an enhanced risk-based approach which will be further implemented into the processes at Group level and at Operations.

New medium fine crushing facility at FPM

It was also agreed that no new national charity programme was to commence and a number of recommendations were made which included that should a new national programme of charitable donations in future be proposed, full diligence and enhanced controls would be implemented. In such a scenario, the Company would review its Donations Policy and request the compliance and legal teams to draft guidelines on the process and procedures that would be adopted to ensure proper budgets, transparency and accountability over donations made.

The Group's local charitable donations in 2019 were not impacted by the Independent Review into Blooming Land. For further information see Responsible Business on page 48.

The Company also considered its due diligence and other compliance procedures in relation to relationships with other counterparties, unrelated to charitable donations.

As part of the above, the Company obtains external corporate governance and legal advice as appropriate.

For further information

See Chairman's Statement (page 8), Principal Risks (page 54), Responsible Business (page 48), Corporate Governance Report (page 62), Independent Review Committee Report (page 75), and Note 7 (page 132), Note 30 (page 167) and Note 34 (page 171) to the Consolidated Financial Statements.

Post AGM engagement

During the year we consulted with shareholders on a number of important issues, one of them following a significant vote against Resolution 1 at the 2019 AGM (to receive the 2018 Report and Accounts: 67% of votes for and 33% of votes against). The Company considered the votes against arose as a result of concerns over corporate governance. Actions taken in response included:

- the appointment of Graeme Dacomb and Fiona MacAulay as Independent Non-executive Directors and the Chairs of the Audit and Remuneration Committees respectively;
- the appointment of Vitalii Lisovenko as Senior Independent Director;
- the appointment of MHA MacIntyre Hudson as auditor; and
- the completion of the Independent Review.

Since August, the Company has continued its search for diverse candidates to strengthen the profile of the Board. This work remains ongoing (please see Nominations Committee Report on page 82).

Steve Lucas
Chairman
17 March 2020

Board of Directors

Steve Lucas
Non-executive Chairman

Date of appointment
19 May 2016

Other appointments
Non-executive director, Tullow Oil plc since 2012; Non-executive chairman, Averda Holdings International Limited since March 2020.

Background and experience
Steve Lucas is a Chartered Accountant with long and wide-ranging financial experience as an executive and non-executive director in the energy and extractive industries.

- Non-executive director, Acacia Mining Plc, 2013–2019
- Non-executive director, Essar Energy plc, 2012–2014
- Finance director, National Grid plc, 2002–2010
- BG Group, 1994–2000, latterly as group treasurer
- Shell International Petroleum Co, 1983–1994, in various senior financial roles
- Chartered Accountant.

Committee membership
Steve is the Chairman of the Nominations Committee and a member of the Committee of Independent Directors, and was a member of the Independent Review Committee (until 30 August 2019) and the CSR Committee (until 5 November 2019).

Vitalii Lisovenko
Senior Independent Non-executive Director

Date of appointment
28 November 2016

Other appointments
Non-executive adviser to the Minister of Finance of Ukraine, having previously served as an executive counsellor to the Minister of Finance. Non-executive alternate director, Black Sea Trade and Development Bank (Greece) since 2014.

Background and experience
Vitalii Lisovenko has spent most of the past 20 years involved in government finance, developing particular expertise in debt negotiation. In 2005, he served as the head of the Trade and Economic Mission at the Ukrainian Embassy in London. He has also worked in the banking and private sector and he was an Associate Professor of Finance at the Kyiv State Economic University.

- Executive director, Ukreximbank (Ukraine), 2006–2010
- Executive director, Alfa Bank Ukraine, 2010–2014
- Non-executive director, Amsterdam Trade Bank, 2013–2014
- PhD in Economics, Kyiv National Economic University.

Committee membership
Vitalii is the Chairman of the Committee of Independent Directors and a member of the Audit and Remuneration Committees. He chaired the Independent Review Committee until its conclusion on 30 August 2019 and was appointed Senior Independent Director on 19 August 2019.

Chris Mawe FCA
Acting Chief Executive Officer

Date of appointments
7 January 2008 as Chief Financial Officer

25 October 2019 as Acting Chief Executive Officer

Other appointments
None.

Background and experience
Chris Mawe has substantial experience gained in senior financial roles in the mining industry in the UK and continental Europe. He also has operational and managerial experience in the engineering industry.

- Finance director, UK Coal plc, 2004–2007
- Finance director, Carclo plc, 1999–2004
- Finance director of various large subsidiaries of IMI plc, 1992–1999
- Chartered Accountant, Coopers & Lybrand, 1991
- First-class honours degree in Engineering, 1987.

Committee membership
None.

Raffaele (Lucio) Genovese
Non-independent Non-executive Director

Date of appointment
12 February 2019

Other appointments
Chief executive officer of Nage Capital Management AG, a Swiss-based investment and advisory firm, since 2004; chairman of Firestone Diamonds Plc since 2012; and non-executive director of Mantos Copper SA since September 2015, Ferrexpo AG since 2011 and Nevada Copper Inc since 2016.

Background and experience
Lucio Genovese has over 30 years of experience in both the merchant and financial sector of the metals and mining Industry. He has previously served as an investment officer and a member of the board of Taj Investment Limited. Prior to that, he worked at Glencore International AG where he held several senior positions including the CEO of the CIS region.

- Independent Non-executive Director, Ferrexpo plc, 2007–2014
- Investment officer, InCentive Asset Management, 2000–2003
- Senior executive officer, Copper Division, Glencore International, 1996–1999
- Chief executive officer, CIS Operations, Glencore International, 1992–1995
- Chartered Accountant
- Bachelor of Commerce and Bachelor of Accounting from the University of Witwatersrand, Johannesburg, South Africa.

Committee membership
None.

Fiona MacAulay
Independent
Non-executive Director

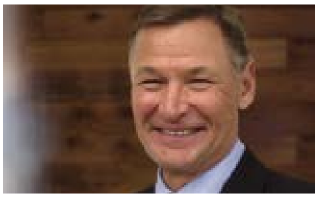
Date of appointment
12 August 2019

Other appointments
Non-executive chair of Independent Oil & Gas plc since 2018; non-executive director of Coro Energy plc since 2017; non-executive director of EPI Group Ltd since 2019; Exploration Advisory Board of Cairn India Ltd since 2019.

Background and experience
Fiona MacAulay is a Chartered Geologist with experience of worldwide oil and gas operations acquired over a 30-year career with Mobil, British Gas, Amerada Hess Rockhopper and Echo Energy.

- Chief executive officer, Echo Energy plc 2017–2018 and a non-executive director 2018–2019
- Chief operating officer, Rockhopper Exploration plc, 2013–2017
- Chartered Geologist.

Committee membership
Fiona is the Chair of the Remuneration Committee and a member of the Audit, CID and Nominations Committees. She was a member of the Independent Review Committee (12 to 30 August 2019). Fiona was appointed the Chair of Health Safety Environment and Community Committee (formerly the CSR Committee) on 13 February 2020.



Graeme Dacomb
Independent
Non-executive Director

Date of appointment
10 June 2019

Other appointments
Non-executive director of Anglo Pacific Plc since 2019.

Background and experience
Graeme Dacomb is a Chartered Accountant and a former audit partner of Ernst & Young LLP, where he worked as a lead audit partner of the extractive sector. From 2011–2018 he was a member of the Financial Reporting Review Panel.

- Chartered Accountant
- Honours degree in Commerce from University of Cape Town.

Committee membership
Graeme is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Committee of Independent Directors. He was also a member of the Independent Review Committee (until 30 August 2019).

Kostyantin Zhevago
Non-independent
Non-executive Director

Date of appointments
14 June 2007 as Non-executive Director

1 November 2008–25 October 2019 served as Chief Executive Officer

25 October 2019 as Non-independent Non-executive Director

He is also a controlling shareholder of Ferrexpo.

Other appointments
None.

Background and experience
Kostyantin Zhevago has substantial management and investment experience gained over a 25-year business career in Ukraine.

- Non-executive director, New World Resources plc, 2008–2014
- Member of Parliament, Ukraine, 1998–2019
- Chairman of the management board and deputy chairman of the supervisory board, Bank F&C, Ukraine, 1996–2000
- Degree in International Economics from the Kyiv National Economic University, Kyiv, 1996.

Committee membership
Kostyantin was a member of the CSR Committee until 13 February 2020.

Executive Committee

Nikolay Goroshko
General Director, FYM

Nikolay became General Director of FYM in November 2012, and retired on 31 January 2020.

Skills and experience
He is a graduate economist of the Kyiv National Economic University, specialising in Industrial Planning.

Jason Keys
Chief Marketing Officer

Jason has significant industry experience in the European and Asian iron ore markets. He was previously global marketing manager for Iron Ore at BHP Billiton for five years, and for the 12 years prior to that he held senior sales and marketing roles within BHP Billiton Coal and Rio Tinto Coal and Iron Ore.

Skills and experience
He is a Certified Professional Accountant and has a Bachelor of Commerce degree from the University of Western Australia.

Chris Mawe FCA
Acting Chief Executive Officer

For more information see page 64 for details.

Jim North
Chief Operating Officer

Jim was COO of London Mining PLC before joining Ferrexpo in November 2014. He has wide-ranging operational mining experience at a senior level with Rio Tinto, BHP Billiton and Mount Isa Mines in Africa, South America and Australia covering commodities including iron ore, coal, base metals and aluminium.

Skills and experience
He has an Advanced Diploma in Metallurgy and a degree in Business Administration.

Nikolay Kladiev
Chief Financial Officer, FPM

Nikolay spent several years as an audit manager with Ernst & Young and as CFO of a large Russian factory.

Skills and experience
He is a Chartered Accountant (UK) and has a Masters in International Economic Relations from the Kyiv National Economic University.

Viktor Lotous
Chief Operating Officer and Head of Managing Board, FPM

Viktor became Chief Engineer in 1997 and General Director and Chief Operating Officer in April 2007.

Skills and experience
He is a graduate of Kryvyi Rih Mining and Ore Institute, and of the Kyiv National Economic University, specialising in Finance.

Greg Nortje
Chief Human Resources Officer

Greg joined Ferrexpo in January 2014. He previously held a variety of international human resource leadership positions with Anglo American and BHP Billiton.

Skills and experience
He has Advanced Management qualifications from the University of Stellenbosch Business School and the Gordon Institute of Business Science, a Bachelor of Arts degree and a postgraduate Diploma in Education from the University of the Witwatersrand.

Roman Palyvoda
Acting Chief Financial Officer

Roman was appointed as Acting Chief Financial Officer on 14 November 2019. He joined Ferrexpo in September 2008 as the Group Management Accountant. Previously he worked at Renault Group, most recently as the Financial Controller for Russia, Ukraine and the CIS.

Skills and experience
He studied International Relations in Finance at the National University of Lviv, graduating with honours, and Business Management at the Institut d'etudes politiques de Paris.

As Roman's appointment as Acting Chief Financial Officer is temporary he has not joined the Board of Directors.

Corporate Governance Compliance

The Company is subject to the UK Corporate Governance Code. A revised version of the Corporate Governance Code was published in 2018, and came into effect for financial years beginning on 1 January 2019 and accordingly, the Company has reported against the requirements of the revised Corporate Governance Code in this Annual Report. A copy of the Code can be found at frc.org.uk.

Statement of compliance (in accordance with Listing Rule 9.8.6R(5))

The Board considers the Company has complied throughout the year ended 31 December 2019 with all the provisions of the Corporate Governance Code except as set out below:

- **Provision 11:** From 29 April 2019 – 12 August 2019, less than half of the Board (excluding the Chairman) was comprised of Independent Non-executive directors.
- **Provision 12:** From 29 January 2019 – 19 August 2019, the Company did not have a Senior Independent Director.
- **Provision 17:** From 29 January 2019 – 15 January 2020, the Nominations Committee was not comprised of a majority of Independent Non-executive directors.
- **Provision 24:** From 29 April 2019 – 12 August 2019, the Audit Committee did not meet the minimum membership requirement of three Independent Non-Executive directors, and from 29 April 2019 – 10 June 2019 it did not have a member with relevant financial experience (although both Messrs Lucas and Mawe were in attendance).
- **Provision 32:** From 29 April 2019 – 12 August 2019, the Remuneration Committee did not meet the minimum membership requirement of three Independent Non-executive Directors.

With the exception of Provision 17, all of these areas of non-compliance were resolved during the reporting year. For more information on the Independent Non-executive Director appointment process, selection of the Senior Independent Director and Board succession planning in 2019, see page 83.

The Board confirms that at the date of this report, unless otherwise explained above, the Company fully complied with all relevant provisions of the Corporate Governance Code. Further information on the Company's compliance with the Principles of the Corporate Governance Code can be found on the following pages:

Board leadership and Company purpose	**Principle A:** Section 172 Statement page 26, Chairman's Statement page 8, Skills Matrix page 71 **Principle B:** Chairman's Statement, Purpose, Values and Strategy page 11 **Principle C:** Audit Committee Report from page 76 **Principle D:** Our Stakeholders page 20 **Principle E:** Employee Engagement page 28, Non-Financial Information Statement page 49, Whistleblowing policy page 81
Division of responsibilities	**Principle F:** Role Descriptions page 72, Board Evaluation page 74 **Principle G:** Role Descriptions page 72 **Principle H:** Time Commitment page 71, Corporate Governance At a Glance page 69 **Principle I:** The Board page 70, Skills Matrix page 71
Composition, succession, evaluation	**Principle J:** Appointment Process and Succession Planning page 83, Board Diversity Policy page 83 **Principle K:** Skills Matrix page 71, Appointment Process and Succession Planning page 83, Board Composition page 70 **Principle L:** Board Evaluation page 74
Audit, risk, internal control	**Principle M:** External Audit page 81, Internal Audit page 81 **Principle N:** Audit Committee Report page 76 **Principle O:** Internal Control and Risk Management page 80, Risk Management page 50, Principal Risks page 52
Remuneration	**Principle P:** Remuneration Policy, page 87 **Principle Q:** Procedure for developing policy on remuneration, page 85 **Principle R:** Directors should exercise independent judgement when authorising remuneration outcomes, page 94

Disclosure Guidance and Transparency Rules

By virtue of the information included in this Governance Report and the Directors' Report, we comply with the corporate governance statement requirements of the FCA's Disclosure Guidance and Transparency Rules.

Corporate Governance Report
At a glance

Shareholders

The Board

Audit Committee

Responsibilities include:
- Monitoring integrity of financial statements.
- Reviewing internal control and risk management systems.
- Relationship with external auditor.

FOR MORE INFORMATION: AUDIT COMMITTEE REPORT SEE PAGE 76

Remuneration Committee

Responsibilities include:
- Reviewing and approving all aspects of remuneration for Executive Directors and members of the Executive Committee.
- Aligning remuneration policy and practices to support strategy.
- Engaging with shareholders to receive feedback on remuneration policy and outcomes.

FOR MORE INFORMATION: DIRECTORS' REMUNERATION REPORT SEE PAGE 85

Nominations Committee

Responsibilities include:
- Considering and approving the knowledge, skills and experience mix required for the Board to best deliver the Company's objectives.
- Identifying and nominating (for Board approval) candidates to fill Board vacancies, having due regard to the need to satisfy the Board's skills requirements.

FOR MORE INFORMATION: NOMINATIONS COMMITTEE REPORT SEE PAGE 82

Committee of Independent Directors ("CID")

Responsibilities include:
- Ensuring compliance with related party transaction rules and the Relationship Agreement.
- Authorising (if appropriate) related party transactions on behalf of the Board.
- Conflicts of interest procedure under the 2006 Companies Act.

FOR MORE INFORMATION: SEE PAGE 72

Health, Safety, Environment and Community ("HSEC") Committee (formerly CSR Committee)

Responsibilities include:
- Formulating and monitoring the implementation of the Group's policy on CSR issues as they affect operations.

FOR MORE INFORMATION: RESPONSIBLE BUSINESS SECTION SEE PAGE 48

Chief Executive Officer and Executive Committee[1]

Responsibilities include:
- Execution of Board-approved strategies.
- Delegated authority levels for senior management.
- Development and implementation of Group policies.
- All material matters not reserved for the entire Board.

FOR MORE INFORMATION: SEE PAGES 66–67

1. The Executive Compliance Committee, the Finance and Risk Management Committee, and the Executive Related Party Matters Committee all report to the Executive Committee.

Controlling shareholder – Relationship Agreement

The Company's majority shareholder is Fevamotinico S.a.r.l., which owns 50.3% of the issued share capital of Ferrexpo plc. Fevamotinico S.a.r.l. is wholly-owned by The Minco Trust. The Minco Trust is a discretionary trust that has three beneficiaries, consisting of Kostyantin Zhevago and two other members of his family. Mr Zhevago is therefore considered a controlling shareholder of the Company. In accordance with the UK Listing Rules, Mr Zhevago, The Minco Trust and Fevamotinico S.a.r.l. have entered into a Relationship Agreement with the Company (the "Relationship Agreement") to ensure that the Group is capable of carrying on its business independently, that transactions and arrangements between the Group, Fevamotinico S.a.r.l., The Minco Trust and Mr Zhevago (and each of their associates) are at arm's length and on normal commercial terms, and that at all times a majority of the Directors of the Company shall be independent of Fevamotinico S.a.r.l., The Minco Trust and Mr Zhevago. Under the Relationship Agreement, Mr Zhevago is entitled to appoint himself as a Director or another person as his representative Director, in each case in a non-executive capacity. The Relationship Agreement terminates if, inter alia, the shareholding of Mr Zhevago and his associates in the Company falls below 24.9%.

Statement of Compliance with UK Listing Rules, Rule 9.8.4 (14)

- Ferrexpo has complied with the independence provisions contained in UK Listing Rule 9.2.2ADR(1) during 2019.
- So far as Ferrexpo is aware, each of Mr Zhevago and Fevamotinico S.a.r.l. and their associates have also complied with the independence provisions contained in UK Listing Rule 9.2.2ADR(1) during 2019.
- So far as Ferrexpo is aware, the procurement obligation set out in LR 9.2.2B(2)(a) (which requires Mr Zhevago and Fevamotinico S.a.r.l. to procure that The Minco Trust, the non-signing controlling shareholders (being the beneficiaries of The Minco Trust other than Mr Zhevago) and their associates comply with the independence provisions contained in UK Listing Rule 9.2.2ADR(1)) has also been complied with during 2019.

Corporate Governance Report
continued

The Board

The Board is responsible for setting the Group's objectives and policies, providing effective leadership within the framework of prudent and effective controls required for a public company. The Board has a formal schedule setting out the matters requiring Board approval and specifically reserved to it for decision. These include:

- approving the Group strategy and budget;
- annual and long-term capital expenditure plans;
- approving contracts for more than a certain monetary amount;
- monitoring financial performance and critical business issues;
- approval of major projects and contract awards;
- approval of key policies and procedures including for dividends, treasury, charitable donations and corporate social responsibility;
- approval of procedures for the prevention of fraud and bribery; and
- through the CID, monitoring and authorising related party transactions.

Certain aspects of the Board's responsibilities have been delegated to the Committees shown in the chart below to ensure compliance with the Companies Act 2006, FCA Listing Rules and Disclosure Guidance and Transparency Rules and the Governance Code. The terms of reference for each of the Audit Committee, Nominations Committee, Remuneration Committee and HSEC Committee (formerly called the CSR Committee) are available on the Company's website at www.ferrexpo.com/about-us/corporate-governance/board-committees.

It is the responsibility of the CEO and the Executive Committee to manage the day-to-day running of the Group.

Board composition and independence

As of 31 December 2019, the Board (excluding the Chairman) comprised one Executive Director, two Non-independent Non-executive Directors, and three Independent Non-executive Directors who are considered by the Board to be independent in accordance with the Corporate Governance Code. This structure ensures that the Executive Director is subject to appropriate independent and constructive challenge by the Non-executive Directors, and that no single Director can dominate or unduly influence decision making.

Composition of the Board and Committees as of 31 December 2019 is presented in the table below:

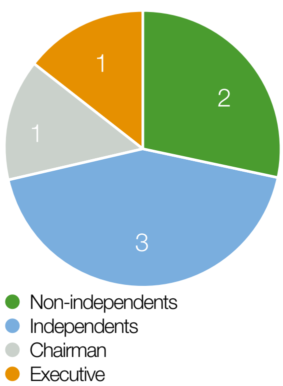
Board member	Role	Audit	Remuneration	Nominations	CID	CSR[1]
S Lucas	Non-executive Chairman			••	•	•
C Mawe	Acting Chief Executive Officer					
K Zhevago	Non-independent Non-executive Director					•
R L Genovese	Non-independent Non-executive Director					
V Lisovenko	Senior Independent Non-executive Director	•	•	•	••	
G Dacomb	Independent Non-executive Director	••	•		•	
F MacAulay	Independent Non-executive Director	•	••		•	

1. The CSR Committee also included some members of senior management; see the Strategic Report on page 48.
• Committee member.
•• Committee Chairman.

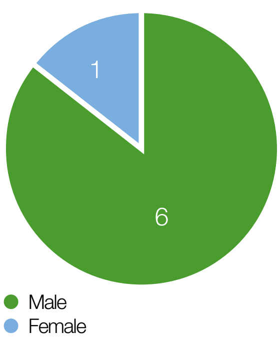
The Board considers that it is of a sufficient size to ensure that the requirements of the business are met without placing undue reliance on any one Director.

Biographical details of the Directors at the date of this report are set out on pages 64 and 65.

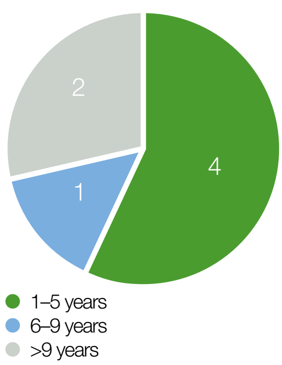
Board balance



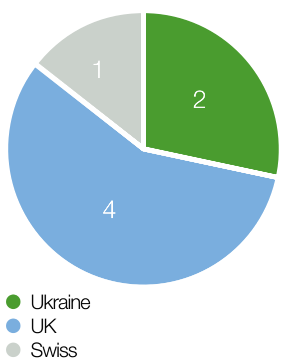
Gender diversity



Tenure



Nationality



Skills matrix

	Mining operations experience	Financial risk management	Board governance	Leadership and strategy	Ukrainian experience	UK market	Government relations	Investor relations	Sustainability	Executive compensation
S Lucas	✔	✔	✔	✔	✔	✔	✔	✔		✔
C Mawe	✔	✔	✔	✔	✔	✔	✔	✔		
K Zhevago	✔		✔	✔	✔	✔	✔	✔	✔	
V Lisovenko	✔	✔	✔	✔	✔	✔	✔	✔		
R L Genovese	✔	✔	✔	✔	✔	✔	✔	✔		
G Dacomb	✔	✔	✔	✔	NP[1]	✔				✔
F MacAulay		✔	✔	✔	NP[1]	✔	✔	✔	✔	✔

1. Not previously.

Time commitment

It is expected that a Non-executive Director of the Company will normally spend at least two days a month, on average, on Ferrexpo's affairs. The expected time commitment for the Senior Independent Director, the Committee Chairmen and in particular the Chairman of the Board is considerably more than that.

The Non-executive Directors are required to confirm at least annually that they are able to commit sufficient time to the affairs of the Company, and all of our Non-executive Directors have given this confirmation in respect of 2019.

All of the Non-executive Directors and Non-independent Non-executive Directors have been able to make themselves available for the majority of the ad hoc Board and Committee meetings and update calls held during the year, notwithstanding their external commitments.

The attendance of the Directors at Board and Committee meetings during 2019 is shown in the table below.

Board and Committee meeting attendance in 2019

	Attended/Eligible to attend								
Director	Board		Audit		Remuneration	Nominations	CID		CSR
	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Scheduled	Scheduled	Ad hoc	Scheduled
S Lucas	5/5	20/21				3/3	5/5	2/2	3/4
K Zhevago	5/5	20/21							4/4
C Mawe	5/5	20/21							
S Lockett (to January 2019)									
M Reilly (to April 2019)	2/2	6/11	2/2	1/1	2/2		2/2		
B Nacken (to April 2019)	2/2	7/11	2/2	0/1	2/2		2/2		1/2
V Lisovenko	5/5	21/21	4/4	3/3	4/4	3/3	5/5	2/2	
R L Genovese	5/5	19/21							
G Dacomb (from June 2019)	2/2	8/9	2/2	2/2	1/1		2/2	2/2	
F MacAulay (from August 2019)	1/1	6/7	1/1	1/1	1/1		1/1	2/2	

During the year, there were a significant number of ad hoc Board meetings which dealt with Blooming Land, the resignation of auditors and Board appointments.

Corporate Governance Report
continued

Role descriptions

The division of responsibilities between the Chairman and the CEO has been clearly established in writing and is agreed by the Board. A summary of the roles of the Chairman, the CEO, the Senior Independent Director, the Non-executive Directors and the Company Secretary is set out in the following table. The table also includes an overview of the role of the Executive Committee and of the CID. The roles of the Audit and Nominations Committees are set out later in this Corporate Governance Report, the role of the CSR Committee in the Strategic Report on page 50, the role of the Remuneration Committee in the Remuneration Report on page 87 and the role of the Independent Review Committee in the IRC Report on page 75.

Role	Description
Chairman	The Chairman is responsible for leadership of the Board, ensuring its effectiveness, setting its agenda, ensuring that it receives accurate, clear and timely information, and ensuring effective communication with shareholders. The Chairman also ensures that there is a constructive relationship between the Executive and Non-executive Directors. At least once annually the Chairman holds meetings with the Non-executive Directors without the Executive Director present. Mr Lucas' other current responsibilities are set out in the biographical notes on page 64. There has been no increase in those commitments during the reporting period.
CEO	The role of the CEO is to provide leadership of the executive team, implement Group strategy through executive committees, chair the Executive Committee, and oversee and implement Board-approved actions. Mr Mawe as Acting CEO has no other directorships of quoted companies.
Senior Independent Director	Simon Lockett was the Senior Independent Director ("SID") until January 2019. Vitalii Lisovenko was appointed as the Senior Independent Director on 19 August 2019. In conjunction with the other Independent Non-executive Directors, the Senior Independent Director assists in communications and meetings with shareholders concerning corporate governance matters. He also chairs the Committee of Independent Directors. At least once a year, the Senior Independent Director meets the Non-executive Directors, without the Chairman present, to evaluate the Chairman's performance. The Senior Independent Director is also available to discuss with shareholders any issues that the Chairman has been unable to resolve to shareholders' satisfaction.
Non-executive Directors	The Non-executive Directors provide an independent and objective viewpoint to Board discussions and bring experience from a variety of industry backgrounds. Their role is to provide constructive support and challenge to executive management. Acting either as the Board or as members of its Committees, the Non-executive Directors: approve budgets; discuss and contribute to strategic proposals and agree on corporate strategy; monitor the integrity, consistency and effectiveness of financial information, internal controls and risk management systems; monitor management's execution of strategy against agreed targets and determine their remuneration accordingly (see the Remuneration Report on page 85); and monitor executive succession planning (for Board succession planning, see the Nominations Committee Report on page 82. From time to time, where delegated by the Board, individual Non-executive Directors may take on additional functions in areas in which they have particular knowledge or expertise.
Company Secretary	The Company Secretary is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for advising the Board on governance issues and for ensuring, with the Chairman, that information reaches Board members in a timely fashion, so that they are alerted to issues and have time to reflect on them properly before deciding how to address them. All Directors have access to the advice and services of the Company Secretary.
Executive Committee	The Executive Committee is a key decision-making body of the Group, responsible for managing and taking all material decisions relating to the Group, apart from those set out in the Schedule of Matters Reserved for the Board. It has delegated responsibility from the Board for the execution of Board-approved strategies for the Group, for ensuring that appropriate levels of authority are delegated to senior management, for the review of organisational structures and for the development and implementation of Group policies. The Executive Committee meets regularly during the year.
Committee of Independent Directors ("CID")	The CID is composed of the Senior Independent Director, the Chairman of the Board and the other Independent Non-executive Directors. The Committee considers and, if appropriate, authorises on behalf of the Board, related party transactions and otherwise ensures compliance with the related party transaction rules and the Relationship Agreement entered into between Fevamotinico S.a.r.l., Mr Zhevago, The Minco Trust and the Company. The CID holds delegated authority to consider and, if appropriate, approve transactions where there is a risk of a conflict of interest for any member of the Board under the Companies Act 2006. The CID keeps under review the authorisation and approval process relating to such transactions (which have previously been reviewed in detail by the Executive Related Party Matters Committee ("ERPMC") and satisfies itself that, as required under the Relationship Agreement, related party transactions have been properly conducted on an arm's length basis on normal commercial terms.
Mr Zhevago and his role	On 28 October 2019, the Company announced that Mr Zhevago had informed the Board of his decision to step aside, temporarily, from his position of Chief Executive Officer of the Group to focus on resolving certain matters in Ukraine relating to one of the businesses he owned until 2015. Mr Mawe was appointed as Acting Chief Executive Officer to the Group, and took over the executive responsibilities of Mr Zhevago. Mr Zhevago remains on the Board as a Non-independent, Non-executive Director. As part of the transition from Chief Executive Officer to Non-executive Director, Mr Zhevago remains available to Mr Mawe (and other members of the management team) to provide advice on areas within his knowledge and expertise. This is in addition to the general role of Mr Zhevago as a Non-executive Director. Further, it was agreed that Mr Zhevago could undertake any non-executive duties which were specifically delegated to him by the Board or the Acting Chief Executive Officer. These included Mr Zhevago participating in internal Ferrexpo meetings and discussions in relation to growth projects for the Group; interacting with the Chief Marketing Officer in relation to sales and marketing strategy (given Mr Zhevago's knowledge and relationships with existing customers of the Group); and attending Executive Committee meetings in an advisory capacity, as appropriate. Mr Zhevago does not have any authority to bind the Group (for example, to enter into contracts or other legally binding documents or commitments on behalf of the Group) without the express permission of the Board or the Acting Chief Executive Officer.

Board leadership

Board activity in 2019

Five scheduled Board meetings were held in 2019, all in Switzerland (supplemented by other ad hoc meetings, telephone conferences, site visits and written resolutions as required from time to time). Regular matters discussed at these meetings included:

- Non-executive Director recruitment and appointments;
- interactions with auditors;
- new auditor appointment;
- oral reports from the Chairmen of the Committees meeting before the Board meeting, and minutes of earlier meetings of the Committees;
- Chief Executive Officer's report including production and operations, iron ore market conditions, and updates on the position in Ukraine;
- Chief Financial Officer's report including status vs. budget, forecasts, cash flow position, and funding update;
- Bank F&C: update on attempts to recover funds held at the bank following its insolvency;
- updates in relation to the work of the Independent Review Committee as part of the Independent Review into charitable donations made to Blooming Land;
- related party matters (including Directors' interests/conflicts);
- investor relations report (including shareholder feedback);
- strategy, business plan and budget;
- formal risk review;
- compliance matters;
- CSR matters, including health and safety, and community spending; and
- Board refreshment, succession planning, Director independence and Committee composition.

Matters reviewed as required included:

- review of half year or annual results, going concern and viability, dividend policy and recommendations, investor presentation;
- evaluation of the performance of the Board, Chairman and each Director;
- review of the AGM statement, and proxy agency comments and recommendations;
- annual review of bank relationships with the Company within and outside Ukraine;
- approval of Ethnic, Diversity and Inclusion Policy of the Company; and
- annual review of treasury policy.

In 2019, the Board also held sessions at which the relevant executive heads of department led detailed presentations on operations, finance, HR and management succession planning, sales and marketing, and communications. This included a presentation by the Chief Human Resources Officer to members of the Remuneration Committee to consider and approve the remuneration policy for 2020.

The Board visited the Group's operations in Horishni Plavni (formerly known as Komsomolsk), Ukraine, between 2 and 4 October 2019. During that visit, the Board inspected the operations, received presentations from executive management in respect of operations, safety and strategy, and held an informal meeting of Directors and management.

The Board meets for dinner on the evening before each scheduled Board meeting. This provides an opportunity for the Directors to discuss key matters concerning the Company in a more informal setting, and assists in promoting an open dialogue and collegiate relationship between members of the Board.

The Board is supported by the Executive Committee, which meets approximately monthly. All information submitted to the Board by management is reviewed and approved by the Executive Committee prior to submission.

Corporate Governance Report continued

Board evaluation

Performance evaluation

The annual performance evaluation of the Board and its Committees was carried out internally in 2019 by the Chairmen of these bodies. The evaluation process involved the completion of questionnaires by Board and Committee members, with responses collated and analysed by the Chairman with assistance from Mr Genovese and the Company Secretary. The Chairman of the Board then discussed the feedback from the questionnaires, and the comments made, with each Director individually before relaying the conclusions to the Board.

The 2019 evaluation concluded that the Board and its Committees as reconstituted were well equipped to work effectively and to deal with challenges faced by the business; and that there is an open culture which responds well to constructive challenge. Contentious issues are discussed and debated and the CEO and Chairman encourage full and frank discussion. The process revealed areas that could be improved. These included earlier circulation of papers where possible, additional engagement with Executive Committee members and improved reporting to such members from Executive Directors who attended regularly. The evaluation also noted the need to recruit an additional female Independent Non-executive Director who would be Ukrainian as it was felt the Board would benefit from additional Ukrainian presence to assist in the understanding of operating in the country generally. It was also agreed that the CSR Committee would be renamed the Health, Safety, Environment and Community Committee and reconstituted in 2020 to provide better focus on key factors affecting the business. In February 2020, the CSR Committee was renamed the Health, Safety, Environment and Community ("HSEC") Committee and duly reconstituted.

The Senior Independent Director and the other Non-executive Directors have evaluated, and will continue to monitor, the performance of the Chairman.

Board training and development

Training and professional development

The Chairman is responsible for agreeing training and development requirements with each Director to ensure they have the necessary skills and knowledge to continue to contribute effectively to the Board's discussions. All Directors receive updates given to the Board as a whole on changes and proposed changes in laws and regulations affecting the Group, as and when necessary. In November 2019, the Board had a training session with its legal advisers Herbert Smith Freehills. Site visits are held for the whole Board annually, so as to ensure that all Directors are familiar with the Group's operations, and Directors may visit the operations of the Group independently to the extent they feel this is necessary. During the year, as in previous years, the Board spent two days visiting the site in Ukraine. In addition, training may be provided by the Group's advisers in respect of specific areas of interest to the Board, including general economic and market conditions, developments in corporate governance regulations and best practice and any other matters as agreed by the Chairman. Mr Lisovenko, for example, received training on specific legal and corporate governance aspects in his new role as Senior Independent Director.

All Directors may take independent professional advice at the expense of the Group in the furtherance of their duties.

Induction

On appointment, all Directors are advised of their duties, responsibilities and liabilities as a Director of a public listed company. In addition, an appropriate induction programme is provided to each Director upon appointment, taking into consideration the individual qualifications and experience of the Director. Induction training was provided during the year for Mr Dacomb and Ms MacAulay.

Induction training included meeting senior executives of the Executive Committee, a detailed and structured site visit, meeting the Company Secretary, necessary training on corporate governance aspects, and receiving various key Company documentation and reports.

Independent Review Committee Report

***Vitalii Lisovenko,** Chairman of the Independent Review Committee*

Dear Shareholder

On 4 February 2019, Ferrexpo announced an independent review (the "Independent Review") into matters relating to the Group's donations to a Ukrainian charity called Blooming Land, which operates through three sub-funds (the "Charity").

Blooming Land coordinated the Company's CSR programme on a national basis in Ukraine, alongside Ferrexpo's local CSR programme which supports communities and individuals surrounding the mines.

The Board suspended donations to the Charity in May 2018, and following the suspension a number of irregularities were reported to the Board, including inconsistencies in copy bank statements provided by the Charity (as more particularly described in the Group's Annual Report and Accounts 2018). This ultimately led to the Board establishing the Independent Review Committee ("IRC") to lead the Independent Review into the Group's relationship with the Charity.

The IRC was chaired by Vitalii Lisovenko and its other members were Steve Lucas, Graeme Dacomb and Fiona MacAulay. Mary Reilly and Bert Nacken were also members of the IRC prior to their resignation in April 2019.

The IRC concluded its review on 30 August 2019, and details of the conclusions reached by the IRC are set out below.

Terms of reference

The IRC operated under terms of reference prepared with input from its legal advisers and approved by the Board.

These authorised the IRC to review and progress all matters relating to or arising from the charitable donations made to the Charity by the Group, including:

- reviewing the initial discrepancies in the copy bank statements brought to the attention of the Board and determining the action and further review needed as a result of the explanations provided by the Charity;
- gaining assurance over the use of the Group's funds donated to the Charity including where possible the end recipients of the donations and the purposes for which the donations have been used;
- reviewing the relationship and transactions between the Charity and Khimreaktiv LLC (an entity connected with Rosava which in turn is controlled by Kostyantin Zhevago, a controlling shareholder of the Group);
- determining whether any significant influence as defined under IAS 24 may exist between Ferrexpo's executive management and the Charity; and
- considering any potential legal or regulatory exposures of the Group and assessing what claims (if any) the Group may have against third parties or other persons relating to the matters arising from the Group's relationship with the Charity.

Work of the IRC

As part of the Independent Review, the IRC met regularly and appointed independent forensic accountants and legal counsel in the UK and Ukraine to assist with the Independent Review. The work undertaken by the IRC and its advisers included a forensic review of the copy bank statements undertaken by BDO LLP, a review of relevant documentation, interviews with Ferrexpo employees and Directors, correspondence with the Charity and other third parties, visits to some of the sites of the charitable events and the provision of UK and Ukrainian legal advice.

Whilst a significant amount of work was undertaken by the IRC and its advisers, it was not possible to explain a number of discrepancies (outlined in the Company's 2018 Annual Report and Accounts) relating to the Charity and its use of funds donated by the Group. As a result, the IRC was unable to conclude as to the ultimate use of all of the funds by the Charity. In August 2019, the IRC reported that indications remained that some of the funds could have been misappropriated.

To assist the IRC in its deliberations, the IRC received a report from its advisers. After careful consideration of the report together with the work of the IRC itself, the IRC was satisfied that none of Ferrexpo's Directors, management or employees had any involvement in any possible misappropriation of funds.

The IRC was able to reaffirm in August 2019 that the Charity is not a related party of the Group, Mr Zhevago (a controlling shareholder of Ferrexpo) or its executive management, as defined under applicable accounting standards or Chapter 11 of the UK Listing Rules.

Vitalii Lisovenko
Chairman of the Independent Review Committee
17 March 2020

For further information

See Principal Risks 1 (page 54), Corporate Governance Report (page 63), and Note 7 (page 132), Note 30 Contingencies (page 167) and Note 34 (page 170).

Audit Committee Report

***Graeme Dacomb,** Chairman of the Audit Committee*

Dear Shareholder

I am pleased to present to you the Report of the Audit Committee for 2019.

The Board asked the Audit Committee to advise it as to whether the Annual Report and Accounts are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, and performance, business model and strategy.

This report sets out the following information:

- The composition of the Audit Committee and the balance of skills and experience represented on it.
- The Committee's activities in 2019.
- Key issues and critical judgements considered by the Committee.
- Ferrexpo's systems of internal controls and risk management.
- Review of the internal audit function.
- The assessment of the external auditor's independence and effectiveness.
- The "fair, balanced and understandable" assessment.

The Viability Statement is set out in the Strategic Report on page 61.

During the year, the Audit Committee had four scheduled and three ad-hoc meetings (see page 71). Due to changes at Board level, the Committee was not quorate for a short period during 2019 but this was rectified following my appointment and that of Fiona MacAulay.

The Committee appointed new auditors MHA MacIntyre Hudson (see below) following a thorough tendering process and they were on-boarded following meetings with senior management in Finance and generally. Subsequently, they attended Audit Committee meetings and have met personnel in London, Switzerland and Ukraine (including internal audit) during the course of their audit. The Committee approved their audit plan for 2019 and the auditors have been in regular contact with me, the CFO and the Acting CFO.

The Committee reviewed the Annual Report, associated preliminary year-end results and interim results, focusing on key areas of judgement, complexity and accounting policies.

An important matter covered in these meetings was the accounting treatment of the charitable donations made to Blooming Land (the "Charity") in 2018. The main work relating to the review of the charitable donations to the Charity was covered by the Independent Review Committee ("IRC") (see page 75 for more detail). In accounting for the Charity, a critical judgement relates to significant influence or control of the Charity. In the Audit Committee Report of the 2018 Annual Report (see page 71 of the 2018 Annual Report), after detailed analysis, including work carried out by the IRC, the Audit Committee reported that the Charity operated independently of Ferrexpo. Further work carried out in 2019 did not alter that judgement.

Activity during 2019

Key activities of the Audit Committee during 2019 are set out below.

February

- Reviewed a presentation on the ongoing tax cases in Ukraine.
- Discussions on CSR-related matters, including donations made to the Charity.
- Considered assumptions used for going concern and the long-term viability assessment and impairment test.
- Received an update on the progress of the audit and analysed further work required.
- Considered the draft Annual Report and Accounts for 2018.
- Received an update from Internal Audit.
- Considered business continuity plans and related internal controls for FPM.
- Reviewed Company's approach to the risk of high wall failure.
- Reviewed compliance report.
- Reviewed risk matrix and register.
- Reviewed an update on Directors' Interests list and transactions with Related Parties.

March

- 2018 year-end review.
- Reviewed significant risks disclosed in the Annual Report and Accounts for 2018.
- Reviewed auditors' responsibilities statement.
- Reviewed auditors' independence statement.
- Reviewed and discussed the status of the CSR-related matters and disclosure provisions.
- Considered the draft of the auditors' opinion.
- Final review of the Annual Report and Accounts for 2018.
- Reviewed Viability Statement.
- Reviewed internal control environment.
- Reviewed Audit Committee Report.
- Reviewed draft of auditors' reports to the Audit Committee.

April

- Received an update on CSR-related matters, including donations to the Charity.
- Reviewed recommendations from Internal Audit.
- Reviewed the Internal Audit plan for 2019.
- Reviewed Internal Audit quality survey results.
- Updated Internal Audit charter.
- Reviewed risk matrix and register.
- Reviewed compliance report.
- Reviewed Directors' Interests list and transactions with Related Parties.

June

- Reviewed report of the CFO concerning the appointment of an external auditor.
- Conducted auditor tender process and recommended the appointment of an external auditor to the Board.

The internal control and risk management procedures at Ferrexpo are set out later in this report and the principal risks to the Group are set out on pages 52 to 60 of the Strategic Report. Throughout the year, the Committee has robustly assessed the principal risks and emerging risks facing the business.

The significant issues and judgements considered by the Committee in respect of the 2019 Annual Report are set out on pages 78 to 79. In considering these matters, the Committee took into account the regular financial and internal audit reports made to the Board throughout the year, as well as discussing the issues with management and the external auditors at intervals throughout the year.

Detailed disclosure of the significant areas in which estimates and critical judgements had to be made is given in Note 4 to the Consolidated Financial Statements from page 129. To satisfy itself that the accounting for these issues was reasonable and appropriate, and that disclosure in the financial statements was suitable and clear, the Committee reviewed the papers setting out the procedures followed by the auditors and the responses of management, and questioned and debated them with the CFO, Acting CFO, the Group Financial Controller and, if relevant, operational management, and with the auditors at the Committee's meetings. These discussions were also informed by the Committee members' own expertise, particularly with regard to the economic and financial situation in Ukraine and operating practice in other large mining companies. At the end of this process, the Committee was satisfied with the accounting treatment and disclosure of each issue and with management's exercises of critical judgement and estimates used as disclosed in Note 4 to the Consolidated Financial Statements on page 129.

Graeme Dacomb
Chairman of the Audit Committee
17 March 2020

Membership and meetings

During the year, the Committee's terms of reference were also updated to reflect the new Corporate Governance Code.

As at the year end, the Audit Committee comprised three Independent Non-executive Directors: Graeme Dacomb (Chairman of the Committee), Vitalii Lisovenko and Fiona MacAulay. During the year, the Committee recruited two audit members to re-establish a quorum. All members of the Audit Committee are considered to possess appropriate knowledge and skills relevant to the activities of the Group, and Graeme Dacomb has recent and relevant financial experience, including accounting and auditing, due to his career as an audit partner with Ernst & Young LLP. The Audit Committee met four times for scheduled meetings and three times for ad-hoc meetings during 2019. The attendance record of the Committee members is shown in the table on page 71.

In addition to its members, other individuals and external advisers, and the Chairman of the Board, may be invited to attend meetings of the Audit Committee at the request of the Committee Chairman. The Audit Committee has an opportunity to meet with the external auditors at the end of its scheduled meetings, without Executive Directors or management present.

July
- Presentation of half-year accounts.
- Going concern assessment.
- Reviewed risk matrix and register.
- Reviewed Directors' Interests list and transactions with Related Parties.

September
- Reviewed preliminary audit plan for 2019.

November
- Received a report on the outcome of the 2018 Internal Audit plan and a progress update on 2019.
- Reviewed the preliminary Internal Audit plan for 2020.
- Considered a risk analysis of the Internal Audit plan.
- Considered a report from external auditors on progress of the preliminary audit for 2019.
- Considered the work plan for the 2019 year-end.
- Reviewed external audit planning report.
- Received an update on the planned process for the viability and going concern assessment and the impairment test at year-end.
- Reviewed whistleblowing report.
- Reviewed risk matrix and register.
- Noted compliance report.
- Reviewed Directors' Interests list and transactions with Related Parties.
- Approved Committee terms of reference and 2020 meeting schedule.
- Reviewed risk matrix and register.

Audit Committee Report
continued

Audit tender

Following the resignation of Deloitte LLP, the Company carried out an audit tender during 2019 for which a number of tender responses were received. Following receipt of two tender proposals, the Company considered, inter alia, the firms' experience in mining and the size of the member firm in Ukraine. The Audit Committee subsequently recommended to the Board that MHA MacIntyre Hudson be appointed as auditors for 2019.

Significant issues and judgements

The significant issues and judgements considered by the Committee in respect of the 2019 Annual Report are set out below:

Issues	Judgements/actions taken
Presentation of operating expenses: nature of the Company's community support donations (Note 7 to the Consolidated Financial Statements) in comparative year	In the absence of conclusive evidence that funds have not been used as intended, the Company has judged that it remains appropriate for it to present its community support donations to the Charity during the comparative year ended 31 December 2018 as such in the Consolidated Financial Statements within operating expenses on the basis that all material donations made by the Company have been applied as previously reported by the Charity to the Company. The Company has not made any further donations to the Charity since May 2018; therefore, no donations to the Charity are included in the table in Note 7 to the Consolidated Financial Statements for the financial year ended 31 December 2019.
Taxation: tax legislation in Ukraine (Note 11 to the Consolidated Financial Statements)	Having considered the background of a recent claim made in Ukraine in respect of a tax audit with a focus on the Group's cross-border transactions, the Committee shares management's confidence that Ferrexpo will successfully defend its methodology applied to determine the prices between its subsidiaries in the courts in Ukraine.
Inventories: lean and weathered ore (Note 17 to the Consolidated Financial Statements)	The Committee notes that stocks of "lean" and weathered ore have continued to increase, but accepts that it is still the Group's intention to process them once additional processing capacities are available.
Commitments, contingencies and legal disputes (Note 30 to the Consolidated Financial Statements)	On 4 February 2019, the Group announced that it had commissioned an independent review (the "Independent Review") into the Group's relationship with third party charity fund Blooming Land (the "Charity") and the use of the funds donated by the Group to the Charity prior to the financial year 2019. The payments made by the Group to the Charity during the financial years 2013 to 2018 totalled US$110 million. The Group may be exposed to the risk of civil, criminal or regulatory actions and liabilities in relation to matters considered by the Independent Review. The Independent Review was conducted by the Independent Review Committee ("IRC") and its advisers between February and August 2019. Whilst a significant amount of work has been undertaken by the IRC and its advisers, it has not been possible to explain some discrepancies outlined in the 2018 Annual Report and Accounts in respect of the ultimate use of funds donated by the Group to the Charity. After careful consideration of the report received from its advisers together with the work of the IRC itself, the IRC announced on 30 August 2019 that it is satisfied that none of the Group's Directors, management or employees have had any involvement in any possible misappropriation of funds by the Charity. If any of the critical judgements outlined in Note 7 Operating expenses and/or Note 34 Related party disclosures and/or the conclusion of the IRC are incorrect, in whole or in part, liabilities (including fines and penalties) may accrue to the Group. At the current time, the existence, timing and quantum of potential future liability, if any, including fines, penalties or damages, which could be material or other consequences arising from the Independent Review cannot be determined and measured reliably and, as a consequence, no associated liabilities have been recognised in relation to these matters in the consolidated statement of financial position as of 31 December 2019.
Related party disclosures – completeness and arm's length nature (Note 34 to the Consolidated Financial Statements)	The Committee concluded that neither the Group nor Kostyantin Zhevago controls or exercises significant influence over Blooming Land or its sub-funds pursuant to relevant accounting standards IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Joint Ventures and Associates or under Chapter 11 of the UK Listing Rules.

Issues	Judgements/actions taken
Loan relationship between related parties of the Group (Note 34 to the Consolidated Financial Statements)	The Group has supported FC Vorskla with sponsorship for many years. FC Vorskla is a professional football club in Poltava, Ukraine that competes in the Ukrainian Premier League. The Group's sponsorship provides brand recognition for the Group both within Ukraine and internationally, and in addition given FC Vorskla's proximity to the Group's operations, provides benefit to the local community surrounding the mines. The sponsorship payments are made by Ferrexpo Middle East FZE to two entities: FC Vorskla Cyprus Limited, a company incorporated in the Republic of Cyprus, and Football Club "Vorskla" LLC, a company incorporated in Ukraine (together, "FC Vorskla"). FC Vorskla is considered to be a related party of the Group as Kostyantin Zhevago, the Group's previous Chief Executive Officer and a controlling shareholder of Ferrexpo plc, controls FC Vorskla and is the honorary president. As disclosed in Note 34, management of the Group recently received information that FC Vorskla had provided a loan, which as at 31 December 2019 was US$16,978,000, to another related party, Collaton Limited, which is controlled by Kostyantin Zhevago. Following the identification of the loan provided by FC Vorskla to Collaton Limited, the Board has taken steps to obtain further information in relation to the arrangements, and has engaged third party advisers to assess the situation. As of the date of approval of these financial statements, the Board's enquiries remain ongoing. Based on the responses received to date from FC Vorskla, the Group understands that the loan to Collaton Limited was made in connection with the construction and renovation of certain sports facilities of FC Vorskla, including its central stadium and training facilities in Poltava. Given that the enquiries by the Board and its advisers remain ongoing, the Board is unable to conclude at this stage whether the payments made to FC Vorskla or the loan provided to Collaton Limited have been used in their entirety for the legitimate purposes of the football club in Ukraine. If it transpires that any of the payments made by the Group to FC Vorskla or the loan provided by FC Vorskla to Collation Limited were not used for the legitimate purposes of the football club in Ukraine, or there has been any non-compliance with legal, regulatory or other requirements, liabilities (including fines and penalties) may accrue to the Group. See also Note 30 Commitments, contingencies and legal disputes to the Consolidated Financial Statements.

Audit Committee Report
continued

Internal control and risk management

The Board has overall responsibility for the Company's system of internal control, which includes risk management, and monitoring and reviewing its effectiveness. The system of internal control is designed to identify, evaluate and manage significant risks associated with the achievement of the Company's objectives, and to meet the Company's particular needs and the risks to which it is exposed, rather than eliminate risk altogether. Consequently, it can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The day-to-day responsibility for managing risk and the maintenance of the Company's system of internal control is collectively assumed by the Executive Committee. Key risk and control issues are reviewed regularly by the Executive Committee, Finance and Risk Management Committee ("FRMC"), CSR Committee and Audit Committee. On behalf of the Board, the Executive Committee and FRMC have established a process for identifying, evaluating and managing the significant risks faced by the Company. This process was followed throughout 2019 and up to the date of approval of this Annual Report. The Group has also adopted a risk-based approach in establishing the Company's system of internal control and in reviewing its effectiveness. To assist in managing key internal risks, it has established a number of Company-wide procedures, policies and standards and has set up a framework for reporting matters of significance.

Internal controls – general

The Board, with assistance from the Audit Committee, regularly reviews the policies and procedures making up the internal control and risk management system, and any significant matters reported by the Executive Committee. The risk register, which includes details of the controls in place to manage and mitigate identified risks, is considered at every scheduled Board and Audit Committee meeting, with specific risks discussed in detail as and when required.

The Board has delegated its responsibility for reviewing the effectiveness of the internal control and risk management system to the Audit Committee. In making its assessment, the Audit Committee considers the reporting provided to it during the year in relation to internal control systems and procedures, including the risk matrix and register, and may request more detailed investigations into specific areas of concern if appropriate.

Key elements of the internal control and risk management system include:

- The Group has in place a series of policies, practices and controls in relation to the financial reporting and consolidation process, which are designed to address key financial reporting risks, including risks arising from changes in the business or accounting standards and to provide assurance of the completeness and accuracy of the content of the Annual Report.
- Regular review of risk and identification of key risks at the Executive Committee which are reviewed by the Audit Committee and by the Board.
- The Executive Compliance Committee ("ECC"), an executive sub-committee which meets regularly (eight times in 2019), is charged, on behalf of the Executive Committee or Audit Committee, as appropriate, with ensuring that systems and procedures are in place to comply with laws, regulations and ethical standards. The ECC is attended by the Group Compliance Officer and, as necessary, by the local compliance officers from the operations, who present regular reports and ensure that the ECC is given prior warning of regulatory changes and their implications. The ECC enquires into the ownership of potential suppliers deemed to be "high risk", and oversees the management of conflicts of interests below Board level and general compliance activities (including under the UK Bribery Act, the Modern Slavery Act, the Criminal Finances Act, and the EU General Data Protection Regulation).
- Clearly defined organisational and reporting structure and limits of authority for transaction and investment decisions, including any with related parties.
- Clearly defined processes for the review and approval of related party listings and transactions and appropriate review and approval from the CID and its delegated management sub-committee the Executive Related Party Management Committee ("ERPMC"). Additional procedures are in place locally to ensure the completeness and arm's length nature of related party transactions, such as background checks and tender processes.
- Clearly defined information and financial reporting systems, including regular forecasts and an annual budgeting process with reporting against key financial and operational milestones.
- Investment appraisal underpinned by the budgetary process, where capital expenditure limits are applied to delegated authority limits.
- The Investment Committee (an executive sub-committee) which meets as required in order to consider and approve capital expenditures within limits delegated by the Executive Committee and the Board.
- A budgetary process and authorisation levels to regulate capital expenditure. For expenditure beyond specified levels, detailed written proposals are submitted to the Investment Committee and Executive Committee and then, if necessary, to the Board for approval.
- The FRMC, which is an executive sub-committee, reviews financial information and management accounts, and meets regularly.
- Clearly defined treasury policy (details of which are given in Note 27 to the Consolidated Financial Statements on pages 158 to 165, which are monitored and applied in accordance with pre-set limits for investment and management of the Group's liquid resources, including a separate treasury function.
- Internal audit by an in-house audit team based in Ukraine (see below) which monitors, tests and improves internal controls operating within the Company at all levels and reports directly to the Chairman of the Audit Committee, and to the CFO for line management purposes.
- A standard accounting manual is used by the finance teams throughout the Company, which ensures that information is gathered and presented in a consistent way that facilitates the production of the Consolidated Financial Statements.
- A framework of transaction and entity-level controls to prevent and detect material error and loss.
- Anti-fraud measures through an internal security department operating in the Company's key operating subsidiaries.
- A whistleblowing policy is in place under which staff may in confidence, via an independent, secure website, raise concerns about financial or other impropriety, which are followed up by internal audit and reported on to the Board.

The Committee and the Board continued to review ongoing litigation affecting the Company throughout the year (see Note 30 to the Consolidated Financial Statements on page 166 to 168 and received regular update reports and presentations from legal counsel.

Full details of the Company's policy on risk and uncertainties are set out in Note 27 to the Consolidated Financial Statements on pages 158 to 165. See also the Principal Risks section of the Strategic Report from page 52.

Internal audit

The internal audit function has a Company-wide remit, and the Head of Internal Audit (who has mining experience), reports directly to the Chairman of the Audit Committee and to the CFO.

The Committee reviews at least annually the effectiveness of the internal audit function by assessing outcomes against plan targets, and is satisfied, following its 2019 assessment, with the rigour of the internal audits and with management's response to the audit findings and recommendations. An Internal Audit plan for 2020 was approved by the Audit Committee in November 2019.

The Internal Audit plan for 2019, approved by the Audit Committee, focused on the operational risks relating to sales and marketing, fuel management, repair and maintenance, HR, compliance, IT, high wall failure, and fraud risk assessment. The Committee received a report from the Head of Internal Audit twice during the year, and reviewed the progress of the Internal Audit plan with the external auditors and the Head of Internal Audit. The reports include the Head of Internal Audit's assessment of the operation and effectiveness of relevant elements of the Company's internal control systems, and formed part of the Committee's ongoing monitoring and assessment of such systems.

External audit

Auditor independence and assessment of audit process effectiveness

The Audit Committee and the Board place great emphasis on the independence and objectivity of the Company's external auditors when performing their role in the Company's reporting to shareholders.

The effectiveness of the audit process and the overall performance, independence and objectivity of the external auditors are reviewed annually at the end of the annual reporting cycle by the Audit Committee, taking into account the views of management. The outcome of the 2020 review in respect of the 2019 Annual Report and Accounts was relayed to the relevant partners of MHA MacIntyre Hudson. This review takes the form of an assessment (using a questionnaire) of the auditors' performance under various headings: the robustness of the audit, the quality of delivery, and the calibre of the audit team. The auditors also provide to the Audit Committee information about policies and processes for maintaining independence and monitoring compliance with relevant current requirements, including those regarding the rotation of audit partners and staff, the level of fees that the Company pays in proportion to the overall fee income of the firm. The Committee reviewed these arrangements during the year and believes that they are appropriate.

The Company has complied with the Statutory Audit Services Order issued by the UK Competition and Markets Authority for the financial year ended 31 December 2019.

Non-audit services

The Audit Committee operates policies in respect of the provision of non-audit services and the employment of former employees of the auditors. These policies ensure that the external auditors are restricted to providing only those services which do not compromise their independence under EU guidance and FRC's Ethical Standards. The policy on the provision of non-audit services prohibits the use of the auditors for the provision of transaction or payroll accounting, outsourcing of internal audit and valuation of material financial statement amounts. Any assignment that is proposed to be given to the auditors above a value of US$20,000 must first be approved by the Audit Committee or its Chairman (who are routinely notified of all non-audit services).

Fees for audit-related and non-audit-related services performed by the external auditors during 2019 are shown in Note 7 to the Consolidated Financial Statements on page 133. For 2019, MHA MacIntyre Hudson did not perform any non-audit services.

Financial reporting

The Board has asked the Audit Committee to advise whether it considers the 2019 Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position, and performance, business model and strategy.

In providing its advice, the Committee noted that the factual content of the Annual Report and Accounts has been carefully checked internally, and that the document has been reviewed by senior management in order to ensure consistency and overall balance. The Committee has also conducted its own detailed review of the disclosures in the Annual Report and Accounts, taking into account its own knowledge of Ferrexpo's strategy and performance, the consistency between different sections of the report, the accessibility of the structure and narrative of the report, and the use of key performance indicators.

The Committee is satisfied that, taken as a whole, the 2019 Annual Report and Accounts is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position, and performance, business model and strategy, and has advised the Board accordingly.

The Committee has also advised the Board on the process which has been undertaken in the year to support the longer-term Viability Statement required under the Corporate Governance Code. The Viability Statement is set out in the Strategic Report on page 61 and a statement setting out the Board's assessment of the Company as a going concern is contained in the Directors' Report on page 105 and Note 2 to the Consolidated Financial Statements on page 126.

Whistleblowing policy

In accordance with the Corporate Governance Code, the Board is responsible for reviewing the Company's whistleblowing arrangements, and receives regular reports from the Audit Committee and the Head of Internal Audit which detail any new whistleblowing incidents and, where appropriate, steps taken to investigate such incidents.

Graeme Dacomb
Chairman of the Audit Committee
17 March 2020

Nominations Committee Report

Steve Lucas, *Chairman of the Nominations Committee*

Dear Shareholder

I am pleased to present the Nominations Committee Report for 2019.

In 2019, the Committee was formally convened twice (2018: twice). Informal meetings also occurred. Due to the reduced number of Non-executive Directors for part of the year, key functions of the Committee such as Board appointments were performed by the Board during this period.

At the formal meetings of the Committee, it considered:

- the composition and refreshment of the Board;
- the criteria for Non-executive and Executive Director appointments;
- the engagement of executive search agencies to assist with such appointments;
- Deciding upon a shortlist of candidates for interview. Committee members interviewed shortlisted candidates and made recommendations to the Board;
- Formalising search processes and making recommendations to the Board for the appointments of Lucio Genovese, Fiona MacAulay and Graeme Dacomb as Non-executive Directors; and
- Reviewing the results of the Group's annual talent review and succession plans for business-critical roles.

The Board is committed to promoting behaviours that support an inclusive and diverse workplace, and which reflects the Company's values. This commitment is set out in the Company's Equality, Diversity and Inclusion policy, approved by the Board in 2019. The Board recognises that it has an important role to play in creating an environment in which all contributions are valued, different perspectives are embraced, and biases are acknowledged and mitigated. The Committee approved plans and targets associated with the implementation of the policy to the year 2030 that aims to address gender diversity imbalances in the workforce while also delivering sustainable talent pipelines for succession to senior leadership roles. The Board shares ownership with the Executive Committee of the policy and progress updates will be presented to the Board for review every six months to assess progress against the targets and enable adjustments to be made to the programme where necessary. The Committee terms of reference were updated to comply with the UK Corporate Governance Code 2018.

It was also agreed to undertake an internally facilitated Board performance evaluation for the year to 31 December 2019 (for further information see Performance Evaluation on page 74). The Company shall conduct an external Board evaluation in 2021.

Following the resignation of three Non-executive Directors in early 2019, the Committee led search processes to recruit three new Non-executive Directors, to ensure that the skills and experience lost as a result of these resignations were replaced, and to ensure continued diversity on the Board taking into account the targets of the Hampton-Alexander and Parker Reviews. During the year, members of the Committee (and the Board as a whole) were very active in interviewing candidates for various Board roles and in recommending the appointment of Lucio Genovese, Graeme Dacomb and Fiona MacAulay who all joined the Board in 2019.

The Committee also recommended the appointment of Vitalii Lisovenko as the Senior Independent Director, who then, as Senior Independent Director, joined the Committee on 19 August 2019.

As of 31 December 2019, the Nominations Committee was composed of the Senior Independent Director and the Chairman of the Board. Fiona MacAulay joined the Committee on 15 January 2020. At the date of this report, the Committee is seeking to make a further appointment of a suitable Independent Non-executive Director to strengthen the Board and relevant Board Committees and, in particular, is looking for diverse candidates with knowledge and experience of the Ukrainian business environment.

Steve Lucas
Chairman of the Nominations Committee
17 March 2020

Membership and meetings

The Nominations Committee is chaired by Steve Lucas and its other members are Vitalii Lisovenko and Fiona MacAulay. The Nominations Committee meets at least once a year, as required by its terms of reference, and met on two scheduled occasions in 2019 (although other informal meetings also occurred). Due to the reduced number of Non-executive Directors on the Board during certain periods of 2019, matters ordinarily within the purview of the Committee (such as Board appointments) were considered by the full Board during the period March to May.

Appointment process and succession planning

Succession planning and Board transition were a priority for the Committee in 2019, and will continue to be in 2020. During the year, the Committee discussed and interviewed candidates for various positions on the Board.

Odgers Berndtson and Savannah Group were retained by the Committee to assist with the search to replace three Directors who resigned in the first half of 2019. They are accredited under the UK government's Enhanced Code of Conduct for Executive Search Firms and the Voluntary Code of Conduct on diversity best practice. Odgers Berndtson has previously worked for the Group in recruiting for non-executive appointments and accordingly has a good understanding of the Board's requirements, and the markets in which the most suitable candidates are likely to be found. Both firms have no other connection with the Company.

Prior to each search commencing, the Nominations Committee agreed the skills and experience it considered necessary for the role and provided this to the search firms. Lists of potential candidates were then identified by Odgers Berndtson and Savannah Group and discussed with Committee members to agree shortlists to be interviewed. In each case, the initial list of potential candidates included gender-diverse candidates. Shortlisted candidates were interviewed by members of the Committee and, where practical, other Directors.

Board diversity policy update

Board objective	Progress in 2019
Foster a diverse and inclusive workplace culture aligned with the Company's Values, Purpose and Strategy through an organisational structure that is fit for purpose, resourcing this structure with the right capabilities and empowered leadership able to deliver required business outcomes.	– Formal adoption of Equality, Diversity and Inclusion policy in 2019. – Board approved a Company purpose statement aligned with Ferrexpo's Strategy and Values – Operational human resources policies reviewed to identify, eliminate or mitigate any disadvantage or unlawful discrimination to underrepresented groups. – Operational facilities audit conducted to ensure accommodation of people with disabilities. – Third Business Leadership Development Programme held-targeting 20 identified business critical-role high-potential successors. – Third biannual 'top 70' leadership conference held in Kyiv to cascade business strategy and enhance leadership capability. – Integrated mining operating model developed and in execution. – Review of technical skills training by the FPM Training Centre completed to ensure workforce capability supports business requirements; planned remedial actions in execution from 2020.
Increase Board gender diversity and women in management below the Board.	– Board skills matrix developed, including diversity requirements and communicated to recruitment partners; only firms adhering to the Voluntary Code of Conduct on diversity best practice used. – Fiona MacAulay appointed to the Board on 12 August 2019 increasing the Board's gender diversity to 14%. – Recruitment initiated and in progress to enhance gender diversity across Ferrexpo to 30% by mid-year 2020. – Women in management currently at 18% (2018: 20%). – Female Human Resources Director appointed in February 2019 enhancing FPM operational executive team gender diversity to 11%. – Support provided to local secondary schools in Horishni Plavni to encourage maths and science education. – Five female truck drivers trained and deployed on day shift at Ferrexpo Belanovo Mining. – Board review conducted of the Company's talent pipeline and succession plans for senior business-critical leadership roles, including identification of female candidates for accelerated development. – Undergraduate bursary programme targeting women approved for launch in 2020. – Monitor Diversity programme outcomes and make adjustments to ensure overall objectives are met. – Workforce analysis undertaken and shared with operational executive and the Executive Committee resulting in programme adjustments. – Plans developed in 2019 for implementation over the next five years covering diversity and elimination of unconscious bias training for middle and senior management, Science, Technology, Engineering and Mathematics ("STEM") ambassador visits to local schools and colleges, rollout of flexible and remote working policy for mothers of small children, and "bring a daughter to work" days.

Nominations Committee Report continued

The Nominations Committee then recommended:

- Lucio Genovese,
- Graeme Dacomb, and
- Fiona MacAulay

as the preferred candidates for the following roles: Non-executive Director, Chair of the Audit Committee and Chair of the Remuneration Committee respectively.

They were interviewed by all other members of the Board before being formally appointed.

The Nominations Committee and the Board also received presentations on succession planning and during the year appointed:

- the Acting CEO, and
- the Acting CFO.

Subsequently, Graeme Dacomb was appointed to the Remuneration Committee and Fiona MacAulay joined the Audit Committee to fill prior vacancies. Fiona MacAulay was appointed Chair of the HSEC Committee.

In the course of the year, the Committee reviewed the Company's talent pipeline and succession plans for business-critical roles and confirmed development plans for approximately 500 identified high potentials which included actions to mitigate identified knowledge and skills gaps over the short to medium term.

Election and re-election

Graeme Dacomb and Fiona MacAulay, who were appointed to the Board in 2019, will stand for election by shareholders at the Company's AGM in May 2020. In accordance with the Corporate Governance Code, all other Directors will stand for re-election by shareholders at the same meeting.

Board diversity policy

The Nominations Committee and the Board recognise the importance of diversity in terms of cultural and professional background, expertise and gender, and believe that the present composition of the Board is broadly satisfactory, although it is seeking to increase female membership. During the year the Company approved the Equality, Diversity and Inclusion policy ("Diversity Policy"). The Committee seeks to apply this policy by ensuring that all available suitable candidates are taken into account when drawing up shortlists of candidates for appointment to the Board, and seeks only to engage executive search consultants who have signed up to the Voluntary Code of Conduct for executive search firms. The final decisions to make appointments to the Board are, however, made on merit against objective criteria, so as to ensure that the strongest possible candidates for the role are recruited.

The Committee will continue to ensure that the Diversity Policy is considered when conducting all searches for Board positions, and will take account of the recommendations of the Hampton-Alexander and Parker Reviews regarding gender balance and ethnic diversity on boards.

Management and staff diversity

Ferrexpo's policy is to employ a diverse workforce and thought is given to recruit as widely as possible, taking into account, amongst other things, gender, race, social background, education and disability.

Gender diversity

Currently, 29% of the workforce is female. 18% of management positions are held by women, and the aim of the Board is to increase this figure to 25% by 2030.

This ambition poses a challenge in the face of the limited number of women pursuing technical careers in the mining industry, which is made more acute in Ukraine where women are still legally prohibited from pursuing certain professions requiring night shift work and working in hazardous environments. To support the achievement of the target for women in management, steps are planned to lobby government for changes in the law and a variety of programmes have been launched to recruit, retain, develop and promote women within the workforce. Externally, these programmes include the introduction of an undergraduate bursary scheme specifically targeting women pursuing STEM studies, sponsorship of local science expositions and robotics competitions, as well as support for local secondary schools offering maths and science studies. Internally, initiatives are focused on retaining and growing internal talent, including individual mentorship and coaching of identified successors.

In taking this into account, the Nominations Committee notes that the Company's operations are primarily based in Ukraine which is partially reflected in the Board and senior management. The diversity of the Board and senior management reflects the broader societal aspects of Ukraine, where the majority of the Group's workforce are based. The Group is undertaking certain actions to promote diversity as set out in this report.

Long-term strategies to improve female diversity in senior management of the organisation and their direct reports include: i) a graduate bursary scheme to encourage female applicants to specific sectors; ii) lobbying the Ukrainian government to relax legislation to allow female workers greater access to working in mining areas and in carrying out previously male-orientated roles; iii) expanding the awareness of school programmes detailing the opportunities open to females of STEM careers in mining; iv) female support/mentorship scheme for career development; and v) continued leadership development for women in mining.

Disability

Ferrexpo is proud to employ registered disabled staff representing more than 4% of our Ukrainian workforce. This helps us to reflect the diversity in wider society as well as deliver on our legal obligations.

The Corporate Governance Report was approved by the Board on 17 March 2020.

Steve Lucas
Chairman
17 March 2020

Remuneration Report

A statement to shareholders from the Chairman of the Remuneration Committee[1]

In what is my first year as Chair of the Remuneration Committee, I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2019.

Our current Directors' Remuneration Policy was approved by over 97% of shareholders at the AGM in May 2017 and, since it has been in operation for three years, is due to be renewed at the 2020 AGM. As a result, since I joined the Ferrexpo Board in August 2019 we have undertaken a review of our Remuneration Policy and practices. This review considered both the effectiveness of the current Remuneration Policy, its alignment with our strategy and compliance with investors' best practice expectations. In summary, the conclusion of the review was that while the policy was generally considered to be working in aligning pay and performance, a number of refinements should be made as part of seeking shareholder approval for a new policy at the 2020 AGM. However, in light of our Chief Executive temporarily stepping down from his executive responsibilities and being replaced on an interim basis by the Chief Financial Officer, the Committee in consultation with the wider Board concluded that the 2020 AGM would not be the appropriate time to make material changes to the current policy. However, our intention is to undertake a full consultation exercise with our major institutional shareholders during 2020 over the refinements we would like to make to the policy. We consider a full investor consultation process to be better undertaken once we have greater clarity over the future make-up of our executive Board. Accordingly, the policy being presented for renewal at the 2020 AGM is a 'roll-over' of our existing policy which is intended to operate for only a period of 12 months. It is my intention to then seek shareholder approval for a policy that will reflect our evolving strategy, the views of our major shareholders and developments in institutional investor 'best practice' at the 2021 AGM.

With regard to this report, as in previous years, it is split into two distinct sections, with our proposed 2020 policy set out in full and followed by details on how we implemented the current policy in 2019 and how we intend to implement the policy in 2020. The elements subject to audit are highlighted throughout.

Our approach to remuneration

It is the policy of the Board to align executive and shareholder interests by linking a high proportion of executive remuneration to performance, basing rewards on a balanced portfolio of performance measures, and assessing remuneration packages against the relevant market to ensure that Ferrexpo can attract, motivate and retain talented executives. This approach applies across the executive leadership team and has resulted in a robust link between pay and performance to date. The remuneration of our CEO, who has temporarily stepped aside to focus on resolving certain matters in Ukraine, operates differently from the approach applicable across the rest of the executive leadership team. His remuneration is provided through a flat fee of US$240,000 per year plus he is remunerated through the capital appreciation and dividends payable on his shareholding in the Company. The Board considers that his large shareholding in the business is sufficient to strongly align his interests with those of other shareholders.

Performance and reward in 2019

As detailed in the Performance Review, 2019 was a solid year at Ferrexpo with favourable pricing for our high-grade iron ore pellets helping the Company offset a 10% increase in the Group's C1 cash cost of production which was the result of strong local currency and inflation in Ukraine. Notwithstanding muted steel demand in some regions, particularly in the second half of the year, higher input costs and ongoing investment programmes, we delivered a 20% growth in profit on the 2018 result and achieved healthy cash flows. Good strategic progress in solidifying the platform for future growth was achieved with the conclusion of phase one of our investment programme to refurbish our pellet lines which commenced in 2014 and engineering studies continued to expand pelletising capacity above nameplate capacity of 12 million tonnes per annum toward 20 million tonnes per annum over the medium term. The Committee believes that this performance is fairly reflected in executive remuneration outcomes for the year outlined below.

In determining bonus outcomes under the short-term incentive plan ("STIP") for 2019, the Committee reviewed actual performance against the range of financial and operational targets set at the start of the year along with undertaking an assessment of performance against the non-financial targets set. In light of the strong financial performance, with EBITDA increasing by 17% and NOPAT increasing by 18%, robust operational performance and a combination of effective management of tax and strong cash management the Acting CEO achieved a bonus at 89% of the maximum. However, given the Company's current focus on cost control, the Committee used its discretion to reduce the bonus to 83% of the maximum with this reduction being consistent with the approach taken across the Executive Committee.

With regard to the Company's long-term performance, the long-term incentive plan awards that were granted in 2017 were eligible to vest from 31 December 2019 based on the Company's relative total shareholder performance versus other global mining companies. In light of Ferrexpo's strong relative performance, delivering an annualised total shareholder return of 36% per annum, 97% of the award will vest. In light of the overall performance of the Company across the three-year period the Committee was comfortable with this level of vesting.

1. This report has been prepared by the Remuneration Committee (the "Committee") on behalf of the Board in accordance with the requirements of the Listing Rules of the UK Listing Authority, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and 2018 and the UK Corporate Governance Code.

Remuneration Report
continued

Applying Remuneration Policy in 2020

Given that the Committee is proposing a 'roll over' of the current Remuneration Policy and its implementation in 2020 there are no material changes in how we are applying policy in 2020. The key points to note include:

- Executive Director salaries for current roles will be frozen at their 2019 levels reflecting the Group focus on effective management of costs;
- The Acting CEO's pension remains set in line with the wider workforce in Switzerland;
- The annual bonus opportunity will remain at 150% of salary for the Acting CEO (and the same rate will apply on reversion to his prior role as CFO). The performance metrics will continue to be a balanced scorecard of financial, operational and personal targets set with reference to the Company's financial plans and the individual's responsibilities. For the first time a small portion of the bonus will be based on the Company's safety record with safety also being retained as a factor considered when overall bonuses are declared at the year end (i.e. poor safety could be used as a reason to override formula based outcomes);
- A long-term incentive award will be granted to the Acting CEO over 137,500 shares (which had a face value of c.35% of his CFO salary at the time of determining the award size, with the award size set with reference to his permanent full-time role of CFO as opposed to the role of Acting CEO). The recovery and withholding provisions have also been adjusted to ensure that they are considered enforceable in Switzerland.

Corporate governance considerations

As detailed above, in light of the changes to the Board during the year, no significant changes are proposed to the Remuneration Policy from 2020. The Committee notes that we already include many best practice features in our policy such as post-vesting shareholding requirements in the long-term incentive plan. However, part of the discussions with shareholders during 2020 will cover our approach to the new features included in the 2018 UK Corporate Governance Code such as the use of discretion (e.g. our ability to adjust incentive outcomes), our pension policy (which is to align with the wider workforce in the relevant location) and our current policy on share ownership (where we have in employment share ownership guidelines and will develop relevant post-employment guidelines).

From a disclosure perspective, we continue to include Schedule 8 revisions around enhancing the pay scenario chart disclosure (see page 91) and quantifying the impact of share price appreciation on long-term incentive outcomes (see page 91).

Key activities of the Committee

The Committee's key activities during the 2019 financial year were:

- Determining the 2018 bonus outturn;
- Determining vesting of the 2016 long-term incentive awards;
- Setting 2019 annual bonus targets;
- Determining the size of 2019 long-term incentive awards and the performance targets;
- Approving awards under the Company's share plans;
- Signing off the 2018 Remuneration Report;
- Reviewing the Committee's advisers;
- Reviewing the Remuneration Policy;
- Determining the remuneration of the Acting Chief Executive and Acting Chief Financial Officer;
- Reviewing draft 2020 annual bonus targets; and
- Reviewing salary levels of the Executive Committee and the Company Secretary.

The Committee strives to align the interests of the executives with shareholders, and the Board keeps under review the structure and level of remuneration afforded through share-based incentives and ownership in relation to variable and fixed pay. As noted above, the Remuneration Committee exercised downwards discretion with respect to the 2019 annual bonus award as detailed above.

Fiona MacAulay
Chairman of the Remuneration Committee

PART A: POLICY SECTION (NOT SUBJECT TO AUDIT)

As detailed in the Statement to Shareholders from the Chairman of the Remuneration Committee, we are not making material changes to the Remuneration Policy we introduced at the 2017 AGM. The limited changes that we are to make relate to tightening up the wording in the recovery and withholding provisions within the short-term and long-term incentive plans with a view to improving enforceability in Switzerland and introducing a specific safety target for a small proportion of the annual bonus (albeit this does not require a change to the current policy). The policy in relation to making payments to Non-executives has also been updated to take account of the specific circumstances of Mr Zhevago (as detailed on page 88). It is the Committee's intention to return to shareholders with a new Remuneration Policy at the 2021 AGM with the 'roll-over' of policy described below intended to provide a period of grace for the current temporary executive changes to the Board to be resolved prior to returning to shareholders with a fully considered Remuneration Policy that takes account of our evolving strategy as well as recent changes to governance 'best practice'.

Committee

The terms of reference for the Committee were updated during the year to comply with changes made to the UK Corporate Governance Code. The revised terms of reference were approved by the Board, and its duties include the determination of the policy for the remuneration of the Chairman of the Board, Executive Directors, the members of the Executive Committee, and the Company Secretary as well as their specific remuneration packages, including pension rights and, where applicable, any compensation payments. In determining such policy, the Committee is expected to take into account all factors which it deems necessary to ensure that members of the senior executive management of the Group are provided with appropriate incentives to encourage strong performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.

The composition of the Committee and its terms of reference comply with the provisions of the Corporate Governance Code and are available for inspection on the Group's website at www.ferrexpo.com.

Key principles of the Remuneration Policy

Ferrexpo's remuneration policy is designed to help attract, motivate and retain talented executives to help drive the future growth and performance of the business. The policy aims to:

- align executive and shareholder interests;
- link a high proportion of remuneration to performance;
- reward based on a balanced portfolio of performance measures (e.g. Total Shareholder Return ("TSR") relative to sector peers, annual business priorities, financial and operational targets and individual performance); and
- provide rewards that are competitive in the relevant markets to help attract, motivate and retain talented executives.

In determining the Company's remuneration policy, the Committee takes into account the particular business context of the Group, the industry segment, the geography of its operations, the relevant talent market for each executive, the location of the executive and remuneration in that local market and best practice guidelines set by institutional shareholder bodies. The Committee will continue to give full consideration to the principles set out in the UK Corporate Governance Code in relation to Directors' remuneration and to the guidance of investor relations bodies.

From the policy review work undertaken in 2019, the Committee is satisfied that the Remuneration Policy and its application takes due account of the six factors listed in the UK Corporate Governance Code:

- Clarity – our policy is well understood by our management team and has been clearly articulated to our shareholders. A key part of our Chief Human Resources Officer's role is engaging with our wider employee base on all our people matters (including remuneration) and we monitor the effectiveness of this process through the feedback received. The Board is comfortable that our remuneration policy is clearly understood by our employees.
- Simplicity – the Committee is very mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, one of the Committee's objectives is to ensure that our executive remuneration policies and practices are as simple to communicate and operate as possible, while also supporting our strategy.
- Risk – our remuneration policy is designed to ensure that inappropriate risk-taking is not encouraged and will not be rewarded via: (i) the use of a balanced scorecard in the short-term incentive which employs a blend of financial, operational and non-financial; (ii) the use of equity in our long-term incentive plan (together with shareholding guidelines); and (iii) malus/clawback provisions.
- Predictability – our incentive plans are subject to individual caps, with our share plans also subject to market standard dilution limits. The scenario charts on page 91 illustrate how the rewards potentially receivable by our executives vary based on performance delivered and share price growth.
- Proportionality – there is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the significant role played by incentive/at-risk pay, together with the structure of Executive Directors' service contracts, ensures that poor performance is not rewarded.
- Alignment to culture – Ferrexpo has a strong operational focus which is reflected in its incentives with safety at the heart of its activities and this is supported through the use of a specific safety measure in the annual bonus and the ability to reduce the formula-based outcomes based on safety performance.

Remuneration Report
continued

Executive Director policy table

This section of our report summarises the policy for each component of Executive Director remuneration which will be effective from the 2020 AGM subject to shareholder approval. The framework governing the LTIP was approved by shareholders at the 2018 AGM.

The Chief Executive (who has temporarily stepped aside as detailed in the Chairman's Statement on page 10) has a remuneration package which includes an honorarium of US$240,000 per year (before applicable income taxes) with no performance-related pay, as described earlier in this report, and his incentive, following a return to his former office, would be derived entirely from his shareholding in the Company. During the period that Mr Zhevago operates as CEO, the Board considers this large shareholding in the business to be a significant factor in aligning the performance of the CEO with other shareholders' interests, and is satisfied that this structure is appropriate. At the current time, most of the policies set out below, other than those related to benefits and pensions, are therefore not applicable to Mr Zhevago and apply exclusively to the Acting CEO and would apply to any other Executive Director appointment. The principles below also apply where appropriate to the members of the Executive Committee.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Fixed pay **Base salary** To attract and retain talent by ensuring base salaries are competitive in the market in which the individual is employed.	Base salaries are reviewed annually, with reference to the individual's role, experience and performance; business performance; salary levels for equivalent posts at relevant comparators; cost of living and inflation; and the range of salary increases applying across the Group.	Base salary increases are applied in line with the outcome of the review, which will not exceed 5% p.a. (or, if higher, the applicable inflation rate) on an annualised basis over the period over which this policy applies. Increases above this level may be applied where appropriate to reflect changes in the scale, scope and responsibility attaching to the role and market comparability.	Business and, where relevant for current Executive Directors, individual performance are considerations in setting base salary.
Pension To provide retirement benefits.	Executive Directors will, as appropriate, be offered membership of a scheme which complies with relevant legislation (where necessary, additional pension entitlements will be provided) or cash in lieu of pension.	The employer contribution will be a percentage of pensionable salary and associated benefits (excluding variable pay). The employer contribution will normally be up to 15% of salary subject to compliance with local statutory requirements.	Not performance related.
Benefits Competitive in the market in which the individual is employed.	Benefits are paid to comply with local statutory requirements and as applicable to attract or retain executives of a suitable calibre. They include life insurance and medical insurance. Where appropriate, additional benefits may be offered, including, but not limited to, allowances for accommodation, relocation, tax advice and legal advice.	Benefits' values vary by role and eligibility and costs are reviewed periodically. Increases to the existing benefits will not normally exceed applicable inflation. Increases above this level may be applied, where appropriate, to reflect changes in role, scope, location and responsibility.	Not performance related.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Variable pay **Short-term incentive plan ("STIP")** To focus management on delivery of annual business priorities which tie into the long-term strategic objectives of the business, which include, but are not limited to, developing the reserve base, increasing production, reducing costs, reducing the risk profile of the business, expanding the customer portfolio, and expanding geographically.	Targets are set at the start of the year against which performance is measured. The Committee determines the extent to which these have been achieved. The Committee can exercise discretion to adjust the formulaic outcome within the limits of the plan for factors outside of management control where it believes the outcome is not truly reflective of performance or in line with overall Company performance. Payments are typically made in cash; however, the Committee may determine that a portion of the bonus be deferred and be in the form of cash or shares. Malus and clawback provisions will apply in the case of individual gross misconduct, an error in assessing performance against the condition, corporate failure (for which the individual was partly or wholly responsible) and/or in the event that the individual is found legally responsible for: – a material misstatement of the Annual Accounts; or – a failure of risk management or reputational damage to the Company.	Maximum opportunity of 150% of salary. The target opportunity is up to two-thirds of maximum and the threshold opportunity is up to one-third of maximum.	Performance related. Performance measures can include financial, non-financial and personal achievement criteria measured over one financial year. The Committee has discretion to make changes in future years to reflect the evolving nature of the strategic imperatives that may be facing the Company.
Long-term incentive plan ("LTIP") To motivate participants to deliver appropriate longer-term returns to shareholders by encouraging them to see themselves not just as managers, but as part-owners of the business.	The LTIP framework was approved by shareholders at the 2018 AGM. To the extent that an LTIP award vests, this will include the applicable dividends on the shares earned during the vesting period. Subsequent dividends on shares held by participants are paid in shares. For LTIP awards from 2018 onwards a two-year holding period applies to Executive Directors' vested LTIP shares. Malus and clawback provisions will apply in the case of individual gross misconduct, an error in assessing performance against the condition, corporate failure (for which the individual was partly or wholly responsible) and/or in the event that the individual is found legally responsible for: – a material misstatement of the Annual Accounts; or – a failure of risk management or reputational damage to the Company.	The LTIP provides for annual awards of performance shares, options or cash up to an aggregate limit of 200% of salary in normal circumstances. This limit may be exceeded in exceptional circumstances but will not exceed 300% of salary. The threshold opportunity is 20% of maximum.	Vesting of LTIP awards is subject to the Company's relative TSR against a comparator group over a period of at least three years and continued employment. In addition, for any shares to vest, the Committee must be satisfied that the recorded TSR is a fair reflection of Ferrexpo's underlying business performance. The Committee reviews the LTIP performance conditions, in advance of granting each LTIP cycle. Over the life of this policy relative TSR will be retained as the primary performance measure.

Rationale for performance measures

The STIP is based on performance categories that are key to delivering on our long-term strategy. Performance measures are set at the beginning of the financial year to reflect business priorities and other corporate objectives, and can include financial, non-financial and personal achievement criteria.

Performance targets are set at such a level as to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given performance period. The STIP target is set with reference to the annual budget approved by the Board. Where appropriate, the Committee sets a performance zone (threshold to stretch) around the target, which it considers provides an appropriate degree of "stretch" challenge and an incentive to outperform. The Committee believes that using multiple targets for the purposes of the STIP provides for a balanced assessment of performance over the year.

For the LTIP, the Committee believes that relative TSR is the most objective external measure of the Company's success over the longer term. Relative TSR helps align the interests of Executive Directors with shareholders by incentivising share price growth and, in the Committee's view, provides an objective measure of long-term success. The Committee has discretion to review the comparator index if any of the constituent companies is affected by corporate events such as mergers and acquisitions. The Committee also reviews the constituents and their weightings prior to the start of each LTIP cycle in order to ensure that they remain appropriate. Details of the comparator group will be set out in Part B of the Remuneration Report for the year immediately following the year in which the grant is made.

Remuneration Report
continued

With effect from the grant of 2010 LTIP awards (which vested in 2013), Executive Directors and members of the Executive Committee are encouraged, in line with the practice among FTSE-listed companies, to build up a holding of shares of equivalent value to a year's base salary (in the case of Executive Directors) or six months' base salary (for other members of the Executive Committee). Executives are encouraged to retain their vested LTIP shares on an after-tax basis until the applicable guideline level is achieved. This is in addition to a mandatory two-year holding period on vested LTIP shares for awards granted from 2018 onwards. As indicated earlier in the introductory letter to this report on page 85, to align with the changes in the UK Corporate Governance Code, the Committee is considering the introduction of a post-termination shareholding policy when the remuneration policy is renewed in 2020.

Remuneration of senior executives below the Board

The policy and practice with regard to the remuneration of senior executives below the Board is consistent with that of the Executive Directors.

Senior executives participate in the LTIP with the same performance measures applied as for the Acting CEO. Long-term incentive awards may be granted to participants below the Board without performance conditions, for example, if it is considered necessary to attract executives of the appropriate calibre.

Payments resulting from existing awards

The Executive Director concerned is eligible to receive payment resulting from the vesting of any award made prior to the approval and implementation of the remuneration policy detailed in this report.

Non-executive Director policy table

This section of our report summarises the policy for each component of Non-executive Director remuneration.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Fees To attract and retain talent by ensuring fees are market competitive and reflect the time commitment required of Non-executive Directors in different roles.	Annual fee for the Chairman. Annual base fee for Non-executive Directors. Additional fees are paid to the Senior Independent Director and the Chairmen of the Committees and/or in relation to the Non-executive Director who will be a representative of employees as well as for representation on subsidiary Boards, where appropriate, to reflect additional responsibility. Fees are reviewed from time to time, taking into account the time commitment, responsibilities and fees paid by comparable companies, and also taking into consideration geography and risk profile.	Changes to Non-executive Director fees are applied in line with the outcome of the review undertaken by the Chairman and Executive Directors. Additional remuneration may be provided in connection with fulfilling the Company's business (e.g. any expenses incurred fulfilling Company business may be reimbursed including any associated tax, and payments may continue to be made to Mr Zhevago in line with his contractual terms for the reason stated below). The maximum aggregate fees, per annum, for all Non-executive Directors allowed by the Company's Articles of Association is £5,000,000.	Not performance related.

Additional fees may be payable to Non-executive Directors in exceptional circumstances, e.g. if there is a material increase in time commitment as is currently the case with the former CEO. The former CEO continues to receive remuneration on the same basis as when he was CEO and operates under his pre-existing contract; this includes a base salary of US$240,000 per annum and benefits. This reflects the facts that: (i) while he no longer retains any executive responsibilities, he remains available to the Acting CEO (and other members of the management team) to provide advice on areas within his knowledge and expertise; and (ii) it was agreed that he could undertake non-executive duties which were specifically delegated to him by the Board or the Acting CEO. Therefore, his role requires greater time commitment than that of other Non-executives. Non-executive Directors in other normal circumstances are not eligible to participate in any incentive plans, or receive benefits (other than the reimbursement of business expenses and any tax arising from undertaking Company business) or any additional elements of remuneration to that stated above.

Pay-for-performance: scenario analysis

The former CEO (who has temporarily stepped aside as detailed in the Chairman's Statement on page 10) does not participate in any incentive plan, for the reasons stated in the introduction to this report. Under all scenarios, therefore, his remuneration remains as set out in Section B of this report (i.e. fixed at US$240,000 per annum plus any benefits) and does not vary with performance.

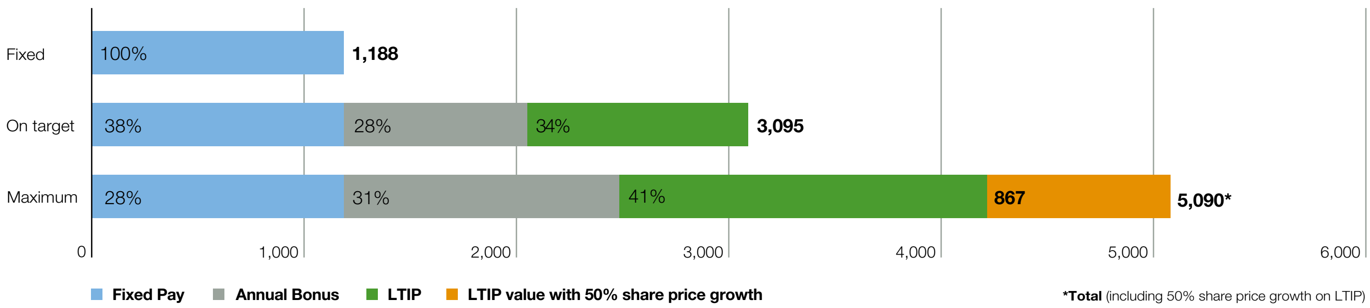
For the Acting CEO (and in his role as CFO), who is the sole current Executive Director, the graph below provides estimates of the potential future reward opportunity and the potential split between the different elements of remuneration under four different performance scenarios: "Below threshold", "Target" and "Maximum" and "Maximum assuming 50% share price growth". The scenario has been prepared using his base salary as allowing for the current premium for being Acting CEO as detailed on page 96.

In illustrating potential reward opportunities, the following assumptions have been made:

Scenario	STIP	LTIP	Fixed pay
Maximum assuming 50% share price growth	Maximum STIP (150% of salary)	Maximum policy award at 200% of salary with full vesting and share price increase of 50% versus the share price at grant	Base salary, pension and benefits as at 1 January 2020
Maximum	Maximum STIP (150% of salary)	Performance warrants full vesting[1]	
Target	On-target STIP (100% of salary)	Performance warrants vesting in line with Target (60% of maximum)[1]	
Below threshold	No STIP payable	Threshold not achieved (nil)	

1. Excludes increase in value arising from share price growth.

Acting CEO
CHF ('000s)



Potential reward opportunities illustrated above are based on the policy and current practice, applied to the Swiss base salary of the Acting CEO in force at 1 January 2020. For the STIP, the amounts illustrated for the CFO are those potentially receivable in respect of performance for 2020. For the LTIP, awards do not normally vest until the end of three years following the beginning of the year in which they were granted. The LTIP award opportunity for the Acting CEO has been included at the normal policy maximum at 200% of salary although in practice awards are granted significantly below this level. It should also be noted that the Committee reviews the efficacy of the LTIP prior to grant each year.

Remuneration Report
continued

Remuneration policy for new appointments

The Committee's approach to setting remuneration for new Executive Directors is to ensure that the Company's pay arrangements are in the best interests of Ferrexpo and its shareholders. To do this, the Company takes into account internal pay levels, the external market, location of the executive and remuneration received at the previous employer. The Committee reserves discretion to offer appropriate pension and benefit arrangements, which may include the continuation of benefits received in a previous role. Variable pay awards (excluding any potential "buy-out" awards, described below) for a newly appointed Executive Director will be as described in the policy table, subject to the same maximum opportunities. Different performance measures may be set initially for the STIP and LTIP awards, taking into account the responsibilities of the individual, and the point in the financial year at which he or she joined, and subject to the rules of the plan. The rationale will be clearly explained in each case.

In addition, the Committee may make an award in respect of a new appointment to "buy out" existing incentive awards forfeited on leaving a previous employer. In such cases, the compensatory award would typically be on a like-for-like basis with similar time to vesting, performance measures and likelihood of the targets being met. The fair value of the buy-out award would not be greater than the awards being replaced. To facilitate such a buy-out, the Committee may grant a bespoke award under the Listing Rules exemption available for this purpose.

In cases of appointing a new Executive Director by way of internal promotion, the Group will honour any contractual commitments made prior to his or her promotion to Executive Director.

In every case, the Board will pay both the appropriate, but also the necessary, rate of pay to attract an executive who in the view of the Board will contribute to shareholder value.

The approach to setting Non-executive Director fees on appointment is in line with the approach taken for the fee review set out in the Non-executive Director policy table earlier in this report, and will also take into account fee levels for existing Non-executive Directors.

Details of Executive Directors' service contracts

The Executive Directors are employed under contracts of employment with Ferrexpo AG, a Group company (the "employer"). The Committee sets notice periods for the Executive Directors at 12 months or less, which reduces the likelihood of having to pay excessive compensation in the event of poor performance.

The principal terms of the Executive Directors' service contracts (which have no fixed term) not otherwise set out in this report are as follows: save in circumstances justifying summary termination, Mr Zhevago's (who has temporarily stepped down as CEO) service contract with the employer is terminable on not less than six months' notice to be given by the employer or by Mr Zhevago, and Mr Mawe's service contract with the employer is terminable on not less than 12 months' notice to be given by the employer or not less than six months' notice to be given by Mr Mawe.

			Notice period	
Executive Director	Position	Date of contract	From employer	From employee
K Zhevago	CEO	1 November 2008	6 months	6 months
C Mawe	CFO	7 January 2008	12 months	6 months

Under the service contracts, the Executive Directors are entitled to 25 working days' paid holiday per year. The Executive Directors' service contracts contain a provision exercisable at the option of the employer to pay an amount on early termination of employment equal to the respective notice period. If the employer elects to make such a payment (which in practice it will do if the speed and certainty afforded by this provision are thought to be in the best interests of shareholders), the Executive Director will be entitled under his contract to receive all components of his base salary, accrued but untaken holiday and expenses for the extent of the notice period, including for Mr Mawe a pro-rated performance-related payment under the STIP (where the employer terminates employment), which reflects the practice in the Group at the time when Mr Mawe was appointed. Mr Mawe's entitlement to a pro-rated performance-related payment where the employer terminates his employment will not be replicated in the service contracts of future Executive Directors. In addition to the contractual rights to a payment on loss of office, any employee, including the Executive Directors, may have additional statutory and/or common law rights to certain additional payments, for example, in a redundancy situation.

Policy for loss of office payments

The following principles apply when determining payments for loss of office for the Executive Directors and any new Executive Directors.

The employer will take account of all relevant circumstances on a case-by-case basis including (but not limited to): the sums stipulated in the service contract (including base salary during his or her notice period, accrued but untaken holiday, and allowances/benefits but excluding STIP, save in the case of Mr Mawe); whether the Executive Director has presided over an orderly handover; the contribution of the Executive Director to the success of the Company during his or her tenure; and the need to compromise any claims that the Executive Director may have. The Company may, for example, if the Committee considers it to be necessary:

- enter into agreements with Executive Directors which may include the provision of legal fees or the settlement of liabilities in return for a single one-off payment or subsequent payments subject to appropriate conditions;
- terminate employment other than in accordance with the terms of the contract (bearing in mind the potential consequences of doing so); or
- enter into new arrangements with the departing Executive Director (for example, consultancy arrangements).

If the individual is considered a "good" leaver (e.g. for reasons of death, ill-health, injury or disability; their employing company ceasing to be a member of the Group; the business (or part) of the business in which they are employed being transferred to a transferee which is not a member of the Group; or any other reason which the Committee in its absolute discretion permits) any outstanding LTIP awards will be pro-rated for time and performance conditions will be measured. The Committee retains discretion to alter these provisions (as permitted by the relevant plan rules) on a case-by-case basis following a review of circumstances, in order to ensure fairness to both shareholders and participants. In considering the exercise of discretion as set out above, the Committee will take into account all relevant circumstances which it considers are in the best interests of the Company; for example, ensuring an orderly handover, performance of the executive during his tenure as Director, performance of the Company as a whole and perception of the payment amongst the shareholders, general public and employee base.

In the event of a change of control, the vesting period under the LTIP ends and awards may be exercised or released to the extent to which the performance conditions have, in the Committee's opinion, been achieved up to that time. Pro-rating for time applies but the Committee has discretion to allow awards to be exercised or released to a greater or lesser extent if it considers it appropriate having regard to the circumstances of the transaction and the Company's performance up to the date of the transaction.

It is the Committee's policy to review contractual arrangements prior to new appointments in light of developments in best practice. The Executive Directors' service contracts are available to view at the Company's registered office.

External appointments

It is the Board's policy to allow the Executive Directors to accept directorships of other quoted companies, provided that they have obtained the consent of both the CEO and Chairman of the Board and which should be notified to the Board. No external directorships of quoted companies are currently held by Executive Directors.

Details of Non-executive Directors' letters of appointment

The Chairman and Non-executive Directors have each entered into a letter of appointment with the Company. The Non-executive Directors are each appointed for an initial period of three years, and their appointments may then be renewed on a three-yearly basis, subject to re-election when appropriate by the Company in a general meeting; in 2011 the Company adopted the practice of annual re-election of all Non-executive Directors. The key terms of current letters of appointment are as follows:

Non-executive Director[1]	Position	Date of first appointment	Date of re-election
S Lucas	Chairman	19 May 2016	Annual re-election
Graeme Dacomb	Non-executive Director	10 June 2019	Election at 2020 AGM
L Genovese	Non-executive Director	12 February 2019	Annual re-election
V Lisovenko	Non-executive Director	28 November 2016	Annual re-election
F MacAulay	Non-executive Director	12 August 2019	Election at 2020 AGM

1. Excluding Mr Zhevago whose terms are disclosed in the table on page 90.

Employee context

In making remuneration decisions, the Committee also considers the pay and employment conditions throughout the Group. Prior to the annual pay review and throughout the year, the Committee receives reports from the CEO setting out the circumstances surrounding, and potential changes to, broader employee pay. The CEO consults as appropriate with key employees and the relevant professionals throughout the Group. This forms part of the basis for determining changes in Executive Director and senior executive remuneration which also takes into consideration factors detailed earlier in this report.

Consideration of shareholder views

The Committee takes into consideration views expressed by shareholders regarding remuneration, either at the AGM, or by correspondence, or at one-to-one or Group meetings and shareholder events or otherwise by considering these views at the relevant Committee meetings which are subsequently reported to and considered by the Board as a whole. The Committee takes shareholder feedback into careful consideration when reviewing remuneration and regularly reviews the Directors' remuneration policy in the context of key institutional shareholder guidelines and best practice. It is the Committee's policy to consult with major shareholders prior to making any major changes to its executive remuneration structure.

Remuneration Report
continued

PART B: REMUNERATION IN 2019 (AUDITED)

The following section provides details of how the remuneration policy was implemented during the year. Throughout this report, the remuneration of Mr Zhevago (who has temporarily stepped aside from his executive role as detailed in the Chairman's Statement on page 10) and Mr Mawe (the Executive Directors) is disclosed in local currencies to facilitate year-on-year comparisons, uninfluenced by exchange rate fluctuations.

Committee membership in 2019

The Committee comprises four Independent Non-executive Directors. Fiona Macaulay was appointed Chair of the Remuneration Committee with effect from 12 August 2019, taking over from Bert Nacken who chaired the Committee prior to this. The other members of the Committee during the year were Graeme Dacomb, Mary Reilly, Vitalii Lisovenko and Simon Lockett. The Committee met four times during the year. Attendance at meetings by individual members is detailed in the Corporate Governance Report on page 71. A summary of the topics discussed at meetings in 2019 is detailed below:

- Review of the Directors' and Executive Committee remuneration policy.
- Review of remuneration of members of the Executive Committee and Company Secretary, including salaries, STIP and LTIP policy.
- Review of incentive outcomes.
- Review of the policy governing recovery provisions relating to incentive awards.
- Review of feedback from shareholders including in respect of the 2019 AGM.
- Review of general market practice on executive remuneration.
- Review of corporate governance developments.
- Performance evaluation of the Committee.

The CEO and the Chief Human Resources Officer (the "CHRO") usually attend meetings of the Committee at the invitation of the Chairman of the Committee, and the Company Secretary acts as secretary to the Committee. The Company Chairman and other members of management may also attend meetings by invitation where appropriate. No Director is present when their own remuneration is being discussed.

Advisers

Following a competitive tender, the Committee appointed Korn Ferry in October 2019 to provide advice to the Committee. Prior to this the Committee received advice on Committee matters from Mercer | Kepler. Both Korn Ferry and Mercer | Kepler are members of the Remuneration Consultants Group and adhere to its code of conduct.

Korn Ferry also provides general remuneration advice to management. Korn Ferry's fees for services provided to the Committee in 2019 totalled £36,000 which were charged on the basis of a fixed fee for specified services and on a time and materials basis for any work outside of this scope. To help ensure a consistent approach to remuneration across the Group, Mercer | Kepler also provided advice to the Company in respect of matters relating to the remuneration of other employees. Other than remuneration advice, no other services were provided by Mercer | Kepler. Kepler's parent company, Mercer, advised the Group on international healthcare plans. The fees paid to Mercer | Kepler in respect of work carried out for the Committee in 2019 totalled £8,146 based on time and materials. The Committee evaluates the support provided by its advisers periodically and is satisfied that advice received is independent and objective and that the advisers did not have any connections with Ferrexpo which may impair their independence.

The CEO and the CHRO provide guidance to the Committee on remuneration packages of senior executives employed by the Group (but not in respect of their own remuneration).

Single total figure of remuneration – audited

The table below sets out in a single figure for each currency of payment the total remuneration received by each Executive Director for the year ending 31 December 2019 and the prior year.

All figures shown in currency of payment	K Zhevago (CEO)[7] 2019	K Zhevago (CEO)[7] 2018	C Mawe (CFO)[8] 2019	C Mawe (CFO)[8] 2018
1 Salary	US$200,000	US$240,000	CHF698,417	CHF651,525
2 Benefits	US$48,630	–	CHF195,411	CHF191,339
3 STIP	–	–	CHF865,000	CHF735,000
4 LTIP	–	–	£250,705	£291,975
5 Pension	CHF7,948	CHF10,941	CHF69,848	CHF68,922
Total	US$248,630 plus CHF7,948	US$240,000 plus CHF10,941	CHF1,828,676 plus £250,705	CHF1,646,786 plus £291,975
6 Total (single currency)	US$256,630	US$251,195	CHF2,146,746	CHF2,115,062

The figures have been calculated as follows:
1. Base salary: amount earned for the year.
2. Benefits: the taxable value of benefits received in the year (accommodation allowance/provision and healthcare).
3. STIP: this is the total bonus earned on performance during the year. Further details are provided on pages 96 to 98.
4. LTIP: the market value of shares that vested on performance to 31 December of the relevant year (2019: 97.32% vested on performance; 2018: 100% vested on performance). The market value is based on the share price on the normal date of vesting: 31 December 2019 of 158.95 pence; 31 December 2018 of 194.65 pence. The above value is inclusive of 11,746 shares that were paid as a result of dividend accrual on LTIP shares vesting. Further details are provided on page 98. The impact of share price appreciation on the value of the LTIP is reflected in the CFO's LTIP Award Vesting table on page 98.
5. Pension: valued in accordance with Sections 230 to 232 of the Finance Act 2004 for cash balance arrangement schemes. Other formulae (such as 20 times the increase in the value of accrued benefit over the year) are not considered appropriate since this is not a classic defined benefit scheme (see Pensions and Other Benefits below), and for expatriate staff the pension is repaid as a lump sum on leaving the country.
6. Average exchange rates: 2019 – US$1 = CHF1.0066, CHF1 = £0.7882, £1 = US$1.2770; 2018 – US$1 = CHF0.9773, CHF1 = £0.7659.
7. For Mr Zhevago represents remuneration earned during the period from 1 January 2019 until 25 October 2019 when he stepped aside from his CEO role. Following this date, Mr Zhevago was a Non-executive Director and his remuneration for the period is disclosed in the table below.
8. Mr Mawe was appointed Acting CEO on 25 October 2019 and received a temporary additional annualised salary of CHF200,000 to reflect his additional responsibilities.

The table below sets out in a single figure for each currency of payment the total remuneration received by each Non-executive Director for the year ending 31 December 2019 and the prior year.

All figures shown in currency of payment, US$000	2019 Fees	2019 Benefits	2019 Pension	2019 Total	2018 Fees	2018 Total
Non-executive Directors						
S Lucas (Chairman)	440	–	–	440	440	440
G Dacomb[1]	67	–	–	67	–	–
L Genovese[2]	88	–	–	88	–	–
V Lisovenko (Senior Independent Director)[3]	227	–	–	227	135	135
F MacAulay[4]	46	–	–	46	–	–
K Zhevago[5]	40	30	2	72	–	–
Former Non-executive Directors						
S Lockett[6]	16	–	–	16	190	190
M Reilly[7]	57	–	–	57	170	170
B Nacken[7]	57	–	–	57	170	170

1. Graeme Dacomb was appointed to the Board with effect from 10 June 2019.
2. Lucio Genovese was appointed to the Board with effect from 12 February 2019.
3. Vitalii Lisovenko was appointed Senior Independent Director with effect from 19 August 2019.
4. Fiona MacAulay was appointed to the Board with effect from 12 August 2019.
5. Kostyantin Zhevago stepped aside from the role of CEO on 25 October 2019 following which he was appointed a Non-independent Non-executive Director of the Company. He continues to receive an annualised fee of US$240,000. This reflects the facts that while he no longer retains any executive responsibilities, he remains available to the Acting Chief Executive (and other members of the management team) to provide advice on areas within his knowledge and expertise and it was agreed that the former CEO could undertake non-executive duties which were specifically delegated to him by the Board or the Acting CEO. Therefore his role requires greater time commitment than that of other Non-Executives.
6. Simon Lockett resigned from the Board on 28 January 2019.
7. Mary Reilly and Bert Nacken did not stand for re-election at the Group's AGM on 7 June 2019 and as such ceased to be Directors on this date.

Remuneration Report
continued

Implementation of Remuneration Policy
Salary

Base salaries are reviewed annually, with reference to the individual's role, experience and performance; business performance; salary levels at relevant comparators; and the range of salary increases applying across the Group. During 2019, the Committee considered pay levels against international mining comparators and other FTSE-listed companies of similar size with executives based in similar geographic locations. Following this review, the Committee decided to increase executive salaries in 2019 to align to CPI per location. This increase was with effect from 1 January 2019. No increase was awarded in 2020. The increase awarded to Mr Mawe in January 2019 is reflected in the table below.

		Base salary at:		
Executive Director	Position	1 January 2020	1 January 2019	Increase
K Zhevago	CEO	N/A	US$240,000	0%
C Mawe[1]	CFO	CHF661,320	CHF651,525	1.5%

1. Mr Mawe's salary was adjusted retrospectively to 1 January 2019 by Swiss CPI of 1.5% after the publication of the Remuneration Report for 2018.

Mr Zhevago stepped aside from the role of CEO on 25 October 2019 with Mr Mawe being appointed the Acting CEO. As noted in the letter from the Chair, the Committee determined that while Mr Mawe is undertaking the role of Acting CEO he will receive additional salary of CHF200,000 to reflect his additional responsibilities. Consequently, with effect from 25 October 2019, Mr Mawe's aggregate base salary was adjusted to CHF861,320 per annum. Mr Mawe's pension and bonus will be calculated as a percentage of his total salary received over the relevant year. With regard to Mr Zhevago's fee, while he no longer retains any executive responsibilities, he remains available to the Acting CEO (and other members of the management team) to provide advice on areas within his knowledge and expertise and it was agreed that the former CEO could undertake non-executive duties which were specifically delegated to him by the Board or the Acting CEO. Therefore his role requires greater time commitment than that of other Non-Executives and the amount of salary provided was already below that of a traditional Chief Executive Officer in light of his shareholding.

Pensions and other benefits – audited

The Group does not operate a separate pension scheme for Executive Directors. Mr Mawe and Mr Zhevago are members of the Ferrexpo AG pension plan, which is a mandatory insurance scheme under Swiss law, provided for all employees of Ferrexpo AG, to which the Company contributes an average of 6% of their annual base salaries. Contributions for all Swiss employees operate according to a sliding scale, increasing as the employee gets older to a maximum of 10%. No additional benefit is receivable on early retirement.

Executive Director	Normal retirement date	Increase in value for 2019 less Director's contribution (CHF000)
K Zhevago	07.01.2039	9
C Mawe	31.01.2027	70

Mr Zhevago is entitled to furnished accommodation in Switzerland (and elsewhere in Europe if necessary for the performance of his duties), and up to US$5,000 for professional tax advice. In 2019, the value of accommodation provided was US$90,837. He did not claim this entitlement in 2018. Ferrexpo AG provides Mr Mawe with CHF170,316 of accommodation allowance and CHF24,931 of health insurance per annum which is subject to annual adjustment in light of the insurer's changes to premium rates. Pension and other benefits will operate in 2020 as set out in the Executive Director remuneration policy earlier in the report. In line with best practice, the pension provision to Mr Mawe is in line with the standard provision to employees in Switzerland.

2019 STIP outcome – audited

The Company, as a single product producer of iron ore pellets with a focused customer portfolio, sets its performance targets to ensure that the CFO and senior executives are motivated to enhance shareholder value both in the short term and over the longer term. Key performance targets based on the budget for 2019 were set for the CFO and senior executives and were weighted to reflect the contribution of the individual to the achievement of that target. Targets during the year related to financial performance, operational performance, and sales and product marketing performance, as well as personal targets relating to operational and financial management objectives. Safety (behavioural safety initiatives and improvements in risk management and lost time accident statistics) was included as a modifier, decreasing the total result in the event of a fatality.

In last year's report, detailed targets and objectives were not disclosed prospectively as they were considered to be commercially sensitive at that time. We indicated that retrospective disclosure of these targets would be given in this year's report where this is no longer the case, and this is included in the table below. Financial and operational targets were normalised, as in previous years, to take account of actual iron ore prices and sales pricing outside of a 5% band, operating forex losses or gains, and other major raw material cost price items such as gas, electricity and fuel prices as appropriate, to the extent that these were not under the direct control of management. These adjustments ensure that the targets fulfil their original intent and are no more or less challenging than when set in light of the adjustments made. No adjustments were made to safety, sales or production indicators such as volumes and costs.

The Committee has discretion to manage bonus outcomes retrospectively; it can confirm, increase, reduce or cancel bonus payments to reflect current market conditions and affordability. No payment is made under the STIP if performance is below threshold. For the CFO, threshold performance earns a bonus of 50% of salary, on-target performance 100% and stretch performance 150%. The level of achievement against each of the targets for 2019, as determined by the Committee for the CFO, is summarised on the next page.

Business scorecard (60% of STIP)

KPI	Measure/target	Weighting for CFO%	Threshold 50%	Target 100%	Stretch 150%	Scorecard outcome	Assessment	Max as a % of salary	Bonus awarded as a % of salary
Financial	Group EBITDA (US$)	15.0%	484	537	591	584	Above target	22.5%	21.5%
	NOPAT (US$)	15.0%	317	352	387	414	Stretch achieved	22.5%	22.5%
Operational	FPM Production volume (Mt)	5.0%	10,400	10,600	10,900	10,519	Above threshold	7.5%	4.0%
	FPM Full cash costs (C1) (US$/t)	5.0%	53.7	52.7	50.7	53.0	Above threshold	7.5%	4.4%
	FPM Total movement cost (US$/t)	5.0%	2.48	2.35	2.21	1.93	Stretch achieved	7.5%	7.5%
	FYM Total movement cost (US$/t)	5.0%	1.98	1.85	1.74	1.86	Above threshold	7.5%	4.8%
Sales and Marketing	Realised DAP/FOB price (US$)	5.0%	-4.00	-2.50	-1.00	-1.69	Stretch achieved	7.5%	6.3%
	Actual Seaborne freight per wmt compared to C3 (US$/t)	5.0%	4.50	3.00	1.50	1.50	Stretch achieved	7.5%	7.5%
Total		**60.0%**						**90.0%**	**78.5%**
Safety	Zero harm – 5% deduction due to fatality						Discretionary modifier		0.00%
							Scorecard outcome		**78.5%**

Personal objectives (40% of STIP)

Objectives	Weighting for CFO%	Threshold 50%	Target 100%	Stretch 150%	Scorecard outcome	Assessment	Max as a % of salary	Bonus awarded as a % of salary
Minimise additional tax arising from tax audits	10.0%	Additional US$5 million tax due	Additional US$3 million tax due	Additional US$1 million tax due	Stretch achieved	Additional tax charge less than US$1 million	15.0%	15.0%
Additional finance secured in 2019 to cover PXF amortisation in 2020	10.0%	Half covered	Fully covered	Additional US$1 million	Target	PXF amortisation fully secured in 2019 to cover 2020	15.0%	10.0%
Smooth and improve external audit process	10.0%	Minimum of half audit process improvements implemented	Audit process improvements fully implemented resulting in a smooth auditor transition and audit	Smooth audit transition and fully implemented and improved audit processes	Stretch achieved	New auditors fully on-boarded and improved audit processes implemented	15.0%	15.0%
Improve overall corporate governance, for the Board and Company Secretarial function	10.0%	Noticeable improvements effected in one area	Noticeable improvements effected in two areas	Noticeable improvements effected in all three areas	Stretch achieved	Improvements implemented with the adoption of new governance process, strong progress on Board refreshment and the appointment of a new Group Company Secretary	15.0%	15.0%
Total	**40.0%**						**60.0%**	**55.0%**
Total STIP (Composite result of business scorecard and personal objectives achievement)							**150.0%**	**133.5%**

Remuneration Report
continued

The Committee considered the CFO's personal performance against his personal targets during 2019 as shown above and confirmed that the CFO had achieved all his personal targets relating to managing the Group's debt position relating to managing finance to cover the impending PXF amortisation due in 2020, as detailed in the Performance Review on page 41, as well as enabling the payment of normal and special dividends to shareholders. The Committee also considered that the CFO had continued to take actions to deleverage the Group's balance sheet while also implementing processes to improve overall governance, the operation of the Board and the Company's Secretariat function. It was also noted that the CFO had, through various personal actions, contributed towards the transition to fully on-board the Group's new external auditors and had taken actions to effectively manage the Group's overall tax position.

Whilst the formulaic outturn under the business and personal portions of the STIP resulted in a bonus of 134% of salary, the Committee determined that in order to align the outcome with underlying performance and the shareholder experience over the year, this should be reduced by approximately 10% of salary to 124% of salary to reflect the approach taken with the wider members of the Executive Committee to take account of the current Group focus on cost efficiencies.

STIP framework for 2020

The STIP framework for 2020 is in line with the principles of the remuneration policy and the 2019 framework. Financial and operational targets, including cost reduction measures and personal KPIs, continue to be set as in previous years. Mr Mawe's 2020 STIP opportunity is 150% of salary for maximum performance, and 100% for target performance, calculated as a percentage of salary earned during 2020 (i.e. including allowance for Acting CEO for the duration of the post). The measures and weightings for the STIP in 2020 are shown in the table below. Due to commercial sensitivity, details of performance targets will be disclosed retrospectively and in certain instances may be aggregated.

KPI	Weighting for CFO
Financial (EBITDA, debt)	25.0%
Operational (safety, production, sales volume)	35.0%
Personal	40.0%
Total	**100.0%**

LTIP award vesting – audited

The performance period for the 2017 LTIP awards ended on 31 December 2019. The 2017 LTIP rewarded TSR outperformance of a tailored comparator group, as set out below. Under the 2017 LTIP, 20% of maximum vests for TSR performance in line with the index, with full vesting for TSR outperformance of 8% p.a.

Ferrexpo's TSR performance relative to the weighted index was assessed by Korn Ferry. From 1 January 2017 to 31 December 2019, Ferrexpo's TSR outperformance was 7.7% p.a. resulting in 97.32% of the 2017 LTIP awards vesting.

	Date of grant	Number of shares	Share price at date of grant[1]	Value awarded based on grant price	Vesting percentage	Number of shares vesting	Value vesting based on grant price	Share price at date of vesting[2]	Value based on vesting price[3]	Impact of share price appreciation
C Mawe	**02/05/2017**	**150,000**	**117.4p**	**£176,100**	**97.32%**	**145,980**	**£185,170**	**158.95p**	**£250,705**	**£74,605 (40%)**
	20/04/2016	150,000	29.8p	£44,725	100%	150,000	£44,725	194.65p	£291,975	£247,250 (85%)

1. Based on the average share price over the three-month period preceding the start of the performance period.
2. Based on the market value of shares on the normal vesting date.
3. Excludes value of share purchase of 11,746 shares in lieu of dividends throughout 2019.

LTIP granted in 2019 – audited

Mr Mawe was granted a 2019 LTIP award at a face value of 40% of salary.

Executive Director	Date of grant	Number of shares	Face value	Face value (% of salary)	Vesting for minimum performance (% of maximum)	End of performance period
C Mawe	25/04/2019	100,000	£205,660[1]	39%	20%	31/12/2021

1. Based on the average share price over the three-month period preceding the start of the performance period and an average exchange rate of CHF1 = £0.7880.

The LTIP award will vest to the extent that the TSR performance condition is met with performance measured over the period to 31 December 2021. A two-year holding period will apply to any shares that vest. Clawback provisions also apply to the award. TSR is measured against an index of iron ore and diversified miners. The constituents of the index for the recent awards are summarised in the table below:

		2016[1]	2017	2018	2019
Focused iron ore miners	Weighting	60%	60%	60%	**60%**
Assore		✓	✓	✓	✓
Atlas Iron[2]		✓			
Cliffs		✓	✓	✓	✓
Fortescue Metals		✓	✓	✓	✓
Kumba Iron Ore		✓	✓	✓	✓
Mount Gibson		✓	✓	✓	✓
Global diversified miners	Weighting	40%	40%	40%	**40%**
Anglo American[3]		✓	✓		
BHP		✓	✓	✓	✓
Rio Tinto		✓	✓	✓	✓
Vale		✓	✓	✓	✓
Glencore		✓	✓	✓	✓

1. The Committee reviewed the constituents of the comparator index and their weightings prior to the grant of 2015 LTIP awards and decided to increase the weighting on the focused iron ore miners from 50% to 60% by dropping the single commodity/emerging market miners component from the comparator group, increasing the weighting on our closest comparators to improve the relevance of the benchmark and aid simplicity.
2. Removed from the peer group for 2017 due to acquisition by Hancock Prospecting in 2018.
3. Removed from the peer group for 2018 because the company is the majority shareholder of Kumba Iron Ore (already in the peer group) which the Committee regarded as the more relevant of the two comparators.

TSR is calculated on a common currency basis to ensure that comparisons with international comparators listed overseas are fair, with a TSR share price averaging period of six months to help improve the comparison of the management long-term incentive in relation vs. potential short-term movements in Ferrexpo's share price or the share price of comparator companies.

No performance shares vest if Ferrexpo's TSR underperforms the comparator index. 20% vest if Ferrexpo's TSR is equal to index TSR; full vesting occurs only if Ferrexpo's TSR exceeds the index by at least 8% p.a.; there is straight-line pro rata vesting in between these points. In addition, for any shares to vest, the Committee must be satisfied that the recorded TSR is a fair reflection of Ferrexpo's underlying business performance.

Dividends accrue on performance shares over the vesting period and are paid on shares that vest. Dividends that ensue post vesting are paid to participants in shares.

LTIP framework for 2020

This Directors' Remuneration Report is published prior to the grant date of awards under the LTIP, which are normally made in April. The Committee intends to grant Mr Mawe an LTIP award of over 137,500 shares (which had a face value of c.35% of his CFO salary based on the share price prevailing at the time of setting the award size). The award has a similar value to the shares granted in 2019 with this quantum not impacted by salary allowance for role as Acting CEO. The awards will be subject to recovery provisions and a two-year holding period following the three-year performance period.

Non-executive Directors (including the Chairman)

The Non-executive Directors' fees are reviewed each year in light of the time commitment and level of involvement that Non-executive Directors are required to devote to the activities of the Board and its Committees. For 2019, fees for incoming NEDs were reduced to align with market benchmarks. The fee rates applicable for existing NEDs and new appointments from 2019 are disclosed below. There are currently no proposed changes for 2020.

Role	From 1 January 2019 Annual fee for incoming NEDs	From 1 January 2019 Annual fee for existing NEDs
Existing fees:		
Chairman fee	**US$440,000**	**US$440,000**
Non-executive Director base fee	**US$100,000**[1]	**US$135,000**
Committee Chairman fee	**US$20,000**	**US$35,000**
Senior Independent Director fee	**US$55,000**[2]	**US$55,000**

1. Mr Zhevago continues to receive a base fee of US$240,000 p.a. whilst in the role of Non-independent Non-executive Director and is also eligible for specific benefits as disclosed on pages 95 and 96.
2. As per 2018, the fee includes US$20,000 for chairmanship of the Committee of Independent Directors ("CID") and US$35,000 for acting as the Senior Independent Director ("SID").

Remuneration Report
continued

Directors' shareholdings – audited

Total interests of the Directors in office (and connected persons) as at 31 December 2019:

	At 31 December 2019[2]	At 31 December 2018
K Zhevago[1]	**296,077,944**	296,077,944
C Mawe	**266,055**	254,309
S Lucas	–	–
G Dacomb	–	N/A
L Genovese	–	N/A
V Lisovenko	–	–
F MacAulay	–	N/A
S Lockett (to January 2019)	–	50,000
M Reilly (to April 2019)	–	–
B Nacken (to April 2019)	**20,000**	20,000

1. Mr Zhevago is interested in these shares as a beneficiary of The Minco Trust, which is the ultimate shareholder of Fevamotinico S.a.r.l., which owns 296,077,944 shares in the Company.
2. Or upon ceasing to be a Director of the Company if earlier.

Executive Directors and members of the Executive Committee are encouraged to build up a holding of shares of equivalent value to a year's salary (in the case of Executive Directors) or six months' salary (for other members of the Executive Committee). Executives will be encouraged to retain their vested LTIP shares on an after-tax basis until the applicable guideline level is achieved. Performance shares that have vested under the LTIP but which are still subject to the two-year holding period will continue to vest at the conclusion of the two-year holding period unless the Committee determines otherwise. As at 17 March 2020, being a date not more than one month prior to the date of notice of the AGM, the Executive Directors' shareholdings are as follows:

	Shareholding requirement (% salary)	Owned outright	Subject to performance[1]	Current shareholding[2] (% salary)	Guideline met?
K Zhevago	100%	296,077,944	–	–	Yes
C Mawe	100%	270,202	100,000	51.4%	No

1. Performance awards are nil-cost options. Further details of shares subject to performance are provided below.
2. Based only on shares owned outright at 28 February 2020 and a share price of 129.25 pence.

Details of LTIP awards held by Mr Mawe (which are subject to performance) are provided below.

	Award	At 1 January 2019	Granted (2019 award)	Exercised	Lapsed	Total at 31 December 2019	Price on date of award (pence)	Date from which exercisable	Expiry date
C Mawe	2016 Award	150,000[1]	–	150,000	–	0	36.5	01.01.19	25.04.26
	2017 Award	150,000[2]	–	–	–	150,000	148.6	01.01.20	04.05.27
	2019 Award	–	100,000	–	–	100,000	202.4	01.01.22	29.04.29
Total		**150,000**	**100,000**	**150,000**	**–**	**250,000**			

1. This award has vested 100% under the TSR performance condition described above. At the normal date of vesting (31 December 2018) the market price of a share was 194.65 pence.
2. This award vested at 97.32% of maximum under the TSR performance condition described above. At the normal date of vesting (31 December 2019) the market price of a share was 158.95 pence.

With the exception of the reinvestment of the January 2020 dividend to purchase 4,147 shares for Mr Mawe, there have been no changes in the interests of the Directors from the end of the period under review to 17 March 2020. Total outstanding (i.e. awarded but not yet vested) awards granted under the LTIP as at the end of 2019 are equivalent to 0.1% of issued share capital.

Exit payments made in year – audited

No payments for loss of office were paid to or receivable by any Director or former Director in the financial year.

Payments to past directors – audited

Lucio Genovese retired from the Board on 1 August 2014 and has subsequently been reappointed on 12 February 2019. In 2019, for his role as a Non-executive Director of Ferrexpo AG he received a fee of US$40,000 p.a. Wolfram Kuoni retired from the Board on 28 November 2016 and, in 2019, for his role as the Chairman of Ferrexpo AG, he received a fee of US$100,000 p.a. No other payments were made to past Directors in the year.

Percentage change in CEO remuneration compared to other employees

The table below sets out the percentage increase in salary, taxable benefits and annual bonus for the CEO between 2018 and 2019 compared to that for other employees.

	CEO[1]	Other employees[2]
Salary	0%	4.0%
Taxable benefits	0%	0.0%
Annual bonus	n/a	21.1%

1. The CEO figure is based on a full year equivalent for Mr K Zhevago had he not temporarily stepped aside from his role in October 2019.
2. Refers to senior executives.

Relative importance of spending on pay

The table below shows Ferrexpo's dividend and total employee pay expenditure (this includes pension and variable pay, including STIP and fair value of LTIP, but not social security) for the financial years ended 31 December 2018 and 31 December 2019, and the percentage change.

US$ million	2019	2018	Year-on-year change
All-employee remuneration	**92**	73	26.2%
Distributions to shareholders[1]	**155**	97	60.4%

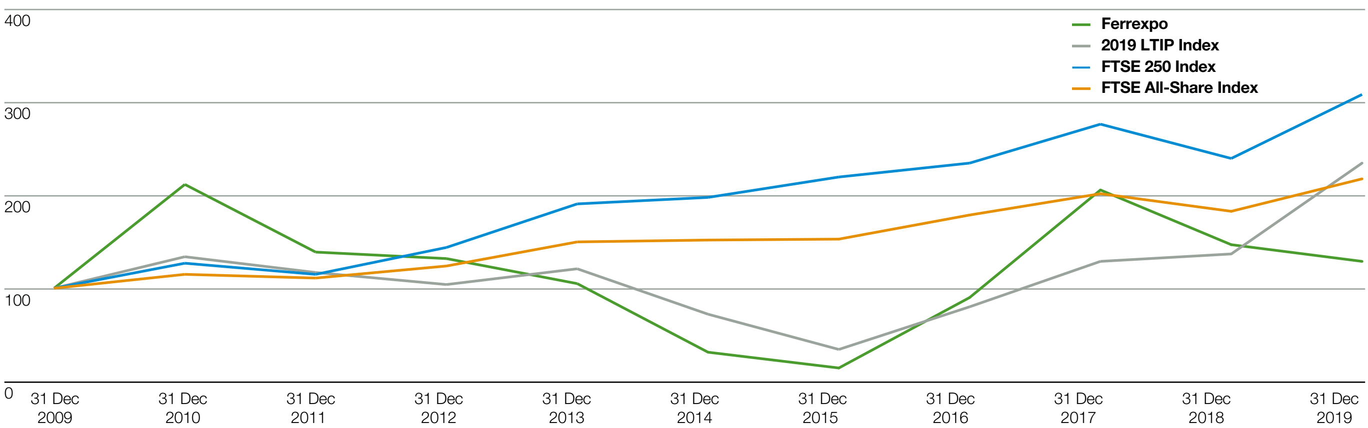
1. Includes dividends and share buy-backs.

Comparison of Company performance and Executive Director pay

The graph shows the value, at 31 December 2019, of £100 invested in Ferrexpo's shares on 31 December 2009 compared with the current value of the same amount invested in the FTSE 250 and All-Share indices and in the shares of the LTIP comparator group. The FTSE 250 and All-Share indices are chosen because Ferrexpo was a constituent member of the FTSE 250 for most of the period.

Historical TSR performance

Growth in the value of a hypothetical £100 holding over the ten years to 31 December 2019.



Chief Executive Officer's pay

US$000	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
K Zhevago										
Single figure total remuneration	341	348	291	243	243	243	243	255	251	**257**
STIP vesting (% max)	K Zhevago did not participate in the STIP									
LTIP vesting (% max)	K Zhevago did not participate in the LTIP									

Remuneration Report
continued

Statement of shareholder voting

The following table shows the results of the binding vote on the existing remuneration policy at the 2017 AGM and the advisory vote on the 2018 Annual Report at the 2019 AGM.

	For		Against		Withheld
	Shares (millions)	%	Shares (millions)	%	Shares (millions)
Remuneration policy (at 2017 AGM)	434	97.4%	12	2.6%	1.4
2018 Annual Report on Remuneration (at 2019 AGM)	484	98.7%	6	1.3%	0.9

As stated below the Committee has consulted with shareholders about the changes to the policy proposed at the 2017 AGM.

Shareholder consultation

The Remuneration Committee wrote to the Company's largest shareholders in March 2020 outlining its intention to 'roll-over' the existing policy for a further 12 months, except for some minor changes, in light of the CEO temporarily stepping down from his executive responsibilities and being replaced on an interim basis by the CFO and, therefore, a need for greater clarity over the future make-up of the Executive in the course of 2020. The Committee will undertake a full consultation exercise with the Company's major institutional shareholders during 2020 over the refinements it would like to make to the policy to reflect the Company's evolving strategy and wider market best practice expectations. Feedback received was broadly in favour of the 'roll-over' and minor changes proposed.

Other transactions involving Directors are set out in Note 34 Related Party disclosures to the Consolidated Financial Statements.

This report was approved by the Board on 17 March 2020.

Signed on behalf of the Board

Fiona MacAulay
Chairman of the Remuneration Committee

Directors' Report

Introduction

The Company was incorporated under the name Ferrexpo plc as a public company limited by shares on 22 April 2005. Ferrexpo plc listed on the London Stock Exchange in June 2007 and is a member of the FTSE 250 Index.

The Directors present their Annual Report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 31 December 2019. There have been no significant events since the balance sheet date, other than the proposed dividend disclosed in Note 12 to the Consolidated Financial Statements. Information about the Group's strategy, business model and likely future developments is included in the Strategic Report on pages 1 to 61.

Information about the use of financial instruments by the Group is given in Note 27 to the Consolidated Financial Statements.

Dividends

Results for the year are set out in the consolidated income statement on page 121.

The Directors have not recommended a final ordinary or special dividend at this stage. The Board is committed to dividends and intends to reassess its decision to declare a final ordinary and/or special dividend for the 2019 financial year once the general market situation and the effect of the COVID-19 virus has become clearer.

Overall, in 2019 the Group paid out dividends of US$155 million, a 60% increase compared to 2018 (US$97 million).

Directors

The Directors of the Company who served during the year and up to the date of signing were:

- Vitalii Lisovenko
- Simon Lockett (retired 28 January 2019)
- Steve Lucas
- Chris Mawe
- Bert Nacken (retired 29 April 2019)
- Mary Reilly (retired 29 April 2019)
- Kostyantin Zhevago
- Lucio Genovese (appointed 12 February 2019)
- Graeme Dacomb (appointed 7 June 2019)
- Fiona MacAulay (appointed 12 August 2019)

All of the Directors will retire at the forthcoming AGM and, being eligible, will offer themselves for election or re-election.

Further details about the Directors and their roles within the Group are given in the Directors' biographies on pages 64 to 65. Details of the remuneration of the Directors, their interests in shares of the Company and their service contracts are contained in the Remuneration Report on pages 85 to 102.

Appointment and replacement of Directors

Directors may be elected by the shareholders (by ordinary resolution) or appointed by the Board. A Director appointed by the Board holds office only until the next AGM and is then eligible for election by the shareholders.

Powers of the Directors

Subject to the Articles, the Act and any directions given by special resolution, the business of the Company will be managed by the Board which may exercise all the powers of the Company.

Directors' and officers' insurance

The Company maintains Directors' and Officers' Liability Insurance in respect of legal action that may be brought against its Directors and Officers.

Directors' indemnity provision

During the period under review, the Group had in force a qualifying third party indemnity provision in favour of each of the Directors of Ferrexpo plc against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Act.

Additional disclosures which are incorporated by reference into this Directors' Report, including any information required in accordance with Listing Rule 9.8.4R of the FCA's Listing Rules or the Act can be located as set out in the following table:

		Page
Capitalised interest and tax relief (LR 9.8.4R (1))	See Note 11 to the Consolidated Financial Statements	136
Details of long-term incentive schemes (LR 9.8.4R (4))	Remuneration Report	85–102
Contracts of significance (LR 9.8.4R (10))	See Note 34 to the Consolidated Financial Statements. Transactions with FC Vorskla are considered to be contracts of significance under the Listing Rules	170
Details of waivers of dividends by shareholders (LR 9.8.4R (12) and (13))	The employee benefit trust contains 1.7 million Ferrexpo Ordinary Shares for satisfying existing and future awards under management incentive schemes. A dividend waiver is in place in respect of these shares	–
Relationship Agreement with controlling shareholder (LR 9.8.4R (14)). Also see Note 34: Related party disclosures	Corporate Governance Report	69
Disclosures concerning greenhouse gas emissions	Strategic Report	44
Financial instruments	The Group does not hold any derivative financial instruments. Group policy on financial instruments is set out in Note 27 to the Consolidated Financial Statements	158
Events since the balance sheet date	See Note 35 to the Consolidated Financial Statements	173
Statement of Directors' responsibilities in respect of the Annual Report and Accounts	Corporate Governance Report	106
Information that fulfils the requirements of DTR 7.2 (other than DTR 7.2.6)	Corporate Governance Report	62

Disclosures required by statute

Employees

Information on the Group's employment policies can be found in the Strategic Report on pages 28 to 29. Employee numbers are stated in Note 29 to the financial statements. The Group employs fewer than 250 staff in the United Kingdom and so does not disclose its policies on employee involvement or employing disabled people. However, it will give fair consideration to applications for employment from disabled people.

Political donations

The Group made no political donations, political expenditure or political contributions during the year.

Share capital and rights attaching to the Company's shares

The Company has a single class of Ordinary Shares of 10 pence each.

Directors' Report continued

Subject to applicable statutes and other shareholders' rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. At each AGM, the Board proposes to put in place annual shareholder authority for the Company's Directors to allot new shares in accordance with relevant institutional investor guidelines.

Details of the issued share capital of the Company are shown in Note 31 to the Consolidated Financial Statements.

Variation of rights

Subject to the provisions of the Act, the rights attached to a class of shares may be varied or abrogated either with the consent in writing of the holders of at least three-quarters of the nominal amount of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class validly held in accordance with the Articles.

Transfer of shares

Any share in the Company may be held in uncertificated form and, subject to the Articles, title to uncertificated shares may be transferred by means of a relevant system. Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the Uncertificated Securities Regulations 2001 and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

Subject to the Articles, any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The Board may decline to register a transfer of a certificated share if it is not in the approved form. The Board may also decline to register any transfer of any share which is not a fully paid share. The Board may decline to register a transfer of any of the Company's certificated shares by a person with a 0.25% or greater interest if such a person has been served with a notice and has failed within 14 days to provide the Company with information concerning interests in those shares required to be provided under the Act, unless the transfer is shown to the Board to be pursuant to an arm's length sale.

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or that may result in restrictions on voting rights.

Repurchase of shares

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Act. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

The Company was given authority to make market purchases of up to approximately 10% of its existing Ordinary Share capital by a resolution passed on 7 June 2019. This authority will expire at the conclusion of the Company's 2020 AGM. A special resolution to renew the authority will be proposed at the forthcoming AGM. Details of the resolution renewing the authority to purchase Ordinary Shares are set out in the Notice of AGM enclosed with this report.

The Company did not make use of the authority mentioned above during 2019.

Dividends and distributions

Subject to the provisions of the Act, the shareholders may by ordinary resolution, from time to time, declare dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends and also any fixed rate dividends whenever the financial position of the Group, in the opinion of the Board, justifies their payment.

Under the Company's Articles, the Board may withhold payment of all or any part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25% or greater interest (as defined in the Articles) if such person has been served with a notice under Section 793 of the Act and has failed within 14 days to provide the Company with information concerning interests in those shares required to be provided under the Act.

Voting

At a general meeting of the Company, every member has one vote on a show of hands and, on a poll, one vote for each share held. Under the Act, members are entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote at a general meeting. A member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting as a corporate representative.

Restrictions on voting

No member is entitled to vote at any general meeting in respect of any shares held by him if any call or other sum outstanding in respect of that share remains unpaid. Currently, all issued shares are fully paid. In addition, subject to the Articles, no member shall be entitled to vote if he has failed to provide the Company with information concerning interests in those shares required to be provided under the Act.

Shares held in the Employee Benefit Trust ("EBT")

The trustees of the Company's EBT may vote or abstain from voting on shares held in the EBT as they think fit and in doing so may take into account both financial and non-financial interests of the beneficiaries of the EBT or their dependants.

Deadline for voting rights

The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the meeting. The Directors will also specify in the notice of any general meeting a time, being not more than 48 hours before the meeting, by which a person must be entered in the register of members in order to have the right to attend and vote at the meeting. The Directors may decide, at their discretion, that no account should be taken of any day that is not a working day when calculating the 48-hour period.

Significant agreements – change of control

The Company does not have any agreements with Directors or employees that would provide for compensation for loss of office or employment resulting from a takeover.

There are no circumstances connected with any other significant agreements to which the Company is a party that would take effect, alter or terminate upon a change of control following a takeover bid, except those referred to below:

LTIP

The rules of the Company's LTIP set out the consequences of a change of control of the Company on employee rights under the plan. Generally, such rights will vest on a change of

Substantial shareholdings

As at 31 December 2019, the Company had been advised, in accordance with the Disclosure Guidance and Transparency Rules, of the following notifiable interests in its voting rights.

Name of shareholder	Ordinary Shares	Number of voting rights	% of the Company's total voting rights at date of notification
Fevamotinico S.a.r.l.[1]	296,077,944	296,077,944	50.30%

1. Fevamotinico S.a.r.l. is a wholly owned subsidiary of The Minco Trust of which Kostyantin Zhevago is a beneficiary.

As at 17 March 2020, the latest practicable date prior to publication of the Annual Report, no changes in these interests in voting rights had been notified to the Company.

control to the extent that the performance conditions have been satisfied and on a time pro-rated basis, subject to the discretion of the Remuneration Committee. Participants will become entitled to acquire shares in the Company, or in some cases, to the payment of a cash sum of equivalent basis.

Bank loan facilities

The Group has a Dollar revolving pre-export finance ("PXF") facility for US$400 million with BNP Paribas, Deutsche Bank and other banks entered into in November 2017 and amended and restated in November 2018. If Kostyantin Zhevago ceases to own directly or indirectly at least 30% of the issued and allotted share capital of the Company, or any person (other than Kostyantin Zhevago) becomes the beneficial owner of shares in the Company carrying more than 50% of the voting rights normally exercisable at a general meeting, then the lenders are not obliged to fund a drawdown and a lender may upon notice cancel its commitment and declare the amount owing to it immediately due and payable.

Relationship Agreement

Details of the Relationship Agreement entered into between Fevamotinico S.a.r.l., Kostyantin Zhevago, The Minco Trust and the Company can be found in the Corporate Governance Report (page 69). The Relationship Agreement ceases to apply if Ferrexpo's shares cease to be listed and traded on the London Stock Exchange, or if the holding of Fevamotinico S.a.r.l., The Minco Trust or Mr Zhevago individually or collectively falls below 24.9% of the issued share capital of the Company and they are no longer a controlling shareholder for the purposes of the UK Listing Rules.

Going concern

The Group's business activities, together with the risk factors likely to affect its future development, performance and position, are set out on pages 38 to 60. The Viability Statement is set out in the Strategic Report on page 61. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Performance Review on pages 38 to 45. In addition, Note 27 to the Consolidated Financial Statements on pages 158 to 165 sets out the Group's objectives, policies and processes for managing its capital; its financial risk management objectives and details of its financial instruments; its exposure to credit risk, liquidity risk, as well as currency risk and interest rate risk.

The Directors have assessed that, taking into account: i) its available cash and cash equivalents at the date of authorisation of the consolidated financial statements; ii) the Group's cash flow projections for the period of management's going concern assessment; and iii) events and conditions beyond the period of management's going concern assessment, the Group has sufficient liquidity to meet its present obligations and cover working capital needs for the aforementioned period and will remain in compliance with its financial covenants throughout this period. Therefore, the Directors consider it appropriate to continue to adopt the going concern basis of accounting for the preparation of this set of financial statements.

Statement on disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information (as defined in the Act) of which the Group's auditors are unaware, and that each Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information (as defined) and to establish that the Group's auditors are aware of that information.

Amendments to Articles of Association

The Articles may be amended by special resolution in accordance with the Act.

AGM

The AGM of the Company will be held at 11.00am on Thursday 28 May 2020 at 55 St James's Street, London SW1A 1LA. Further information will be sent to shareholders in a separate letter from the Chairman summarising the business of the meeting together with the Notice convening the AGM.

The Strategic Report on pages 1 to 61 and this Directors' Report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law, and any liability of the Directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

The Directors' Report was approved by the Board on 17 March 2020.

For and on behalf of the Board

Steve Lucas
Chairman

Statement of Directors’ Responsibilities

Statement by the Directors under the UK Corporate Governance Code

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and Article 4 of the IAS Regulation, and have also chosen to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 (Reduced Disclosure Framework). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of their profit or loss for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 (Reduced Disclosure Framework) has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance; and
- make an assessment of the Group’s ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in respect of the Annual Report and Accounts

We confirm that to the best of our knowledge:

(a) the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the subsidiary undertakings included in the consolidation taken as a whole

(b) the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the subsidiary undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

(c) the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group’s position, performance, business model and strategy.

The Directors’ Report (including Corporate Governance Report) comprises the information on pages 62 to 106.

This responsibility statement was approved by the Board of Directors on 17 March 2020 and is signed on its behalf by:

Steve Lucas
Chairman

Chris Mawe
Acting Chief Executive Officer
17 March 2020

Financial contents

Independent Auditor's Report

to the members of Ferrexpo plc on the audit of the financial statements

For the purpose of this report, the terms "we" and "our" denote MHA MacIntyre Hudson in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Ferrexpo plc. For the purposes of the table on pages 111 to 115 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA MacIntyre Hudson and/or our component teams. The Group financial statements, as defined below, consolidate the accounts of Ferrexpo plc and its subsidiaries (the "Group") and include the Group's share of associates. The "Parent Company" is defined as Ferrexpo plc. The relevant legislation governing the Parent Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion

In our opinion:
– the financial statements give a true and fair view of the state of the Group's and Ferrexpo plc's affairs as at 31 December 2019 and of the Group's profit and cash flows for the year then ended;
– the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
– the Ferrexpo plc financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standard Financial Reporting Standard 101 "Reduced Disclosure Framework", and applicable law); and
– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:
– the consolidated income statement;
– the consolidated statement of comprehensive income;
– the consolidated and Parent Company statements of financial position;
– the consolidated statement of cash flows;
– the consolidated and Parent Company statement of changes in equity;
– the related consolidated Notes 1 to 35; and
– the related Parent Company Notes 1 to 8.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Overview of our audit approach

Materiality	The materiality that we used for the Group financial statements was US$20 million, which was determined as 5% of the three-year average of profit before tax ("PBT") and special items. Performance materiality was set at 75% of materiality.
Scope	We directed and supervised Baker Tilly member firms ("Component Auditors") to report on the operations of the five material subsidiaries comprising the three mining and processing entities in Ukraine and the Swiss and Middle East marketing companies. Material subsidiaries were determined based on: 1) financial significance of the component to the Group as a whole; and 2) assessment of the risk of material misstatements applicable to each component. Our audit scope results in all major operations of the Group being subject to audit work, covering in excess of 96% of the Group's revenue, 98% of the Group's profit and 97% of the net assets.
Key audit matters	The key audit matters that we identified in the current year were: – Corporate Social Responsibility ("CSR") Donations to Blooming Land Charitable Foundation ("Blooming Land") – Completeness of related party relationships and transactions – Taxation – transfer pricing – Management override of controls – Completeness of provisions and potential litigations Our assessment of the Group's key audit matters is consistent with 2018 except for: – The inclusion of completeness of provisions and potential litigations
First-year audit transition	We developed a detailed audit transition plan, designed to deliver an effective transition from the Group's predecessor auditor, Deloitte LLP ("Deloitte"). Our audit planning and transition commenced on 4 July 2019, following our appointment. Our transition activities were performed for components located in the UK, Switzerland and Ukraine, which included (but were not limited to) meeting relevant partners and senior staff from Deloitte, reviewing the Audit Committee meeting minutes and reviewing Deloitte's 2018 audit working papers. Our transition focused on obtaining an understanding of the Group's system of internal control, evaluating the Group's accounting policies and areas of accounting judgement, and meeting with management across all major divisions.

The scope of our audit and our key audit matters
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements and the financial report. In particular, we looked at where the Directors made subjective judgments, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud
We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to both reduce costs and inflate operating profit, and management bias in accounting estimates.

Independent Auditor’s Report

to the members of Ferrexpo plc on the audit of the financial statements continued

Audit procedures performed by the engagement team included, but were not limited to:

- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, and tax legislation. In addition, we considered compliance with the UK Bribery Act, employee legislation, terms of the Group’s mining licences and environmental regulations as fundamental to the Group’s operations;
- discussing among the engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, pensions and IT;
- discussions with Group and local management, internal audit and the Group’s internal and external legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- enquiring of the Audit Committee concerning actual and potential litigation and claims;
- evaluation of the operating effectiveness of management’s controls designed to prevent and detect irregularities;
- assessment of matters reported on the Group’s whistleblowing helpline and the results of management’s investigation of such matters;
- reading key correspondence with regulatory authorities such as the Financial Conduct Authority;
- challenging assumptions and judgements made by management in its significant accounting estimates, in particular, with respect to valuations of lean ore inventories:
  - we audited the significant assumptions within the lean ore valuation calculations with reference to external third party support;
  - we assessed the Group’s ability to complete key capital projects, including the processing facility expansion programme (“Section 9”), and the economic feasibility of processing lean ore versus the opportunity cost of processing higher grade ores;
- identifying and testing journal entries, in particular, any journal entries posted with understatement of costs, journals that are backdated or posted by senior management;
- the Group audit team visited the mines in December 2019 and observed the progress of key capital projects and the mining operations; and
- the use of data analytics software to interrogate the journals posted in the year and to review areas where the incentive to override controls may be greatest. We also used our data analytics tool to identify potential transactions with related parties.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We did not identify any key audit matters relating to irregularities, including fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Corporate Social Responsibility ("CSR") Donations to Blooming Land Charitable Foundation ("Blooming Land")

Key audit matter description	As part of the Group's Corporate Social Responsibility programme in Ukraine, the Group made CSR donations of US$9.5 million to a charitable organisation called Blooming Land in the year ended 31 December 2018. The Group had been making CSR payments to Blooming Land since 2013 for a total amount of approximately US$110 million. In May 2018, the Group suspended payments to Blooming Land citing delays in obtaining adequate information from the charitable organisation and pending the outcome of a review into Blooming Land's 2017 audited financial statements. In August 2018, the then Group's auditors reported to the Board of Directors a number of concerns in respect of the activity of Blooming Land and recommended launching an independent forensic investigation into a number of matters relating to the donations made to Blooming Land. In February 2019, an independent review was launched by the Group by establishing an Independent Review Committee ("IRC"). The IRC conducted its investigation on the basis of the terms of reference outlined on page 75, which included, inter alia, gaining assurance over the ultimate use of the funds donated to Blooming Land, determining whether significant influence or control existed by the Group's CEO over Blooming Land and considering any potential legal or regulatory exposures. As part of its activities, the IRC commissioned an independent forensic investigation that was conducted by independent forensic accountants and by legal counsel in the UK and Ukraine. The IRC formally announced the conclusion of its work in August 2019. That followed the receipt of a report from its advisers in respect of the results of the independent forensic investigation that they had conducted. The conclusions issued by the IRC in respect of the independent review conducted noted that the Committee had not been able to gain assurance about the ultimate use of all of the funds by Blooming Land and that indications remained that some of the funds could have been misappropriated. As some of the US$9.5 million CSR donations to Blooming Land in the year ended 31 December 2018 may have been misappropriated or misapplicated, the presentation of such amounts as part of the Group's community support donations in the comparative figures for the year ended 31 December 2018 may be inappropriate. The misappropriation or misapplication of the funds donated to Blooming Land may also expose the Group to the risk of civil, criminal or regulatory action resulting in potential legal claims, penalties, fines or other liabilities. This is considered a key audit matter in view of the increased risk of: i) lack of comparability between the community support donations amount for the current year and that presented for the comparative year to 31 December 2018; and ii) omission of liabilities for any breaches of laws and regulations arising from any misappropriation or misapplication of funds. The critical judgements in respect of the nature of the Group's community support donations are disclosed in the Key Estimates and Critical Judgements section of the Audit Committee Report on page 78 and in Note 7 to the financial statements. Provisions/contingencies in respect of the CSR payments made to Blooming Land are disclosed in Note 30 to the financial statements.
How the scope of our audit responded to the key audit matter	We reviewed the scope and work plan and evaluated the independent forensic investigation report produced by the IRC's external legal counsel and the appointed forensic accountants to assess whether the approach and effort undertaken was consistent with, and capable of achieving, the terms of reference of the investigation. Our review of the report was also aimed at determining whether the findings included sufficient evidence of misappropriation or misapplication of the funds advanced to Blooming Land and whether any misappropriation or misapplication could be quantified in respect of the year ended 31 December 2018. We also considered the recommendations made in the forensic report for the Group to undertake further actions to obtain assurance about the ultimate use of funds by Blooming Land. We reviewed and evaluated the extent and results of the further procedures undertaken in that respect by the Group and considered whether the additional procedures were in line with the report recommendations. We also reviewed the findings of the forensic report to assess the existence or likelihood of any civil, criminal or regulatory action against the Group as a result of the CSR payments to Blooming Land, and the quantification of any related liability. We also held discussions with the Group's legal counsel in the UK and Ukraine to identify any developments that occurred after the end of the forensic investigation that may indicate the existence or likelihood of an action against the Group for breach of laws and regulations and any associated liability. We held discussions with the Committee of Independent Directors, in connection with its monitoring of various tax and other investigations in Ukraine involving Blooming Land, to assess whether there are developments in those investigations that provide evidence of misappropriation or misapplication of funds or of a possible liability of the Group. We also reviewed the minutes of the meetings of the IRC and held discussions with some of its members to assess whether the work of the Committee was consistent with the terms of reference of the investigation and whether there was evidence of misappropriation or misapplication of funds by Blooming Land or of any related action against the Group, and any associated liability, not highlighted by the forensic report.
Key observations	Based on the procedures performed, we noted no material issues from our work.

Independent Auditor's Report

to the members of Ferrexpo plc on the audit of the financial statements continued

Completeness of related party relationships and transactions

Key audit matter description	The Group enters into a number of related party transactions and has reported an expense of US$43.8 million (2018: US$43.3 million) and other income of US$1.4 million (2018: US$0.9 million) in 2019. Of which US$24.9 million and US$1.4 million respectively relates to transactions with entities that are controlled by the Group's majority shareholder and Group's previous Chief Executive Officer as detailed in Note 34. Our risk assessment and audit approach reflected the identification of a significant risk in respect of the existence of unidentified or undisclosed related parties and transactions, including the risk relating to significant transactions outside the normal course of business that could involve related parties. We therefore considered completeness of related party transactions to be a Key Audit Matter in light of the potential for unidentified or undisclosed related party transactions. This risk was considered greatest in respect of transactions outside the normal course of business. The related party disclosures are set out in Note 34 to the Financial Statements and the Group's controls are described in the Report of the Audit Committee on page 80.
How the scope of our audit responded to the key audit matter	We reviewed and evaluated management's process for identifying and recording related parties into their register. We reviewed the minutes of meetings of the Board of Directors and relevant sub-committees to assess whether there are new related party transactions entered into in 2019 that are significant or outside the normal course of business. We used our data analytics tool to search for transactions which had not been included in the related party disclosures. We also used our data analytics tool to identify potential transactions with related parties. We challenged management on potential counterparties we identified which included some linkages to the Group to establish whether they should have been included in the register. We reviewed a sample of suppliers in Ukraine to establish whether they are genuine businesses against information held on public records. We performed independent searches of the Board of Directors' other appointments and shareholdings and did not identify any counterparties on the list which were not included in the related party disclosures. The Group has supported FC Vorskla, which is wholly owned by the Group's previous Chief Executive Officer, via a sponsorship for many years. In 2019, the Group paid US$10.8 million (2018: US$10.7 million) for the sponsorship of FC Vorskla. We have benchmarked the amounts paid versus the commercial income of other football clubs in Ukraine. We have also obtained external evidence confirming that Ferrexpo's logo is printed on the football team's shirt, is included on the club's official website and we saw evidence of advertisements at the club ground via the club's webcam feed. As disclosed in Note 34, the Board has taken steps to obtain some further information in relation to FC Vorskla. Payments are made by the Group to FC Vorskla under a sponsorship agreement which dictates that the sponsorship funds must be used by FC Vorskla exclusively to finance the ordinary business of the football club. It has come to the Group's attention that FC Vorskla has provided a loan to Collaton Limited, a company under the control of the Group's former Chief Executive Officer, totalling US$17 million as at 31 December 2019. We have seen representations from FC Vorskla confirming that loan amounts were advanced to Collaton Limited as it participated in the financing of sport facilities projects of the club which are expected to involve an investment in excess of €25 million between 2017 and 2020. However, the Board of Directors of Ferrexpo was unable to conclude, as at the date of approval of the Annual Report, whether the payments made to FC Vorskla have been used in their entirety for the legitimate purposes of the football club in Ukraine and have ceased payments to FC Vorskla until the conclusion of the Group's enquiries. As disclosed in Note 30, if it transpires that any of the payments made by the Group to FC Vorskla or the loan provided by FC Vorskla to Collaton Limited were not used for the legitimate purposes of the football club in Ukraine, or there has been any non-compliance with legal, regulatory or other requirements, liabilities (including fines and penalties) may accrue to the Group. At the current time, the existence, timing or quantum of potential future liability, if any, including fines, penalties or damages, which could be material, or other consequences arising from the payments made by the Group to FC Vorskla, cannot be determined and measured reliably and, as a consequence, no associated liabilities have been recognised in relation to these matters in the consolidated statement of financial position as of 31 December 2019. We have reviewed the disclosures for completeness based upon our review of the evidence available.
Key observations	We are satisfied that the related party transactions and balances are appropriately disclosed in the financial statements.

Taxation – transfer pricing

Key audit matter description

The Group prices its sales between its subsidiaries using international benchmark prices for comparable products covering product quality and applicable freight costs. The Group judges these to be on terms which comply with applicable legislation.

In August 2017, the State Fiscal Service of Ukraine ("SFS") commenced a tax audit for the period from 1 September 2013 to 31 December 2015 at the Group's major subsidiary in Ukraine with a focus on cross-border transactions in terms of its pellet sales to another subsidiary of the Group. Following the completion of this audit, the SFS issued its official tax audit report on 27 December 2018, claiming a tax adjustment totalling UAH448 million (US$18,914 thousand as at 31 December 2019) and issued the formal claim on 12 March 2019 after having considered the objections of the Group's subsidiary according to its earlier tax audit report.

The Group's subsidiary initiated legal proceedings and filed a claim to the first court instance in Poltava on 22 March 2019. The Poltava court of first court instance confirmed on 4 September 2019 the position of the Group's major subsidiary. The SFS filed its appeal in November 2019 and the Northern Commercial Court of Appeal confirmed on 21 December 2019 the decision of the first court instance and supported the position of the Group's subsidiary in full. The SFS subsequently filed the application of cassation to the Supreme Court of Ukraine. As of the date of approval of these financial statements, the case has not yet been heard by the Supreme Court of Ukraine.

This matter is described in Note 11 to the financial statements.

Significant judgement is required in applying the transfer pricing rules and in determining the probability of any loss in connection with the Ukrainian tax audit.

The taxation disclosure including accounting policies and description of key sources of estimation uncertainty are set out in Note 11 and considered by the Audit Committee on page 78 of the Annual Report.

This year, IFRIC 23 – Uncertainty over Income Tax Treatments is effective for the Group to implement.

The IFRIC 23 framework can be challenging to apply in the context of contentious transfer pricing, in that the treatment of transfer pricing cases will typically shift from matters of policy and application in an enquiry to matters of evidence and jurisprudence in an adjudication by a court. In an enquiry, a tax authority has the disadvantage of not knowing the full facts and circumstances upfront in the same way as a taxpayer. The framework therefore asks the taxpayer to equalise this dynamic by basing any IFRIC 23 analysis on the assumption that there is no information asymmetry as between the taxpayer and the tax authority. Further, in an enquiry it is accepted that any disagreement will likely be settled by a negotiation in the first instance. There will be many factors to account for in predicting the outcome of a negotiation such as the nature of the dispute as well as wider commercial and policy pressures. This notwithstanding, the IFRIC 23 framework will work much better for these types of disputes because it is possible to take a view concerning different aspects of a negotiation and to therefore apply weightings to the likely scenarios that could play out.

It is much more difficult to apply this framework to an adjudication which is more likely to be binary in its possible outcomes. The nature of court proceedings is that there is a need for clear adjudication on matters of law and jurisprudence. This means that negotiation does not come into it at all, albeit the parties are free to settle the dispute at any time. Rather the court process is an impartial evidence-based process that involves judges applying the law to the facts. The lower courts will usually resolve points of fact and the higher courts will usually address points of law. Adjudication of points of law tends to be a more technically involved process whose outcome is extremely difficult to predict. Consequently, the higher the level of court hearing a matter, the more difficult it becomes to apply the IFRIC 23 framework. This is because the highest courts operate at the highest levels of discretion and can therefore decide matters as they see fit.

Independent Auditor's Report

to the members of Ferrexpo plc on the audit of the financial statements continued

Taxation – transfer pricing continued

How the scope of our audit responded to the key audit matter	We have involved transfer pricing tax specialists to assess the appropriateness of the transfer pricing policies and documentation in place prepared by management. On a sample basis, we verified the calculation of prices for transactions that occurred in 2017 to be in line with the transfer pricing policy. We have reviewed the correspondence with SFS and calculation of the assessed risk with assistance from UK tax and transfer pricing specialists. In addition, we have reviewed recent similar cases in Ukraine and the results of the court proceedings. The consideration of IFRIC 23 requires the Group to consider the position at each financial year end based upon the information as at that date. We have challenged management and considered a sensitivity analysis upon the application of IFRIC 23 to consider the significant judgements made in relation to the following: – The likelihood of the Group winning the court case at each financial year end; – The likelihood of the tax authorities paying the court fees to progress the challenge; – The likelihood of the case being sent back to a lower court for review; – The likelihood of partial acceptance from the court in favour of both parties; – The likelihood of a settlement being reached with the tax authorities; and – The likelihood of the tax authorities winning the court case.
Key observations	The results of our testing were satisfactory and we concur that the recorded tax provisions and disclosures are appropriate.

Management override of controls

Key audit matter description	In accordance with ISA 240 (UK) management override is presumed to be a significant risk. The ability to override controls puts management in a unique position to perpetrate or conceal the effects of fraud. This may take a number of forms such as falsifying accounting entries in order to conceal misappropriation of assets or other manipulation of accounting entries intended to result in the production of financial statements which give a misleading view of the entity's financial position or performance.
How the scope of our audit responded to the key audit matter	We have performed the following procedures (in addition to other specific procedures performed which are outlined in the other Key Audit Matters and basis of qualified opinion section of this report: – We held discussions with a broader range of senior management, being the Acting Chief Executive Officer, Acting Chief Financial Officer, Group Financial Controller and with lower level operational management throughout the organisation and at different levels and in different functions, including the chief geologist, mine planner, head of production, chief surveyor and accounts payable clerks to identify if they are aware of any instances of override of controls. – We evaluated the design and implementation of key controls including, in particular high-level management review controls and controls over purchase to pay procurement processes, as part of our risk assessment. – We reviewed internal audit reports to help identify significant control deficiencies and the whistleblower reports for any actual or suspected non-compliance with controls. – We tested the appropriateness of journal entries and other adjustments recorded in the general ledger and other adjustments in the preparation of the financial statements. – We evaluated whether the judgements and decisions made in determining the accounting estimates included in the financial statements, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. – We evaluated the business rationale for significant transactions that are outside the normal course of the business for the entity. – We held discussions with the Audit Committee, senior management and internal audit regarding the risk of fraud, effectiveness of key oversight controls and any fraud or suspected fraud identified during the year.
Key observations	We did not identify any instances of management override of controls.

Completeness of provisions and potential litigations

Key audit matter description	The Group is involved in a few legal proceedings, both for and against the Company. For a smaller number of claims against the Company, management has assessed the probability of success of the claims as remote and accordingly has not accounted for or disclosed the claims. As disclosed in Note 30, on 4 February 2019 Ferrexpo announced that it had commissioned an independent review (the "Independent Review") into the Group's relationship with Blooming Land and its sub-funds (the "Charity"). The Group may be exposed to the risk of civil, criminal or regulatory actions, and liabilities (including fines and penalties) may accrue to the Group arising from the Group's relationship with the Charity, including (without limitation) in the following scenarios: – if any of the critical judgements outlined in Note 7 Operating expenses and/or Note 34 Related party disclosures are incorrect, in whole or in part; – if funds donated to the Charity have been misapplied, including through misappropriation, with or without the knowledge or involvement of Ferrexpo personnel and/or in circumstances where the Charity is considered to be performing services for or on behalf of the Group; – if the Group or any of its personnel have derived any direct or indirect benefit from the Charity; and – if the financial statements for the current or prior periods omit related party or other disclosures that ought to have been made or the financial statements need to be restated. At the current time, the existence, timing and quantum of potential future liability, if any, including fines, penalties or damages, which could be material or other consequences arising from the Independent Review cannot be determined and measured reliably and, as a consequence, no associated liabilities have been recognised in relation to these matters in the consolidated statement of financial position as of 31 December 2019. Management judgement is involved in assessing the accounting for claims, and in particular in considering the probability of a claim being successful and we have accordingly designated this as a focus area of the audit. The risk related to the claims is mainly associated with the completeness of the disclosure, and the completeness of the provisions in the financial statements.
How the scope of our audit responded to the key audit matter	In response to the risk of completeness of the disclosures and the completeness of the provisions in the financial statements, we obtained external confirmations directly from the Group's legal advisers. We discussed the cases with management, and reviewed correspondence and other documents exchanged between the Group and the other parties involved. We read the minutes of the Board meetings, and inspected the Company's legal expenses, in order to ensure all cases have been identified. We tested provisions recorded in the accounting records and reviewed the disclosures for completeness based on our procedures detailed above.
Key observations	Based on the procedures performed, we noted no material issues from our work.

Independent Auditor’s Report

to the members of Ferrexpo plc on the audit of the financial statements continued

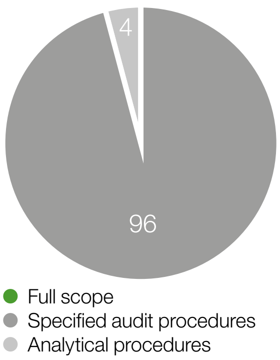
How we tailored the audit scope

Our Group audit was scoped by obtaining an understanding of the Group and the Parent Company and their environments, including internal control, and assessing the risks of material misstatement. The Group’s parent entity and finance company are UK based, while the head office and marketing companies are based in Switzerland and the primary mining operations are located in Ukraine.

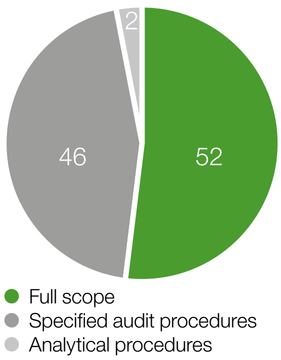
Considering operational and financial performance and risk factors, we focused our assessment on the significant components and performed full scope audits of the Ukrainian FPM and FYM components and Ferrexpo plc entity along with specified Group-level audit procedures on the material external balances at the Swiss marketing entities FAG and FME (being revenue and receivables), the non-operating Ukrainian FBM component, and Ferrexpo Finance plc. Our full scope and specified audit procedures cover revenue (in excess of 96% of Group total), profit before tax (98% of Group total) and net assets (97% of Group total).

The remaining 23 components represent 2% of the Group’s profit before tax and individually do not represent more than 1% of the Group’s profit before tax. The work performed by the component audit teams is guided by the Group audit team and is executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from US$1.1 million to US$14.6 million (2018: US$9.1 million to US$14.5 million).

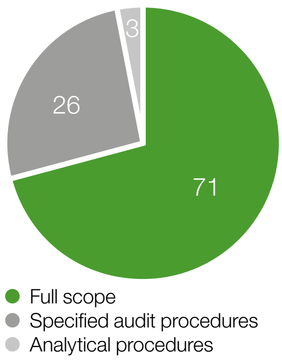
Revenue (%)



Profit before tax (%)



Net assets (%)



The Group audit team was involved in the audit work performed by the component auditors in Ukraine and Switzerland through a combination of our Group planning meetings and calls, a visit to the Ukrainian team and operations, provision of referral instructions (including detailed supplemented procedures), review and challenge of related component interoffice reporting and of findings from their work (which included the audit procedures performed to respond to risks of material misstatement), attendance at component audit closing conference calls and weekly interaction on audit and accounting matters which arose.

Ferrexpo plc company only and Ferrexpo Finance plc are registered in the UK; hence the audit and specified procedures were carried out by the Group audit team.

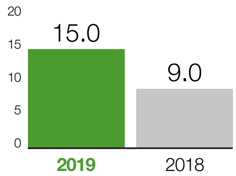
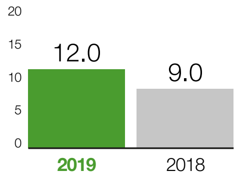
At the Parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Overall materiality	**Group materiality** (US$ million) 	**Parent Company materiality** (US$ million) 
How we determined it	We have determined materiality by using 5% of a three-year average (2017–2019) of profit before tax.	1.5% of Parent Company's net assets (2018: 1.5%).
Rationale for the benchmark applied	The profit before tax for 2017–2019 has been normalised in determining materiality to exclude items which, due to their variable financial impact and/or expected infrequency of the underlying events, are not considered indicative of continuing operations of the Group. These items do not form part of the Group's internally or externally monitored primary key performance indicators, and which if included, would distort materiality year-on-year. We consider this approach of using a three-year average to be more appropriate than an assessment based on current-year results alone, given the nature of the mining industry which is exposed to cyclical commodity price fluctuations and to therefore provide a more stable base reflective of the scale of the Group's size and operations. We set our 2019 performance materiality of US$15 million (2018: US$9 million) at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.	We consider the chosen benchmark to be appropriate due to the nature of the Company's operations being a holding company of the Group. We set our 2019 performance materiality of US$12 million (2018: US$9 million) at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality.

We agreed with the Audit Committee that we would report to it all audit differences in excess of US$1 million (2018: US$0.9 million) for the Group as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent Auditor's Report

to the members of Ferrexpo plc on the audit of the financial statements continued

Conclusions relating to going concern, principal risks and Viability Statement

Going concern

We have reviewed the Directors' statement in Note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements. We considered as part of our risk assessment the nature of the Group, its business model and related risks, including where relevant the impact of Brexit and in light of the emergence and spread of the coronavirus (COVID-19), the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, the Directors' assessment of forecast covenant compliance and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and Viability Statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 52 to 60 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 61 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 61 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Reporting on other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities for the financial statement and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

– the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
– the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Companies Act 2006 exception reporting Under the Companies Act 2006 we are required to report to you if, in our opinion: – we have not received all the information and explanations we require for our audit; or – adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or – the Parent Company financial statements are not in agreement with the accounting records and returns.	**We have no exceptions to report arising from this responsibility.**
Directors' remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**

Independent Auditor's Report

to the members of Ferrexpo plc on the audit of the financial statements continued

Other matters

Appointment

Following the resignation of Deloitte as auditor, the Company's Audit Committee and Board approved the appointment of MHA MacIntyre Hudson, the UK member of Baker Tilly International, as the Company's auditor for the year ended 31 December 2019. The appointment of MHA MacIntyre Hudson for subsequent financial years will be subject to approval by the shareholders at each Annual General Meeting.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Rakesh Shaunak FCA
Senior Statutory Auditor

For and on behalf of
MHA MacIntyre Hudson
Chartered Accountants and Statutory Auditors
London, United Kingdom
17 March 2020

Consolidated Income Statement

US$000	Notes	Year ended 31.12.19	Year ended 31.12.18
Revenue	6	**1,506,724**	1,274,030
Operating expenses	5/7	**(968,443)**	(844,470)
Other operating income	8	**5,614**	3,314
Operating foreign exchange losses	9	**(46,752)**	(5,295)
Operating profit		**497,143**	427,579
Share of profit from associates	33	**4,114**	5,360
Profit before tax and finance		**501,257**	432,939
Net finance expense	10	**(23,191)**	(39,332)
Non-operating foreign exchange losses	9	**(18,491)**	(1,585)
Profit before tax		**459,575**	392,022
Income tax expense	11	**(56,282)**	(56,801)
Profit for the year		**403,293**	335,221
Profit attributable to:			
Equity shareholders of Ferrexpo plc		**402,370**	333,616
Non-controlling interests		**923**	1,605
Profit for the year		**403,293**	335,221
Earnings per share:			
Basic (US cents)	12	**68.6**	56.9
Diluted (US cents)	12	**68.4**	56.7

Consolidated Statement of Comprehensive Income

US$000	Notes	Year ended 31.12.19	Year ended 31.12.18
Profit for the year		**403,293**	335,221
Items that may subsequently be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**266,163**	12,178
Income tax effect	11	**(20,487)**	(2,007)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**245,676**	10,171
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement (losses)/gains on defined benefit pension liability	22	**(6,898)**	875
Net other comprehensive (loss)/income not being reclassified to profit or loss in subsequent periods		**(6,898)**	875
Other comprehensive income for the year, net of tax		**238,778**	11,046
Total comprehensive income for the year, net of tax		**642,071**	346,267
Total comprehensive income attributable to:			
Equity shareholders of Ferrexpo plc		**639,722**	344,587
Non-controlling interests		**2,349**	1,680
		642,071	346,267

Consolidated Statement of Financial Position

US$000	Notes	As at 31.12.19	As at 31.12.18
Assets			
Property, plant and equipment	13	**1,044,426**	701,376
Right-of-use assets	14	**10,976**	–
Goodwill and other intangible assets	15	**47,552**	39,609
Investments in associates	33	**8,064**	7,037
Inventories	17	**255,026**	217,688
Other non-current assets	16	**24,093**	32,104
Deferred tax assets	11	**38,608**	27,946
Total non-current assets		**1,428,745**	1,025,760
Inventories	17	**199,714**	144,919
Trade and other receivables	18	**99,864**	85,695
Prepayments and other current assets	19	**42,653**	27,344
Income taxes recoverable and prepaid	11	**184**	61
Other taxes recoverable and prepaid	20	**37,377**	44,837
Cash and cash equivalents	25	**131,020**	62,996
Total current assets		**510,812**	365,852
Total assets		**1,939,557**	1,391,612
Equity and liabilities			
Issued capital	31	**121,628**	121,628
Share premium		**185,112**	185,112
Other reserves	31	**(1,764,808)**	(2,010,080)
Retained earnings		**2,810,622**	2,568,187
Equity attributable to equity shareholders of Ferrexpo plc		**1,352,554**	864,847
Non-controlling interests		**78**	2,050
Total equity		**1,352,632**	866,897
Interest-bearing loans and borrowings	5/26	**274,011**	197,258
Defined benefit pension liability	22	**33,628**	21,444
Provision for site restoration	23	**3,016**	1,940
Deferred tax liabilities	11	**140**	352
Total non-current liabilities		**310,795**	220,994
Interest-bearing loans and borrowings	5/26	**138,367**	204,600
Trade and other payables	21	**65,627**	34,292
Accrued and contract liabilities	24	**39,257**	32,693
Income taxes payable	11	**21,248**	20,571
Other taxes payable	20	**11,631**	11,565
Total current liabilities		**276,130**	303,721
Total liabilities		**586,925**	524,715
Total equity and liabilities		**1,939,557**	1,391,612

The financial statements were approved by the Board of Directors on 17 March 2020.

Steve Lucas
Chairman

Christopher Mawe
Acting Chief Executive Officer

Consolidated Statement of Cash Flows

US$000	Notes	Year ended 31.12.19	Year ended 31.12.18
Profit before tax		**459,575**	392,022
Adjustments for:			
Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets		**82,130**	62,094
Finance expense	10	**21,267**	37,832
Finance income	10	**(1,436)**	(891)
Losses on disposal of property, plant and equipment		**417**	5,701
Cash elements included in losses on disposal of property, plant and equipment		**(153)**	(372)
Write-offs	7	**1,241**	1,489
Share of profit from associates	33	**(4,114)**	(5,360)
Movement in allowance for doubtful receivables	18	**736**	222
Movement in site restoration provision	23	**437**	(162)
Employee benefits	22	**3,534**	3,642
Share-based payments	28	**1,022**	674
Operating foreign exchange losses	9	**46,752**	5,295
Non-operating foreign exchange losses	9	**18,491**	1,586
Other adjustments		**(7,307)**	(7,657)
Operating cash flow before working capital changes		**622,592**	496,115
Changes in working capital:			
Increase in trade and other receivables		**(23,479)**	(12,785)
Increase in inventories		**(37,152)**	(87,999)
Increase in trade and other payables (incl. accrued and contract liabilities)		**19,590**	1,903
Decrease/(increase) in other taxes recoverable and payable (incl. VAT)	20	**11,371**	(17,530)
Cash generated from operating activities		**592,922**	379,704
Interest paid		**(33,932)**	(42,768)
Income tax paid	11	**(83,730)**	(43,509)
Post-employment benefits paid		**(1,884)**	(1,702)
Net cash flows from operating activities		**473,376**	291,725
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	13/15	**(247,478)**	(135,113)
Proceeds from disposal of property, plant and equipment and intangible assets		**1,165**	800
Interest received		**1,344**	827
Dividends from associates		**3,519**	4,137
Acquisition of non-controlling interests		**(2,189)**	–
Net cash flows used in investing activities		**(243,639)**	(129,349)
Cash flows from financing activities			
Proceeds from borrowings and finance	26	**225,000**	214,317
Repayment of borrowings and finance	26	**(223,774)**	(308,817)
Principal elements of lease payments	26	**(5,118)**	–
Arrangement fees paid		**(131)**	(5,817)
Dividends paid to equity shareholders of Ferrexpo plc		**(154,922)**	(96,559)
Net cash flows used in financing activities		**(158,945)**	(196,876)
Net increase/(decrease) in cash and cash equivalents		**70,792**	(34,500)
Cash and cash equivalents at the beginning of the year		**62,996**	97,742
Currency translation differences		**(2,768)**	(246)
Cash and cash equivalents at the end of the year	25	**131,020**	62,996

Consolidated Statement of Changes in Equity

US$000	Issued capital (Note 31)	Share premium (Note 31)	Other reserves (Note 31)	Retained earnings (Note 12)	Total capital and reserves	Non-controlling interests (Note 32)	Total equity
		Attributable to equity shareholders of Ferrexpo plc					
At 1 January 2018	121,628	185,112	(2,020,864)	2,330,580	616,456	370	616,826
Profit for the year	–	–	–	333,616	333,616	1,605	335,221
Other comprehensive income	–	–	10,110	861	10,971	75	11,046
Total comprehensive income for the year	–	–	10,110	334,477	344,587	1,680	346,267
Share-based payments (Note 28)	–	–	674	–	674	–	674
Equity dividends to shareholders of Ferrexpo plc	–	–	–	(96,870)	(96,870)	–	(96,870)
At 31 December 2018	**121,628**	**185,112**	**(2,010,080)**	**2,568,187**	**864,847**	**2,050**	**866,897**
Profit for the year	**–**	**–**	**–**	**402,370**	**402,370**	**923**	**403,293**
Other comprehensive income	**–**	**–**	**244,250**	**(6,898)**	**237,352**	**1,426**	**238,778**
Total comprehensive income for the year	**–**	**–**	**244,250**	**395,472**	**639,722**	**2,349**	**642,071**
Share-based payments (Note 28)	**–**	**–**	**1,022**	**–**	**1,022**	**–**	**1,022**
Equity dividends to shareholders of Ferrexpo plc	**–**	**–**	**–**	**(155,087)**	**(155,087)**	**–**	**(155,087)**
Effect from increase of shareholding in subsidiary	**–**	**–**	**–**	**2,050**	**2,050**	**(4,321)**	**(2,271)**
At 31 December 2019	**121,628**	**185,112**	**(1,764,808)**	**2,810,622**	**1,352,554**	**78**	**1,352,632**

Notes to the Consolidated Financial Statements

Note 1: Corporate information

Ferrexpo plc (the "Company") is incorporated and registered in England, which is considered to be the country of domicile, with its registered office at 55 St James's Street, London SW1A 1LA, UK. Ferrexpo plc and its subsidiaries (the "Group") operate two mines and a processing plant near Kremenchug in Ukraine, have an interest in a port in Odessa and sales and marketing activities around the world including offices in Switzerland, Dubai, Japan, China, Singapore and Ukraine. The Group also owns logistics assets in Austria, which operate a fleet of vessels operating on the Rhine and Danube waterways and an ocean-going vessel, which provides top-off services. 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 Kremenchug Magnetic Anomaly and are currently being extracted at the Gorishne-Plavninske-Lavrykivske ("GPL") and Yerystivske deposits.

The majority shareholder of the Group is Fevamotinico S.a.r.l. ("Fevamotinico"), a company incorporated in Luxembourg. Fevamotinico is ultimately wholly owned by The Minco Trust, of which Kostyantin Zhevago, the Group's previous Chief Executive Officer, is one of the beneficiaries. At the time this report was published, Fevamotinico held 50.3% (2018: 50.3%) of Ferrexpo plc's issued share capital.

Note 2: Basis of preparation

The consolidated financial statements of Ferrexpo plc and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and with the Companies Act 2006, as applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for post-employment benefits measured in accordance with IAS 19 revised *Employee benefits*. The consolidated financial statements are presented in thousands of US Dollars and all values are rounded to the nearest thousand except where otherwise indicated.

The detailed accounting policies are included in the disclosure notes to the specific financial statement accounts.

Going concern

The Group has assessed that, taking into account: i) its available cash and cash equivalents available at the date of authorisation of the consolidated financial statements; ii) its cash flow projections for the period of management's going concern assessment; and iii) events and conditions beyond the period of management's going concern assessment, it has sufficient liquidity to meet its present obligations and cover working capital needs for the aforementioned period and will remain in compliance with its financial covenants throughout this period. Therefore, the Group continues to adopt the going concern basis of accounting for the preparation of this set of financial statements. See also the Directors' Report on page 105 for further information.

Basis of consolidation

The consolidated financial statements comprise the financial statements for Ferrexpo plc and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared as at the same reporting date as Ferrexpo plc's, using consistent accounting policies.

Subsidiaries acquired are fully consolidated from the date the Group obtains effective control. Similarly, subsidiaries disposed of are deconsolidated from the date on which the Group ceases to hold effective control. A change in the ownership interest of a subsidiary without obtaining or losing control is accounted for as an equity transaction.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Business combinations

On the acquisition of a subsidiary, the business combination is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregated amount of the consideration transferred, measured at the date of acquisition. The consideration paid is allocated to the assets acquired and liabilities assumed on the basis of fair values at the date of acquisition. Acquisition costs are expensed when incurred and included in general and administrative expenses.

Functional and presentational currencies

Based on the economic substance of the underlying business transactions and circumstances relevant to the parent, the functional currency of the parent has been determined to be the US Dollar, with each subsidiary determining its own functional currency based on its own circumstances. The Group has chosen the US Dollar as its presentational currency. The functional currency of Ukrainian subsidiaries, which is where the Group's main operations are based, is the Ukrainian Hryvnia.

Foreign currency translation

For individual subsidiary company accounts, transactions in foreign currencies (i.e. other than the functional currency) are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the rate of exchange ruling at the reporting date and non-monetary assets and liabilities at the historic rate. Foreign exchange differences arising on translation are recognised in the income statement.

For presentation of the Group's consolidated accounts, if the functional currency of a subsidiary is different to the presentational currency as at the reporting date, the assets and liabilities of this entity are translated into the presentational currency at the rate ruling at the reporting date and the income statement is translated using the average exchange rate for the year based on the officially published rates by the National Bank of Ukraine ("NBU"). The foreign exchange differences arising are recognised in other comprehensive income and taken directly to a separate component of equity. On disposal of a foreign entity the deferred cumulative amount of exchange differences recognised in equity relating to the particular foreign operation is recognised in the income statement.

Note 3: New accounting policies

New standards and interpretations adopted

The accounting policies and methods of computation adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018 except for the adoption of new amendments and improvements to IFRSs effective as of 1 January 2019.

New standards and amendments adopted with an impact on the Group's consolidated financial statements

IFRS 16 *Leases*

The Group applied IFRS 16 *Leases*, as issued in January 2016, for the first time as of 1 January 2019. The standard replaces the previous leases standard, IAS 17 *Leases*, and related interpretations. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases for the customer ("lessee") and the supplier ("lessor") and eliminates the classification of leases as either operating or finance for the lessee as is required by IAS 17. Instead, it introduces a single lessee accounting model requiring a lessee to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less.

In accordance with the transition provisions set out in IFRS 16, the Group elected to apply the standard retrospectively, with the cumulative impact of the first-time adoption recognised at the date of initial application. On transition, the Group grandfathered its previous assessment of operating leases under IAS 17 and recognised for these lease contracts right-of-use assets and corresponding lease liabilities in the consolidated statement of financial position with no impact on retained earnings. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at initial application which is the interest rate that the Group would have to pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The corresponding right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at the end of the comparative year ended 31 December 2018. The balance of lease liabilities and right-of-use assets relating to leases classified as finance leases as at the end of the comparative year ended 31 December 2018 was carried forward to the date of initial application. The new requirements of the standard as to whether a contract contains a lease component or not were applied to the identification of new lease contracts signed subsequent to 1 January 2019.

On transition, the Group elected to apply the following practical expedients and exemptions, as permitted under the transition provisions set out in the standard:

- application of a single discount rate to a portfolio of leases with similar characteristics;
- recognition exemption for low-value and short-term leases, which are therefore recognised in the consolidated income statement on a straight-line basis; and
- accounting for each lease component and any associated non-lease components as a single lease component instead of separating the non-lease components from the lease ones.

Currently, the Group leases land, buildings and equipment. The vast majority of land leases are for land used for the extraction of ore and are not within the scope of IFRS 16, according to the scope exemptions set out in the standard. The new standard primarily resulted in the recognition of right-of-use assets and lease liabilities in respect of long-term rental contracts for several of the Group's office premises with rental periods of five to ten years, land not used for the direct extraction of ore as well as for leased equipment.

The following table provides a reconciliation between the balance of operating lease commitments as at 31 December 2018 and the lease liability recognised on 1 January 2019:

US$000	Balance as at 01.01.19
Operating lease commitments as at 31 December 2018	**8,827**
Recognition exemption for mining land[1]	(331)
Land under permanent use[2]	971
Short-term leases recognition exemption	(348)
Total minimum lease payments	**9,119**
Less: amounts representing finance charges	(1,418)
Add: leases previously classified as finance leases	2,074
Lease liabilities recognised as at 1 January 2019	**9,775**
Thereof non-current portion	*4,799*
Thereof current portion	*4,976*

1. Leases used for the extraction of ore are not within the scope of IFRS 16 according to the scope exemptions set out in the standard.
2. Land not used for the direct extraction of ore in Ukraine, the country of the Group's mining operations. These lease agreements with the Ukrainian government typically have a duration of up to 49 years requiring land lease payments in the form of rental taxes based on annually determined rates by the government. The accounting policy in Note 14 Leases provides further information.

Notes to the Consolidated Financial Statements continued

Note 3: New accounting policies continued

The lease liability is measured at the net present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, when not available, the incremental borrowing rate computed for a group of leases with similar characteristics as regards to type of asset, lease term, contract currency and economic environment.

The following tables provide the details of the cumulative effects from the application of the new standard IFRS 16 *Leases* on the consolidated statement of financial position as of 1 January 2019 and the consolidated statement of financial position and the consolidated income statement as at 31 December 2019:

US$000	Notes	Balance as at 01.01.19	Effect from application of IFRS 16	Year ended 31.12.18
Consolidated statement of financial position				
Assets				
Property, plant and equipment	13	**699,495**	(1,881)	701,376
Right-of-use assets	14	**9,582**	9,582	–
Liabilities				
Interest-bearing loans and borrowings – non-current	26	**(4,799)**	(4,799)	–
Interest-bearing loans and borrowings – current	26	**(4,976)**	(2,902)	(2,074)

US$000	Notes	As reported as at 31.12.19	Effect from application of IFRS 16	Balance without effect from new IFRSs
Consolidated income statement				
Operating expenses	7	**(968,443)**	**160**	**(968,603)**
Net finance expense	7	**(23,191)**	**(503)**	**(22,688)**
Consolidated statement of financial position				
Assets				
Property, plant and equipment	13	**1,044,426**	**(1,881)**	**1,046,307**
Right-of-use assets	14	**10,976**	**10,976**	**–**
Liabilities				
Interest-bearing loans and borrowings – non-current	26	**(274,011)**	**(3,844)**	**(270,167)**
Interest-bearing loans and borrowings – current	26	**(138,367)**	**(3,264)**	**(135,103)**

The adoption of IFRS 16 *Leases* has not had any material impact on the underlying EBITDA and on basic and diluted earnings per share.

The impact on the net cash flows from operating activities from payments for short-term and low-value leases was US$425 thousand for the year ended 31 December 2019.

Further information in relation to the Group's leases and lease-related commitments are provided in Note 14 Leases and Note 30 Commitments, contingencies and legal disputes.

Amendment to IAS 19 *Employee benefits: Plan amendment, curtailment or settlement*
The Group applies the new amendment to IAS 19 *Employee benefits*, as published by IASB on 7 February 2018, for the first time as of 1 January 2019. The purpose of the new amendments is to harmonise the accounting practices in terms of plan amendments, curtailments and settlements and to provide further relevant information on such changes to the plan. As at 1 January 2020, the collective pension plan (multi-employer plan) in Switzerland is going to harmonise the conversion rates for the mandatory and the supplementary portion of the scheme, which is considered to be a plan amendment. The plan amendment occurred on 1 April 2019. The effect of US$409 thousand is reflected in the past service costs as of 31 December 2019 as a one-time effect in the Group's consolidated income statement. The service cost and net interest cost have been adjusted in line with the amended IAS 19.

New standards, interpretations and amendments adopted without an impact on the Group's consolidated financial statements

- Annual Improvements to IFRS Standards 2015–2017 Cycle contains amendments to IFRS 3 *Business combinations* and IFRS 11 *Joint arrangements*, IAS 12 *Income taxes* and IAS 23 *Borrowing costs*.
- Amendments to IAS 28 *Long-term interests in associates and joint ventures* clarifies that other interests in associates and joint ventures, including long-term interests not accounted for using the equity method of accounting and that, in substance, form part of the net investment in those associates and joint ventures, fall within the scope of IFRS 9.
- IFRIC 23 *Uncertainty over income tax treatments* clarifies and changes the method of calculating provisions for uncertain income tax positions accounted for under IAS 12 *Income taxes*. The new interpretation requires the determination of the provision based on the single most likely amount in a range of possible outcomes or the sum of the probability-weighted amounts in a range of possible outcomes, if it is not probable that the tax authorities accept a tax treatment. The Group applied IFRIC 23 for the first time as of 1 January 2019 and the first-time application had no material impact on the Group's taxable results, tax bases, unused tax losses, unused tax credits and tax rates. See Note 11 Taxation for the critical judgement involved in the assessment of the Group's tax position in accordance with IFRIC 23.
- Amendments to IFRS 9 *Financial instruments: Prepayment features with negative compensation* clarifies the classification of particular pre-payable financial assets and the accounting for financial liabilities following a modification.

Note 3: New accounting policies continued

New standards, interpretations and amendments not yet adopted

The Group has elected not to adopt early any revised and amended standards or interpretations that are not yet mandatory in the EU. The standards and interpretations below could have an impact on the consolidated financial statements of the Group.

Amendments to *References to the Conceptual Framework in IFRS standards*

The revised Conceptual Framework was issued in March 2018 and is effective for the financial year beginning on 1 January 2020 subject to EU endorsement. The amendments introduce a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability and clarifications in areas such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Group does not expect a material impact on its consolidated financial statements from these amendments.

Amendments to IAS 1 and IAS 8: *Definition of material*

The amendments were issued in October 2018 and are effective for the financial year beginning on 1 January 2020 subject to EU endorsement. The amendments introduce a revised definition of material information. In the new definition, reference is made to the concepts of obscured information and reasonable expectation that the information is going to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The Group does not expect a material impact on its consolidated financial statements from these amendments.

Furthermore, the Group does not expect an impact on its consolidated financial statements from all other standards, interpretations and amendments issued at the reporting date, but not yet to be adopted for these financial statements.

Note 4: Use of critical estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make estimates and judgements that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and judgements are based on information available as at the date of authorising the consolidated financial statements for issue. Actual results could therefore differ from those estimates and judgements. The Group identified a number of areas involving the use of critical estimates and judgements made by management in preparing the consolidated financial statements and supporting information is embedded within the following disclosure notes:

Critical estimates

- Note 17 Inventories – lean and weathered ore

Critical judgements

- Note 7 Operating expenses – nature of the Group's community support donations
- Note 11 Taxation – tax legislation in Ukraine
- Note 34 Related party disclosure – completeness

Note 5: Segment information

The Group is managed as a single segment, 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 monitored at a more detailed level, 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.

Management monitors the operating result of the Group based on a number of measures, including underlying EBITDA, gross profit and net debt.

Underlying EBITDA and gross profit

The Group presents the underlying EBITDA as it is a useful measure for evaluating its ability to generate cash and its operating performance. The Group's full definition of underlying EBITDA is disclosed in the Glossary on page 186.

US$000	Notes	Year ended 31.12.19	Year ended 31.12.18
Profit before tax and finance		501,257	432,939
Losses on disposal of property, plant and equipment		417	5,701
Share-based payments	28	1,022	674
Write-offs	7	1,241	1,489
Depreciation and amortisation		82,130	62,094
Underlying EBITDA		586,067	502,897

US$000	Notes	Year ended 31.12.19	Year ended 31.12.18
Revenue	6	1,506,724	1,274,030
Cost of sales	7	(581,743)	(507,939)
Gross profit		924,981	766,091

Notes to the Consolidated Financial Statements continued

Note 5: Segment information continued

Net debt

Net debt as defined by the Group comprises cash and cash equivalents less interest-bearing loans and borrowings.

US$000	Notes	As at 31.12.19	As at 31.12.18
Cash and cash equivalents	25	**131,020**	62,996
Interest-bearing loans and borrowings – current	26	**(138,367)**	(204,600)
Interest-bearing loans and borrowings – non-current	26	**(274,011)**	(197,258)
Net debt		**(281,358)**	(338,862)

The Group made debt repayments of US$229,374 thousand during the year ended 31 December 2019 (2018: US$308,817 thousand). Net debt is an Alternative Performance Measure ("APM"). Further information on the APMs used by the Group, including the definitions, is provided on pages 180 to 182.

Net debt as at 31 December 2019 included an effect of US$7,108 thousand as a result of the first-time application of the new standard IFRS 16 *Leases*. For further information on the impact of the adoption of the new standard IFRS 16 *Leases* see Note 3 New accounting policies.

Disclosure of revenue and non-current assets

The Group does not generate significant revenues from external customers attributable to the UK, the Company's country of domicile. The information on the revenues from external customers attributed to the individual foreign countries is given in Note 6 Revenue. The Group does not have any significant non-current assets that are located in the country of domicile of the Company. The vast majority of the non-current assets are located in Ukraine.

Note 6: Revenue

Accounting policy

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria are to be met before revenue is recognised:

Sale of goods including sales of pellets and fuel from bunker business

Revenue is recognised when the control of the goods has passed to the buyer and can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes. Revenues related to provisionally priced sales are initially recognised at the estimated fair value of the consideration receivable based on the forward price at each reporting date for the relevant period outlined in the different contracts. In terms of the associated commodity risk see Note 27 Financial instruments for further information.

The control of goods passes when title for the goods passes to the customer as determined by the contractual sales terms based on the International Commercial Terms ("Incoterms"). The sales are typically made under the following terms:

- CIF ("Cost Insurance and Freight");
- CFR ("Cost and Freight");
- DAP ("Delivery At Place"); or
- FOB ("Free on Board").

Under DAP Incoterms, revenue is recognised when goods arrive at the agreed destination or at the border crossing, whereas under the other above-mentioned terms the title passes on the date of the bill of lading. If the sales agreement allows for adjustment of the sales prices based on survey of the goods by the customer (e.g. ore content) the revenue is recognised based on the most recent determined product specification.

For CIF and CFR contracts the Group must contract for and pay the freight necessary to bring the goods to the named port of destination. Consequently, the freight services under CIF and CFR Incoterms meet the criteria of a separate performance obligation and a portion of the revenue earned under these contracts, representing the obligation to perform freight service, is deferred and recognised over time as this obligation is fulfilled, along with the associated costs. The freight revenue related to the sales of iron ore pellets made under CIF and CFR Incoterms is shown separate from the revenue from sales of iron ore pellets and concentrate.

The Group has no unsatisfied or partially unsatisfied performance obligations relating to contracts with customers with original expected duration of more than one year. The Group has therefore taken advantage of the practical expedient provided in IFRS 15 in respect of the transaction price allocated to the remaining performance obligations.

Logistic services

Revenue from logistic services rendered is measured at the transaction price contractually agreed between the parties based on applicable market rates for the specific freight services to be provided. The time of satisfaction of the performance obligation is over time as services are completed. Where services are invoiced in advance of discharge, amounts attributable to the time between the end of the reporting period and the discharge date are deferred as contract liabilities.

Other sales

Other sales and services provided include predominantly the revenue generated from the sale of other materials and repair and maintenance works provided to third parties. The revenues are recognised when the title passes for material sold or services provided are completed.

Note 6: Revenue continued

Revenue for the year ended 31 December 2019 consisted of the following:

US$000	Year ended 31.12.19	Year ended 31.12.18
Revenue from sales of iron ore pellets and concentrate	**1,352,953**	1,146,734
Freight revenue related to sales of iron ore pellets and concentrate	**94,617**	74,929
Total revenue from sales of iron ore pellets and concentrate	**1,447,570**	1,221,663
Revenue from logistics and bunker business	**54,168**	48,778
Revenue from other sales and services provided	**4,986**	3,589
Total revenue	**1,506,724**	1,274,030

Revenue for the year ended 31 December 2019 includes the effect from the derecognition of contract liabilities of US$4,637 thousand (2018: US$6,006 thousand) deferred as revenue in the comparative year ended 31 December 2018. As at 31 December 2019, freight-related revenue in the amount of US$8,572 thousand was deferred in relation to the performance obligations not fulfilled and included in the balance of the contract liabilities. See Note 24 Accrued and contract liabilities for further information.

Export sales of iron ore pellets and concentrate by geographical destination showing separately countries that individually represented more than 10% of export sales in either the current or prior year were as follows:

US$000	Year ended 31.12.19	Year ended 31.12.18
Central Europe	**529,159**	565,820
Austria	***331,964***	*290,825*
Others	***197,195***	*274,995*
Western Europe	**183,560**	193,540
Germany	***168,875***	*172,108*
Others	***14,685***	*21,432*
North East Asia	**250,721**	221,985
Japan	***161,186***	*127,336*
Others	***89,535***	*94,649*
China & South East Asia	**412,613**	176,135
China	***347,892***	*125,315*
Others	***64,721***	*50,820*
Turkey, Middle East & India	**62,717**	64,183
Turkey	***62,717***	*64,183*
Other	**8,800**	–
Total exports	**1,447,570**	1,221,663

The Group markets its products across various regions. The disclosure of the segmentation reflects how the Group makes its business decisions and monitors its sales. Information about the composition of the regions is provided in the Glossary on pages 183 to 186.

During the year ended 31 December 2019, sales made to three customers accounted for 40% of the revenues from export sales of ore pellets and concentrate (2018: 40%).

Sales to one customer that individually represented more than 10% of total sales in either the current or prior year amounted to US$331,964 thousand (2018: US$290,825 thousand).

Notes to the Consolidated Financial Statements continued

Note 7: Operating expenses

Accounting policy

Operating expenses arise in the course of the ordinary activities of the Group and are recognised in the income statement when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Expenses are recognised in the income statement on the basis of a direct association between costs incurred and specific items of income. When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined, expenses are systematically allocated to the accounting period in which the economic benefits are expected to arise.

Critical judgements

Nature of the Group's community support donations

On 4 February 2019, the Group announced that it had established the Independent Review Committee ("IRC") to carry out an independent review into the use of funds donated by the Group to the third party charity fund Blooming Land (the "Charity") prior to the financial year 2019. Whilst a significant amount of work was undertaken by the IRC and its advisers during the financial year 2019, it has not been possible to explain some discrepancies outlined in the 2018 Annual Report & Accounts in respect of the ultimate use of funds donated by the Group to the Charity. For further information see the Independent Review Committee Report on page 75.

Taking into account the conclusions of the IRC, as announced by the Group on 30 August 2019, and in absence of conclusive evidence that funds have not been used as intended, the Group has judged that it remains appropriate for it to present the amount of US$9,500 thousand of its community support donations to the Charity during the comparative year ended 31 December 2018 as such and within operating expenses in the comparative year included in its consolidated financial statements. The Group has not made any further donations to the Charity since May 2018 and therefore no donations to the Charity are included in the table below for the financial year ended 31 December 2019.

In certain circumstances, the Group could be exposed to regulatory and other actions resulting in potential legal claims or penalties, fines or other liabilities. See Note 30 Commitments, contingencies and legal disputes on page 166 for further information.

Operating expenses for the year ended 31 December 2019 consisted of the following:

US$000	Year ended 31.12.19	Year ended 31.12.18
Cost of sales	**581,743**	507,939
Selling and distribution expenses	**294,336**	260,422
General and administrative expenses	**66,036**	45,246
Other operating expenses	**26,328**	30,863
Total operating expenses	**968,443**	844,470

Operating expenses include:

US$000	Notes	Year ended 31.12.19	Year ended 31.12.18
Inventories recognised as an expense upon sale of goods		**551,141**	481,366
Employee costs (excl. logistics and bunker business)		**101,770**	79,471
Inventory movements		**(2,673)**	(34,801)
Depreciation of property, plant and equipment and right-of-use assets		**81,240**	61,377
Amortisation of intangible assets		**890**	718
Royalties and levies		**30,506**	29,742
Costs of logistics and bunker business		**49,587**	50,270
Audit and non-audit services		**3,229**	1,691
Community support donations	30/34	**5,893**	15,130
Write-offs		**1,241**	1,489
Losses on disposal of property, plant and equipment		**417**	5,701

Write-offs for the year ended 31 December 2019 primarily consisted of obsolete inventories and property, plant and equipment as outlined below:

US$000	As at 31.12.19	As at 31.12.18
(Write-back)/Write-off of inventories	**(103)**	1,072
Write-off of property, plant and equipment	**1,271**	395
Write-off of receivables and prepayments	**73**	22
Total write-offs	**1,241**	1,489

Note 7: Operating expenses continued
Auditor remuneration

US$000	Year ended 31.12.19	Year ended 31.12.18
Audit services		
Ferrexpo plc Annual Report	**1,178**	1,352
Additional fees charged by the previous auditor for the audit of the 2018 Ferrexpo Plc Annual Report	**1,834**	–
Subsidiary entities	**217**	182
Total audit services	**3,229**	1,534
Audit-related assurance services	**–**	150
Total audit and audit-related assurance services	**3,229**	1,684
Non-audit services		
Other services	**–**	7
Total non-audit services	**–**	7
Total auditor remuneration	**3,229**	1,691

Auditor remuneration paid is in respect of the audit of the financial statements of the Group and its subsidiary companies and for the provision of other services not in connection with the audit.

Audit services for the year ended 31 December 2019 include US$1,834 thousand relating to audit services provided by the previous audit firm of the Group for the comparative year ended 31 December 2018.

Note 8: Other income
Accounting policy
Other income mainly includes lease income generated from rail cars, mining equipment and premises, and the proceeds from the sale of spare parts, scrap metal and fuel and compensations received from insurance companies. Lease income is recognised based on the underlying contractual basis over the term of the lease. Other income from the sale of consumable materials is recognised as revenue when the title passes.

Other income for the year ended 31 December 2019 consisted of the following:

US$000	Year ended 31.12.19	Year ended 31.12.18
Lease income	**450**	397
Other income	**5,164**	2,917
Total other income	**5,614**	3,314

Notes to the Consolidated Financial Statements continued

Note 9: Foreign exchange gains and losses

Accounting policy

Foreign exchange gains and losses are reported on a net basis. Operating foreign exchange gains and losses are those resulting directly from the Group's operating activities. Non-operating gains and losses are predominantly those associated with the Group's financing and treasury activities, including the translation of interest-bearing loans and borrowings denominated in currencies different from the respective functional currencies and transactional gains and losses from the conversion of cash balances in currencies different from the local functional currencies at exchange rates different from those at the initial recognition date.

Foreign exchange gains and losses for the year ended 31 December 2019 consisted of the following:

US$000	Year ended 31.12.19	Year ended 31.12.18
Operating foreign exchange losses		
Revaluation of trade receivables	**(47,229)**	(4,922)
Revaluation of trade payables	**523**	(358)
Other	**(46)**	(15)
Total operating foreign exchange losses	**(46,752)**	(5,295)
Non-operating foreign exchange losses		
Revaluation of interest-bearing loans	**(1,240)**	95
Conversion of cash and cash equivalents	**(4,255)**	(801)
Other	**(12,996)**	(879)
Total non-operating foreign exchange losses	**(18,491)**	(1,585)
Total foreign exchange losses	**(65,243)**	(6,880)

The translation differences and foreign exchange gains and losses are predominantly dependent on the fluctuation of the exchange rate of the Ukrainian Hryvnia against the US Dollar. The table below shows the closing and average rates of the most relevant currencies of the Group compared to the US Dollar.

	Average exchange rates		Closing exchange rates	
US$	As at 31.12.19	As at 31.12.18	Year ended 31.12.19	Year ended 31.12.18
UAH	**25.846**	27.200	**23.686**	27.688
EUR	**0.893**	0.847	**0.893**	0.874

Exchange differences arising on translation of non-US Dollar functional currency operations (mainly in Ukrainian Hryvnia) are included in the translation reserve. See Note 31 Share capital and reserves for further details.

Note 10: Net finance expense

Accounting policy

Finance expense

Finance expense is expensed as incurred and includes the interest on loans and borrowings measured at amortised cost and interest on defined benefit plans.

Borrowing costs incurred in respect of the financing of construction or production of a qualifying asset are capitalised up to the date when the asset is ready for its intended use. See also Note 13 Property, plant and equipment for further details.

Finance income

Finance income comprises interest income on funds invested and the effect of unwinding discounts recorded in previous years. Interest income is recognised as it accrues using the effective interest method.

Finance expense and income for the year ended 31 December 2019 consisted of the following:

US$000	Notes	Year ended 31.12.19	Year ended 31.12.18
Finance expense			
Interest expense on loans and borrowings		**(33,589)**	(43,468)
Less capitalised borrowing costs		**14,617**	8,125
Interest on defined benefit plans	22	**(2,730)**	(2,390)
Bank charges		**(710)**	(778)
Interest expense on lease liabilities		**(630)**	–
Other finance costs		**(1,585)**	(1,713)
Total finance expense		**(24,627)**	(40,224)
Finance income			
Interest income		**1,379**	843
Other finance income		**57**	49
Total finance income		**1,436**	892
Net finance expense		**(23,191)**	(39,332)

Notes to the Consolidated Financial Statements continued

Note 11: Taxation

Accounting policy

Current income tax

Current income taxes are computed based on enacted or substantively enacted local tax rates and laws at the reporting date and the expected taxable incomes of the subsidiaries for the respective period.

Current income taxes are recognised as an expense or income in the consolidated income statement unless related to items recognised in the consolidated statement of comprehensive income or directly in equity or if related to the initial accounting for a business combination.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognised for taxable temporary differences if it is probable that they will become taxable. Deferred income tax assets are generally recognised for deductible temporary differences, carry forwards of available unused tax credits and tax losses, to the extent that it is more likely than not that they will be recovered in a future period against taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

No deferred assets or liabilities are recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction, other than in a business combination, which affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognised in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets in relation to temporary differences on such investments and interests are recognised to the extent that it is probable that there are sufficient taxable profits available against which the benefits of the temporary differences can be utilised and that they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilised. Additionally, unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Income tax effects on items directly recognised in other comprehensive income or equity are also recognised in other comprehensive income or equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Critical judgements

Tax legislation in Ukraine

The Group prices its sales between its subsidiaries using international benchmark prices for comparable products covering product quality and applicable freight costs. The Group judges these to be on terms which comply with applicable legislation. In August 2017, the State Fiscal Service of Ukraine ("SFS") commenced a tax audit for the period from 1 September 2013 to 31 December 2015 at the Group's major subsidiary in Ukraine with a focus on cross-border transactions in terms of its pellet sales to another subsidiary of the Group. Following the completion of this audit, the SFS issued its official tax audit report on 27 December 2018, claiming a tax adjustment totalling UAH448 million (US$18,914 thousand as at 31 December 2019) and issued the formal claim on 12 March 2019. The Group's subsidiary initiated legal proceedings and filed a claim to the first court instance in Poltava on 22 March 2019. The Poltava court of first court instance confirmed on 4 September 2019 the position of the Group's major subsidiary. The SFS filed its appeal in November 2019 and the Second Administrative Court of Appeal confirmed on 21 December 2019 the decision of the first court instance and supported the position of the Group's subsidiary in full. The SFS subsequently filed an application of cassation to the Supreme Court of Ukraine. As of the date of approval of these financial statements, the case has not yet been heard by the Supreme Court of Ukraine.

On 18 February 2020, the SFS commenced two new tax audits for cross-border transactions between the Group's major subsidiary in Ukraine and two other subsidiaries of the Group. The audits are covering transactions during the financial years 2015 to 2017 and 2016 to 2017, respectively.

The Group considers that it has complied with applicable legislation for all cross-border transactions undertaken and continues to expect that it can successfully defend its methodology applied to determine the prices between its subsidiaries. Consequently, no provision has been recorded as at 31 December 2019, neither for the years subject to the aforementioned court proceedings nor for transactions and years subject to the newly commenced audits by the SFS in Ukraine. As of the approval of these financial statements, no claim has been made by the SFS in respect of the newly commenced audits.

Upon the application of new interpretation IFRIC 23 *Uncertainty over income tax treatments* as of 1 January 2019 (see also Note 3 New accounting policies for further information), the Group reviewed and reassessed its exposure in respect of the ongoing court proceedings and the newly commenced audits of cross-border transactions in Ukraine under the provisions of the new interpretation. Considering the two favourable court decisions and further third party advice obtained, the management of the Group concluded that it is probable that the Supreme Court of Ukraine will also rule in favour of the Group's major subsidiary in Ukraine and that, if any new claims should be made by the SFS, the Group will continue to successfully defend its pricing methodology applied during these years. An unexpected outcome of the ongoing court proceeding would have an adverse impact on the Group's total income tax expense and effective tax rate in a future period.

Note 11: Taxation continued

The income tax expense for the year ended 31 December 2019 consisted of the following:

US$000	Year ended 31.12.19	Year ended 31.12.18
Current income tax		
Current income tax charge	52,106	44,086
Amounts related to previous years	10,297	(569)
Total current income tax	62,403	43,517
Deferred income tax		
Origination and reversal of temporary differences	(6,121)	13,284
Total deferred income tax	(6,121)	13,284
Total income tax expense	56,282	56,801

Tax effects on items recognised in the statement of other comprehensive income consisted of the following for the year ended 31 December 2019:

US$000	Notes	Year ended 31.12.19	Year ended 31.12.18
Tax effect of exchange differences arising on translating foreign operations	31	20,487	2,007
Total income tax effects recognised in statement of other comprehensive income		20,487	2,007

The weighted average statutory corporate income tax rate is calculated as the average of the statutory tax rates applicable in the countries in which the Group operates, weighted by the profits and losses before tax of the subsidiaries in the respective countries, as included in the consolidated financial information. The weighted average statutory corporate income tax rate was 11.3% for the financial year 2019 (2018: 15.5%). A reconciliation between the income tax charged in the accompanying financial information and income before taxes multiplied by the weighted average statutory tax rate for the year ended 31 December 2019 is as follows:

US$000	Year ended 31.12.19	Year ended 31.12.18
Profit before tax	459,575	392,022
Notional tax charge computed at the weighted average statutory tax rate of 11.3% (2018: 15.5%)	52,072	60,629
(Recognition)/derecognition of deferred tax assets[1]	(10,433)	(8,576)
Credit for Ukrainian fuel excise tax against income tax[2]	(3,686)	(7,408)
Expenses not deductible for local tax purposes[3]	2,539	3,795
Income exempted for local tax purposes	(25)	(56)
Reassessment of prior year temporary differences[4]	4,911	7,719
Effect of different tax rates on local profit streams[5]	646	1,157
Prior year adjustments to current tax[6]	10,297	(569)
Effect from share of profit from associates[7]	(783)	(974)
Other (including translation differences)	744	1,084
Total income tax expense	56,282	56,801

1. Recognition in 2019 primarily relates to the change of the tax law in Switzerland and is in connection with available transitional measures for companies losing the special tax status available under the old tax law. Recognition in 2018 relates to temporary differences arising from inflationary adjustments made in the past to the tax basis of property, plant and equipment for two Ukrainian subsidiaries. Both effects are considered to be of a non-recurring nature.
2. Effective 1 January 2018, a temporary provision in the Ukrainian tax code allows a reduction in income tax payable for the amount of excise tax included in prices of fuel used for mining equipment. This provision still applies for 2020 and is considered to be of a recurring nature.
3. Effect predominantly relates to expenses not deductible in Ukraine, which is expected to be recurring to a certain extent as a portion of operating expenses is historically not deductible for tax purposes according to the enacted local tax legislation.
4. Effective 1 January 2019, the relevant accounting framework for tax purposes changed from local GAAP to IFRSs resulting in a reduction of temporary differences as of 31 December 2018 being of a non-recurring nature.
5. Effect in 2019 and 2018 related to different tax rates applying to different income streams in Swiss subsidiaries as a result of their specific tax status. The effect is of a recurring nature.
6. Effect in 2019 related to a retrospective tax adjustment made for the financial year 2018 in respect of prices charged by the Ukrainian subsidiaries to the Group's sales companies in Switzerland and the United Arab Emirates and an allowance recognised on the reduction of the income tax payable for the amount of excise tax in 2018. The amount in 2018 related to final tax assessments received in Switzerland. These effects are considered to be of a non-recurring nature.
7. Share of profit from associates is recognised net of taxes of the associates. This effect is of a recurring nature.

The Group operates across a number of jurisdictions and its effective tax rate is subject to various factors outside of the Group's controls. This includes the volatility in the global iron ore pellet market and foreign exchange rate movements, primarily between the Ukrainian Hryvnia and the US Dollar. The effective tax rate of the financial year 2019 was 12.2% (2018: 14.5%), reflecting the appreciation of the Ukrainian Hryvnia against the US Dollar, negatively impacting the profitability of the Group's local subsidiaries, as well as lower global pellet premiums compared with 2018. The effective tax rate of the comparative year ended 31 December 2018 reflected strong pellet premiums in the Chinese spot market.

The Group expects that its future effective tax rate will be in a range of 11.0% to 16.0% depending on the aforementioned factors. As mentioned under critical judgements on page 136, the Group is involved in ongoing court proceedings in respect of its cross-border transactions and an unexpected adverse outcome would have an adverse impact on the Group's total income tax expense and its effective tax rate in the future. The Group's future effective tax rate could also be impacted by legislative changes and changes in the statutory tax rates in any of its key jurisdictions.

Notes to the Consolidated Financial Statements continued

Note 11: Taxation continued

The net balance of income tax payable changed as follows during the financial year 2019:

US$000	Year ended 31.12.19	Year ended 31.12.18
Opening balance	(20,510)	(18,247)
Income statement charge	(62,403)	(43,517)
Booked through other comprehensive income	(20,487)	(2,007)
Tax paid	83,730	43,509
Translation differences	(1,394)	(248)
Closing balance	**(21,064)**	**(20,510)**

The net income tax payable as at 31 December 2019 consisted of the following:

US$000	As at 31.12.19	As at 31.12.18
Income tax receivable balance	184	61
Income tax payable balance	(21,248)	(20,571)
Net income tax payable	**(21,064)**	**(20,510)**

Temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and the recognition of available tax loss carry forwards result in the following deferred income tax assets and liabilities at 31 December 2019:

		Consolidated statement of financial position		Consolidated income statement	
US$000	Notes	As at 31.12.19	As at 31.12.18	Year ended 31.12.19	Year ended 31.12.18
Allowance for restricted cash and deposits	30	4,408	3,771	–	–
Property, plant and equipment		26,871	23,486	(577)	5,095
Right-of-use assets		1,123	–	1,127	–
Inventory		897	373	463	(1,051)
Tax losses recognised		363	3,213	(2,890)	(11,505)
Intangible assets		9,313	47	9,258	–
Defined benefit pension liability		766	666	100	(2,681)
Other		1,286	602	609	(32)
Total deferred tax assets/change		**45,027**	**32,158**	**8,090**	**(10,174)**
Thereof netted against deferred tax liabilities		(6,419)	(4,212)		
Total deferred tax assets as per the statement of financial position		**38,608**	**27,946**		
Property, plant and equipment		(505)	(3,690)	3,216	(3,326)
Financial assets		(4,336)	–	(4,336)	–
Financial lease obligations		(1,199)	–	(1,204)	–
Trade and other receivables		–	(329)	329	50
Other		(519)	(545)	26	166
Total deferred tax liabilities/change		**(6,559)**	**(4,564)**	**(1,969)**	**(3,110)**
Thereof netted against deferred tax assets		6,419	4,212		
Total deferred tax liabilities as per the statement of financial position		**(140)**	**(352)**		
Net deferred tax assets/net change		**38,468**	**27,594**	**6,121**	**(13,284)**

Note 11: Taxation continued

The movement in the deferred income tax balance is as follows:

US$000	Year ended 31.12.19	Year ended 31.12.18
Opening balance	27,594	40,027
Income statement charge	6,121	(13,284)
Translation differences	4,753	851
Closing balance	**38,468**	27,594

As at 31 December 2019, the Group had available tax loss carry forwards in the amount of US$112,889 thousand (2018: US$92,654 thousand) for which no deferred tax assets were recognised. US$76,411 thousand (2018: US$59,883 thousand) are related to losses incurred in Ukraine and Austria and those losses do not expire. The remaining balance totalling US$36,478 thousand (2018: US$32,771 thousand) relates to losses incurred in Hungary, of which US$23,627 thousand (2018: US$22,923 thousand) expire after more than eight years.

No deferred tax liabilities have been recognised on temporary differences in the amount of US$715,834 thousand (2018: US$440,328 thousand) arising from undistributed profits from subsidiaries as no distributions are planned. Other temporary differences of US$660 thousand have not been recognised as of 31 December 2019 (2018: US$19,963 thousand), of which the vast majority relates to temporary differences on property, plant and equipment in Ukraine.

Note 12: Earnings per share and dividends paid and proposed

Accounting policy

Basic number of Ordinary Shares outstanding

The basic number of Ordinary Shares is calculated by reducing the total number of Ordinary Shares in issue by the weighted average of shares held in treasury and employee benefit trust reserve. The basic earnings per share ("EPS") are calculated by dividing the net profit for the year attributable to ordinary equity shareholders of Ferrexpo plc by the weighted average number of Ordinary Shares.

Dilutive potential Ordinary Shares

The dilutive potential Ordinary Shares outstanding are 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 that are potentially dilutive are considered in the calculation of diluted earnings per share.

Distributable reserves

Ferrexpo plc (the "Company") is the Group's holding company, with no direct operating business, so its ability to make distributions to its shareholders is dependent on its ability to access profits held in the subsidiaries. The Group's consolidated retained earnings shown in the consolidated statement of changes in equity do not reflect the profits available for distribution in the Group as of 31 December 2019.

	Year ended 31.12.19	Year ended 31.12.18
Earnings for the year attributable to equity shareholders – per share in US cents		
Basic	68.6	56.9
Diluted	68.4	56.7
Profit for the year attributable to equity shareholders – US$000		
Basic and diluted earnings	402,370	333,616
Weighted average number of shares – thousands		
Basic number of Ordinary Shares outstanding	586,715	586,117
Effect of dilutive potential Ordinary Shares	1,568	1,948
Diluted number of Ordinary Shares outstanding	**588,283**	588,065

Notes to the Consolidated Financial Statements continued

Note 12: Earnings per share and dividends paid and proposed continued

Dividends proposed and paid

Prior to the dividend proposed below and taking into account relevant thin capitalisation rules and dividend-related covenants for the Group's major bank debt facilities, the total available distributable reserves of Ferrexpo plc is US$201,647 thousand as of 31 December 2019 (2018: US$167,611 thousand).

US$000	Year ended 31.12.19
Dividends proposed	
Interim special dividend for 2019: 6.6 US cents per Ordinary Share	**38,736**
Total dividends proposed	**38,736**

The interim special dividend for 2019 was declared on 2 January 2020 and paid on 17 January 2020.

US$000	Year ended 31.12.19
Dividends paid during the year	
Interim dividend for 2019: 6.6 US cents per Ordinary Share	**38,621**
Final dividend for 2018: 6.6 US cents per Ordinary Share	**38,621**
Final special dividend for 2018: 6.6 US cents per Ordinary Share	**38,847**
Interim special dividend for 2018: 6.6 US cents per Ordinary Share	**38,833**
Total dividends paid during the year	**154,922**

Although accounts are published in US Dollars and dividends are declared in US Dollars, the shares are denominated in UK Pounds Sterling and dividends are therefore paid in UK Pounds Sterling.

US$000	Year ended 31.12.18
Dividends proposed	
Final ordinary dividend for 2018: 6.6 US cents per Ordinary Share	38,695
Final special dividend for 2018: 6.6 US cents per Ordinary Share	38,695
Interim special dividend for 2018: 6.6 US cents per Ordinary Share	38,695
Total dividends proposed	116,085

US$000	Year ended 31.12.18
Dividends paid during the year	
Interim dividend for 2018: 3.3 US cents per Ordinary Share	19,376
Final dividend for 2017: 3.3 US cents per Ordinary Share	18,929
Special dividend for 2017: 6.6 US cents per Ordinary Share	38,615
Special dividend for 2017: 3.3 US cents per Ordinary Share	19,639
Total dividends paid during the year	96,559

Note 13: Property, plant and equipment

Accounting policy

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for qualifying assets (see below) if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Major spare parts and servicing equipment qualify as property, plant and equipment when they are expected to be used during more than one period. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, are charged to the income statement in the period the costs are incurred unless it can be demonstrated that the expenditure results in future economic benefits, when the expenditure is capitalised as an additional cost.

Upon recognition, items of property, plant and equipment are divided into components, which represent items with a significant value that have different useful lives. Assets included in property, plant and equipment are depreciated over their estimated useful life taking into account their own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the assets are located. The remaining useful lives for major assets are reassessed on a regular basis. Changes in estimates, which affect the unit of production calculations, are accounted for prospectively.

Except for mining assets, which are depreciated using the unit of production method, depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

- Buildings: 20–50 years
- Vessels: 8–40 years
- Plant and equipment: 3–15 years
- Vehicles: 7–15 years
- Fixtures and fittings: 2.5–10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

Assets in the course of construction are initially recognised in assets under construction. Assets under construction are not depreciated. On completion of the asset and when available for use, the cost of construction is transferred to the appropriate asset category in property, plant and equipment and depreciation commences.

Freehold land is not depreciated.

Deferred stripping costs

Rock, soil and other waste materials are typically to be removed to access an ore body, which is known as stripping activity. Stripping work comprises overburden removal at pre-production, mine extension and production stages.

Pre-production stripping costs incurred in the development of a component of a mine before commercial production commences are capitalised as part of assets under construction. After the commencement of commercial production, the respective capitalised pre-production stripping costs are transferred to mining assets and depreciated over the life of the respective component of the ore body on a unit of production (“UOP”) basis.

Production stripping costs are generally charged to the income statement as variable production costs unless these costs are related to gaining improved access to an identified component of the ore body to be mined in future periods. Such production stripping costs are capitalised within mining assets provided all the following conditions are met:

- it is probable that the future economic benefit associated with the stripping activity will be realised;
- the component of the ore body for which access has been improved can be identified; and
- the costs relating to the stripping activity associated with the improved access can be reliably measured.

Once the commercial production of the specific component of the ore body commences, the capitalised production stripping costs are depreciated on a UOP basis over the life of the respective identified component. No production stripping costs were capitalised as at 31 December 2019 and as at the end of the comparative year ended 31 December 2018.

Mining assets

Any capitalised stripping activities, either of a pre-production or production nature, are reclassified to mining assets at the point of time when the extraction of the ore body of the specific component starts. Mining assets are depreciated using the UOP method based on the estimated economically recoverable reserves to which they relate.

Notes to the Consolidated Financial Statements continued

Note 13: Property, plant and equipment continued

Exploration and evaluation assets

Costs incurred in relation to the exploration and evaluation of potential iron ore deposits are capitalised and classified as tangible or intangible assets depending on the nature of the expenditures. Costs associated with exploratory drilling, researching and analysing of exploration data and costs of pre-feasibility studies are included in tangible assets whereas those associated with the acquisition of licences are included in intangible assets.

Capitalised exploration and evaluation expenditures are carried forward as an asset as long as these costs are expected to be recouped in full through successful development and exploration in a future period.

Exploration and evaluation assets are measured at cost and are neither amortised nor depreciated, but monitored for indications of impairment. To the extent that the capitalised expenditures are not expected to be recouped, the excess is fully provided for in the financial year in which this is determined.

Upon reaching the development stage, exploration and evaluation assets are either transferred to assets under construction or other intangible assets, if those costs were associated with the acquisition of licences.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale ("qualifying asset") are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of the funds. In the case of general borrowings used to fund the acquisition or construction of a qualifying asset, the borrowing costs to be capitalised are calculated based on a weighted average interest rate applicable to the relevant general borrowings of the Group during a specific period.

Impairment testing

Property, plant and equipment is considered to be part of a single cash-generating unit ("CGU"). The recoverable amount of the CGU is determined to be the fair value less cost of disposal. The Group assesses at each reporting date whether there are indications that assets may be impaired or previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, or when annual impairment testing for an asset, such as goodwill, is required, the Group estimates the assets' recoverable amounts. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In this case, the carrying amount of the asset is increased to its recoverable amount, but not exceeding the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement and the basis for future depreciation is adjusted accordingly. Impairment losses in respect of goodwill are not reversed.

Capitalised stripping costs

Stripping costs are deferred and capitalised if related to gaining improved access to an identified component of an ore body to be mined in future periods. The capitalised amount is determined based on the volume of waste extracted, compared with expected ore volume in the identified component of the ore body. As at 31 December 2019, deferred pre-production stripping costs totalling US$114,067 thousand relate to components in operation and are included in mining assets (2018: US$101,305 thousand). Deferred pre-production stripping costs in relation to components expected to be put into operation in a future period totalled US$94,098 thousand and are included in assets under construction (2018: US$34,498 thousand). No production stripping costs are capitalised as of this point of time.

Note 13: Property, plant and equipment continued

As at 31 December 2019, property, plant and equipment comprised:

US$000	Exploration and evaluation	Land	Mining assets	Buildings and tailings dam	Vessels	Plant and equipment	Vehicles	Fixtures and fittings	Assets under construction	Total
Cost:										
At 1 January 2018	1,618	3,503	190,966	150,315	118,144	194,359	135,134	6,198	131,482	931,719
Additions	–	1,235	(49)	628	61	615	(697)	27	145,641	147,461
Transfers	–	–	52	23,598	3,363	35,025	20,370	885	(83,293)	–
Disposals	–	–	–	(2,565)	(109)	(7,498)	(4,721)	(136)	(1,205)	(16,234)
Translation differences	22	24	2,612	1,816	(3,441)	2,307	1,412	53	(302)	4,503
At 31 December 2018	1,640	4,762	193,581	173,792	118,018	224,808	151,498	7,027	192,323	1,067,449
Application of IFRS 16 (Note 3)	–	–	–	–	–	(8,407)	(655)	–	–	(9,062)
At 1 January 2019 – after application of IFRS 16	1,640	4,762	193,581	173,792	118,018	216,401	150,843	7,027	192,323	1,058,387
Additions	**–**	**1,958**	**188**	**50**	**782**	**7,809**	**656**	**244**	**308,926**	**320,613**
Transfers	**–**	**77**	**–**	**35,455**	**4,294**	**70,069**	**68,250**	**3,316**	**(181,461)**	**–**
Disposals	**–**	**–**	**–**	**(878)**	**(314)**	**(3,227)**	**(7,475)**	**(392)**	**(2,594)**	**(14,880)**
Translation differences	**277**	**980**	**32,707**	**30,952**	**(1,713)**	**43,467**	**30,430**	**978**	**41,577**	**179,655**
At 31 December 2019	**1,917**	**7,777**	**226,476**	**239,371**	**121,067**	**334,519**	**242,704**	**11,173**	**358,771**	**1,543,775**
Accumulated depreciation and impairment:										
At 1 January 2018	–	5	51,402	42,954	46,705	91,286	69,258	4,199	2,551	308,360
Depreciation charge	–	3	6,907	9,220	9,710	23,945	15,891	702	–	66,378
Disposals	–	–	–	(811)	11	(5,716)	(3,628)	(124)	–	(10,268)
Impairment	–	–	–	(79)	–	255	18	–	168	362
Translation differences	–	–	546	427	(1,466)	970	743	9	12	1,241
At 31 December 2018	–	8	58,855	51,711	54,960	110,740	82,282	4,786	2,731	366,073
Application of IFRS 16 (Note 3)	–	–	–	–	–	(6,854)	(327)	–	–	(7,181)
At 1 January 2019 – after application of IFRS 16	–	8	58,855	51,711	54,960	103,886	81,955	4,786	2,731	358,892
Depreciation charge	**–**	**3**	**5,540**	**15,999**	**9,372**	**35,830**	**24,279**	**921**	**–**	**91,944**
Disposals	**–**	**–**	**–**	**(674)**	**–**	**(2,286)**	**(6,302)**	**(387)**	**–**	**(9,649)**
Impairment	**–**	**–**	**–**	**6**	**–**	**754**	**142**	**–**	**369**	**1,271**
Translation differences	**–**	**–**	**10,421**	**9,861**	**(749)**	**20,975**	**15,700**	**526**	**157**	**56,891**
At 31 December 2019	**–**	**11**	**74,816**	**76,903**	**63,583**	**159,159**	**115,774**	**5,846**	**3,257**	**499,349**
Net book value:										
At 31 December 2018	1,640	4,754	134,726	122,081	63,058	114,068	69,216	2,241	189,592	701,376
Application of IFRS 16 (Note 3)	–	–	–	–	–	(1,553)	(328)	–	–	(1,881)
At 1 January 2019 – after application of IFRS 16	1,640	4,754	134,726	122,081	63,058	112,515	68,888	2,241	189,592	699,495
At 31 December 2019	**1,917**	**7,766**	**151,660**	**162,468**	**57,484**	**175,360**	**126,930**	**5,327**	**355,514**	**1,044,426**

Assets under construction consist of ongoing capital projects amounting to US$261,261 thousand (2018: US$155,092 thousand) and capitalised pre-production stripping costs of US$94,098 thousand (2018: US$34,498 thousand). Once production commences, stripping costs are transferred to mining assets.

Property, plant and equipment includes capitalised borrowing costs on qualifying assets of US$44,693 thousand (2018: US$25,499 thousand). The capitalised borrowing costs on general borrowings were determined based on the capitalisation rate of 9.45% (2018: 9.65%), which is the average effective interest rate on general borrowings during the year. The Group has no specific borrowings in relation to qualifying assets during either reporting period.

Notes to the Consolidated Financial Statements
continued

Note 13: Property, plant and equipment continued

The carrying value of equipment held under finance leases and hire purchase contracts was US$1,881 thousand as at the end of the comparative year ended 31 December 2018 and has been reclassified to right-of-use assets on 1 January 2019 following the application of the new standard IFRS 16 *Leases*. For further information on the impact of the first-time adoption of the new standard IFRS 16 *Leases* see Note 3 New accounting policies. Leased assets and assets under hire purchase contracts were pledged as security for the related finance leases and hire purchase liabilities.

US$25,243 thousand of property, plant and equipment have been pledged as security for liabilities (2018: US$42,340 thousand).

The gross value of fully depreciated property, plant and equipment that is still in use is US$83,349 thousand (2018: US$40,041 thousand).

Note 14: Leases

Accounting policy

The Group leases buildings, equipment and land not used for the direct extraction of ore. The leases for land used for the extraction of ore are not within the scope of IFRS 16 according to the scope exemptions set out in the standard.

The right-of-use assets and corresponding lease liabilities recognised as at 31 December 2019 primarily refer to long-term rental contracts for several of the Group's office premises with rental periods of five to ten years, leased equipment and land not used for the direct extraction of ore.

The lease agreements for land in Ukraine are with the Ukrainian government and have typically a duration of up to 49 years requiring land lease payments in the form of rental taxes based on annually determined rates by the government. Consequently, related right-of-use assets and lease liabilities are recognised over a lease term of 12 months only, reflecting the period over which substantially fixed lease payments are expected. Beyond this period, payments are subject to non-market driven changes in either the normative value of land and/or in the rental tax rate and are disclosed in Note 30 Commitments, contingencies and legal disputes as commitments as they cannot be considered in-substance fixed payments or as variable lease payments that depend on an index or a rate.

Right-of-use assets

The right-of-use asset is recognised at the commencement date of the lease (when the asset is ready for use) and initially measured at cost. The cost includes the balance of the lease liability recognised, initial direct costs and lease payments made at or before the commencement date.

In subsequent periods, the value of the right-of-use assets is adjusted for accumulated depreciation, impairment losses and remeasurement of the lease liability, if any. The depreciation is on a straight-line basis over the shorter of the estimated useful life of the underlying asset and the lease term.

Lease liabilities

At the commencement date, lease liabilities are measured at the net present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, when not available, the incremental borrowing rate computed for a group of leases with similar characteristics as regards to type of asset, lease term, contract currency and economic environment.

The carrying amount of the lease liabilities is subsequently increased to reflect the interest on the lease liability and decreased by the lease payments made during the period. Lease payments are split between principal elements and interest and are allocated to net cash flows from financing activities and operating activities, respectively. The carrying amount is subject to remeasurement in subsequent periods to reflect any lease modifications.

As at 31 December 2019, the net book value of the right-of-use assets included in the consolidated statement of financial position and the associated depreciation charge included in the consolidated income statement comprised:

US$000	Exploration and evaluation	Land	Mining assets	Buildings and tailings dam	Vessels	Plant and equipment	Vehicles	Fixtures and fittings	Assets under construction	Total
Net book value:										
At 1 January 2019	–	1,907	–	5,683	–	1,881	94	17	–	9,582
At 31 December 2019	–	2,244	–	4,665	–	4,003	52	12	–	10,976
Depreciation charge:										
Year ended 31 December 2019	–	2,159	–	1,217	–	1,843	41	5	–	5,265

During the year ended 31 December 2019, the additions to right-of-use assets totalled US$7,222 thousand.

Leased assets and assets under hire purchase contracts are pledged as security for the related finance leases and hire purchase liabilities.

Note 14: Leases continued

As at 31 December 2019, the carrying amount of the lease liabilities consisted of the following:

US$000	Note	Year ended 31.12.19	At 1 January 2019
Non-current	26	**6,580**	4,799
Current	26	**3,540**	4,976

The total cash outflow for leases falling under the scope of IFRS 16 *Leases* during the year ended 31 December 2019 was US$5,982 thousand. During the year ended 31 December 2019, US$425 thousand was recognised as an expense in the consolidated income statement in respect of short-term leases with a corresponding impact on the net cash flows from operating activities. Furthermore, interest expense on lease liabilities in the amount of US$630 thousand was recognised in the consolidated income statement during the year ended 31 December 2019.

For further information on the impact of the first-time adoption of the new standard IFRS 16 *Leases*, including the impact on the consolidated income statement as at 31 December 2019, see Note 3 New accounting policies and Note 30 Commitments, contingencies and legal disputes in terms of lease-related commitments, including the Group's operating lease commitments at the end of the comparative year ended 31 December 2018 accounted for under the old standard IAS 17 *Leases*.

Note 15: Goodwill and other intangible assets

Accounting policy

Goodwill

If the cost of acquisition in a business combination exceeds the identifiable net assets attributable to the Group, the difference is considered as purchased goodwill, which is not amortised. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for indication of impairment annually and, in case those are identified, an impairment assessment is conducted. An impairment loss recognised for goodwill is never reversed in a subsequent period. In the case that the identifiable net assets attributable to the Group exceed the cost of acquisition, the difference is recognised in profit and loss as a gain on bargain purchase. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. If the initial accounting for a business combination cannot be completed by the end of the reporting period in which the combination occurs, only provisional amounts are reported, which can be adjusted during the measurement period of 12 months after acquisition date.

Exploration and evaluation assets

See the policy disclosed in Note 13 Property, plant and equipment.

Notes to the Consolidated Financial Statements continued

Note 15: Goodwill and other intangible assets continued

Other intangible assets

Other intangible assets acquired separately are measured on initial recognition at cost and the useful lives are assessed as either finite or indefinite. Following the initial recognition, the intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. If amortised, the intangible assets are amortised on a straight-line basis over the estimated useful life of the asset, ranging between one and three years. Capitalised mineral licences are amortised on a unit of production basis.

The cost of other intangible assets acquired in a business combination is its fair value as at the date of acquisition.

As at 31 December 2019, goodwill and other intangible assets comprised:

US$000	Goodwill	Exploration and evaluation	Patents and licences	Computer software	Other intangible assets	Total
Cost:						
At 1 January 2018	28,100	2,621	4,546	4,905	137	40,309
Additions	–	–	1,053	75	1,930	3,058
Disposals	–	–	(73)	(17)	(4)	(94)
Transfers	–	–	68	342	(410)	–
Translation differences	396	37	(13)	(15)	(55)	350
At 31 December 2018	**28,496**	**2,658**	**5,581**	**5,290**	**1,598**	**43,623**
Additions	**–**	**–**	**–**	**5**	**1,924**	**1,929**
Disposals	**–**	**–**	**(22)**	**(9)**	**(64)**	**(95)**
Transfers	**–**	**1,168**	**(1,168)**	**3,306**	**(3,306)**	**–**
Translation differences	**5,034**	**351**	**879**	**995**	**13**	**7,272**
At 31 December 2019	**33,530**	**4,177**	**5,270**	**9,587**	**165**	**52,729**
Accumulated amortisation and impairment:						
At 1 January 2018	–	–	963	2,488	–	3,451
Amortisation charge	–	–	290	428	–	718
Disposals	–	–	(73)	(14)	–	(87)
Translation differences	–	–	(12)	(56)	–	(68)
At 31 December 2018	**–**	**–**	**1,168**	**2,846**	**–**	**4,014**
Amortisation charge	**–**	**–**	**321**	**569**	**–**	**890**
Disposals	**–**	**–**	**(22)**	**(8)**	**–**	**(30)**
Translation differences	**–**	**–**	**71**	**232**	**–**	**303**
At 31 December 2019	**–**	**–**	**1,538**	**3,639**	**–**	**5,177**
Net book value:						
At 31 December 2018	28,496	2,658	4,413	2,444	1,598	39,609
At 31 December 2019	**33,530**	**4,177**	**3,732**	**5,948**	**165**	**47,552**

Note 15: Goodwill and other intangible assets continued

The goodwill acquired through business combinations in previous periods has been allocated for impairment purposes to a single cash-generating unit, as the Group only has one operating segment, being the production and sale of iron ore products. This represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

The major component of other intangible assets comprises mining licences and purchased software.

Impairment testing

Impairment testing was performed at 31 December 2019 based on a fair value less cost of disposal calculation using cash flow projections over the remaining estimated lives of the GPL and the Yerystivske deposits, which are expected to expire in 2038 and 2044, respectively, according to the current approved mine plans. The estimated production volumes are based on these mine plans and do not take into account the effects of expected future mine life extension programmes.

The cash flow projection is based on a financial long-term model approved by the senior management covering the expected life of the mines. A number of significant judgements and estimates are used when preparing the financial long-term model of the Group. These judgements and estimates as well as the key assumptions used are reviewed by the Audit Committee with a specific consideration given to the price forecasts, production volumes and costs and the discount rate used.

The key assumptions used for the impairment testing are:

Estimates/assumptions	Basis
Future production	Proved and probable reserves
Commodity prices	Contract prices and longer-term price estimates
Capital expenditures	Future sustaining capital expenditures
Cost of raw materials and other production/distribution costs	Expected future costs
Exchange rates	Current market exchange rates
Discount rates	Cost of capital risk adjusted for the resource concerned

The production capacity remains at a fixed level once full capacity is reached and therefore no perpetual growth rate is applied for the cash flow projections beyond this point of time.

Cash flows are projected based on management's expectations regarding the development of the iron ore and steel market and the cost of producing and distributing the pellets. The Group takes into account two key assumptions: selling price and total production costs considering relevant macro and local factors.

In determining the future long-term selling price, the Group takes into account external and internal analysis of the longer-term and shorter-term supply and demand dynamics in the local region and throughout the world along with costs of production of competitors and the marginal cost of incremental production in a particular market. The Group considers local supply and demand balances affecting its major customers and the effects this could have on the longer-term price. The assumptions for iron ore prices ranged from US$77.0 per tonne to US$90.9 per tonne of 65% Fe fines CFR North China.

Cost of production and shipping is considered taking into account local inflationary pressures, major exchange rate developments between local currency and the US Dollar, the longer-term and shorter-term trends in energy supply and demand and the effect on costs along with the expected movements in steel-related commodity prices, which affect the cost of certain production inputs.

For the purpose of the goodwill impairment test, the future cash flows were discounted using a pre-tax real discount rate of 12.7% (2018: 12.7%) per annum. These rates reflect the time value of money and risk associated with the asset, and are in line with the rates used by competitors with a similar background.

Sensitivity to changes in assumptions

Management believes that due to the available headroom resulting from the Group's impairment testing of its operating assets, no reasonable change in the above key assumptions would cause the carrying value of these operating assets to materially exceed its recoverable amount.

Note 16: Other non-current assets

As at 31 December 2019, other non-current assets comprised:

US$000	As at 31.12.19	As at 31.12.18
Prepayments for property, plant and equipment	**19,368**	24,993
Prepaid bank arrangement fees	**4,224**	6,552
Other non-current assets	**501**	559
Total other non-current assets	**24,093**	32,104

Notes to the Consolidated Financial Statements continued

Note 17: Inventories

Accounting policy

Inventories are stated at the lower of cost and net realisable value.
Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – at cost on a first-in, first-out basis.
- Finished goods and work in progress – at cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs.
- Lean and weathered ore – at cost, if lower than net realisable value.

The net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion (conversion into pellets or concentrate) and the estimated costs necessary to sell the product or goods.

Major spare parts and servicing equipment that meet the definition of property, plant and equipment are, in accordance with IAS 16, included in property, plant and equipment and not in inventory.

Critical estimates

Lean and weathered ore

Iron ore of various grades is being extracted at the Group's two operating mines GPL and Yerystivske. In order to maximise the operational efficiency and output of the processing facility at FPM, management determines the optimal mix and grade of ore to be delivered to the processing facility from each mine. During the last financial years, ore of a lower iron content was stockpiled due to limited processing capacities.

It is the Group's intention to process the stockpiled ore once additional processing capacities are available. This additional capacity is currently being constructed and expected to be completed in the second half of the financial year 2020 and, as a consequence, a portion of the balance has been reclassified to current.

As at 31 December 2019, the stockpiled ore valued at cost totalled US$257,252 thousand (2018: US$217,688 thousand). Critical estimates in determining the net realisable value of lean and weathered ore include: i) utilisation of the ore over the period from 2020 to 2034, representing an average of 10% of total available processing capacity, and using an asset-specific WACC based pre-tax discount rate of 14.5%; and ii) forecast long-term iron ore prices of US$91.7 per tonne of 65% Fe fines CFR North China.

The net realisable value of lean and weathered ore is most sensitive to delays in the commencement of utilising the ore in the production process, which depends on the completion of the capacity upgrade programme at FPM. Two separate stress tests assuming a one-year delay and a US$5 per tonne lower forecast long-term iron ore price would result in a reduction in the net realisable value of US$36,500 thousand and US$39,600 thousand, respectively.

At 31 December 2019, inventories comprised:

US$000	As at 31.12.19	As at 31.12.18
Lean and weathered ore	2,226	–
Raw materials and consumables	43,008	39,083
Spare parts	81,782	56,873
Finished ore pellets	59,010	43,097
Work in progress	11,393	3,153
Other	2,295	2,713
Total inventories – current	**199,714**	144,919
Lean and weathered ore	255,026	217,688
Total inventories – non-current	**255,026**	217,688
Total inventories	**454,740**	362,607

Inventories classified as non-current mainly comprise lean and weathered ore that are, based on the Group's current processing plans, not planned to be processed within the next year. It is the Group's intention to process this ore at a later point of time and it is expected that it will take more than one year to process this stockpile, depending on the Group's future mining activities, processing capabilities and anticipated market conditions.

Note 18: Trade and other receivables

Accounting policy

Trade receivables are stated at original invoice amount less an allowance for expected credit losses. The Group measures the loss allowance at an amount equal to the lifetime expected credit losses of its customers based on publicly available default risk ratings adjusted for current observable circumstances, forecast information and past history of credit losses. All of the Group's receivable balances are classified as current based on the agreed terms and conditions and the Group has no history of credit losses. Therefore, the Group measures the lifetime expected credit losses of its customers as the 12-month expected credit losses. Individual balances are written off when management deems that there is no possibility of recovery.

Trade receivables include provisionally priced sales, which are open at the end of the reporting period. Certain contracts have embedded provisional pricing mechanisms, which have the character of commodity derivatives that are carried at fair value through profit and loss. Revenues on these contracts are initially recognised at the estimated fair value of consideration receivable, based on the contractual price, and adjusted at the end of each subsequent reporting period on the basis of changes in iron ore prices and the specific underlying contract terms. Final prices based on the relevant index are normally known within 60 days after the reporting period. Further information on the fair value of the embedded provisional pricing mechanism at 31 December 2019 is disclosed in Note 27 Financial instruments.

At 31 December 2019, trade and other receivables comprised:

US$000	As at 31.12.19	As at 31.12.18
Trade receivables	**97,335**	83,945
Other receivables	**4,373**	2,840
Expected credit loss allowance	**(1,844)**	(1,090)
Total trade and other receivables	**99,864**	85,695

As trade receivables are non-interest bearing and final invoices are generally settled within 90 days after delivery, contracts with customers are not deemed to contain a significant financing component.

Trade receivables at 31 December 2019 include US$2,578 thousand (2018: US$1,517 thousand) owed by related parties. The detailed related party disclosures are made in Note 34 Related party disclosures.

The movement in the expected credit loss allowance for trade and other receivables during the year under review was:

US$000	Year ended 31.12.19	Year ended 31.12.18
Opening balance	**1,090**	682
Impact of first-time application of IFRS 9	**–**	218
Increase	**1,175**	452
Release	**(438)**	(230)
Translation differences	**17**	(32)
Closing balance	**1,844**	1,090

During the financial year 2019, there was no movement in the expected credit loss allowance for trade and other receivables relating to lifetime expected credit losses and credit impaired assets.

The following table shows the Group's receivables at the reporting date that are subject to credit risk using a provision matrix:

As at 31.12.19 US$000	Current	Less than 45 days	45 to 90 days	Over 90 days	Total
Expected loss rate	**0.2%**	**2.7%**	**3.7%**	**50.2%**	**1.8%**
Trade receivables – Gross carrying amount	**91,799**	**1,742**	**1,219**	**2,575**	**97,335**
Other receivables – Gross carrying amount	**3,741**	**4**	**22**	**606**	**4,373**
Expected credit loss allowance	**153**	**47**	**46**	**1,598**	**1,844**

As at 31.12.18 US$000	Current	Less than 45 days	45 to 90 days	Over 90 days	Total
Expected loss rate	0.3%	7.4%	8.5%	56.7%	1.3%
Trade receivables – Gross carrying amount	81,317	1,400	375	853	83,945
Other receivables – Gross carrying amount	2,274	137	27	402	2,840
Expected credit loss allowance	**230**	**114**	**34**	**712**	**1,090**

The change of the balance of impairment losses on trade receivables recognised in the consolidated income statement as of 31 December 2019 and during the comparative year ended 31 December 2018 was not material and therefore not disclosed separately in the consolidated income statement. For further information see the table above.

The Group's exposures to credit, currency and commodity risks are disclosed in Note 27 Financial instruments.

Notes to the Consolidated Financial Statements continued

Note 19: Prepayments and other current assets

As at 31 December 2019, prepayments and other current assets comprised:

US$000	As at 31.12.19	As at 31.12.18
Prepayments to suppliers:		
Electricity and gas	5,895	7,458
Materials and spare parts	6,295	5,191
Services	7,637	3,552
Other prepayments	381	602
Prepaid bank arrangement fees	2,290	2,293
Prepaid expenses	20,066	8,171
Other	89	77
Total prepayments and other current assets	**42,653**	**27,344**

Prepayments at 31 December 2019 include US$1,662 thousand (2018: US$1,181 thousand) made to related parties. The detailed related party disclosures are made in Note 34 Related party disclosures.

Freight costs in the amount of US$4,006 thousand were included in the balance of prepaid expenses at the beginning of the year and recognised in the consolidated income statement during the year ended 31 December 2019 (2018: US$7,213 thousand).

Note 20: Other taxes recoverable and payable

Accounting policy

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax ("VAT"), except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of VAT included.

VAT receivable balances are not discounted unless the overdue balances are expected to be received after more than 12 months following the year end.

As at 31 December 2019, other taxes recoverable comprised:

US$000	As at 31.12.19	As at 31.12.18
VAT receivable	37,262	44,730
Other taxes prepaid	115	107
Total other taxes recoverable and prepaid	**37,377**	**44,837**

The table below provides a reconciliation of the VAT receivable balance in Ukraine:

US$000	Notes	Year ended 31.12.19	Year ended 31.12.18
Opening balance, gross		43,758	22,444
Net VAT incurred		153,025	127,363
VAT refunds received in cash		(165,506)	(106,341)
Write-off		(291)	–
Translation differences	2	6,485	292
Closing balance, gross		**37,471**	**43,758**
Allowance		(2,090)	(1,020)
Closing balance, net		**35,381**	**42,738**

US$809 thousand of the total VAT receivable balance in Ukraine was overdue as at 31 December 2019 (2018: US$13,328 thousand). US$12,641 thousand of the overdue balance as at the end of the comparative year ended 31 December 2018 was refunded by the end of January 2019. The allowance of US$2,090 thousand (2018: US$1,020 thousand) is related to uncertainties in terms of the timing of the recovery of VAT receivable balances. US$1,027 thousand (2018: US$1,020 thousand) relates to VAT incurred for a mine still being developed and the refund is only expected when operative. US$1,063 thousand (2018: nil) relates to a VAT receivable being subject to court proceedings.

Note 20: Other taxes recoverable and payable continued

As at 31 December 2019, other taxes payable comprised:

US$000	As at 31.12.19	As at 31.12.18
Environmental tax	**1,771**	1,449
Royalties	**6,641**	6,669
VAT payable	**241**	235
Other taxes	**2,978**	3,212
Total other taxes payable	**11,631**	11,565

Note 21: Trade and other payables

Accounting policy

Trade and other payables are not interest-bearing, being generally short-term, and are stated at their original invoice amount.

As at 31 December 2019, trade and other payables comprised:

US$000	As at 31.12.19	As at 31.12.18
Materials and services	**54,013**	30,446
Payables for equipment	**11,296**	3,755
Other	**318**	91
Total current trade and other payables	**65,627**	34,292

Trade and other payables at 31 December 2019 includes US$1,899 thousand (2018: US$1,428 thousand) due to related parties (see Note 34 Related party disclosures).

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 27 Financial instruments.

Note 22: Pension and post-employment obligations

Accounting policy

The defined benefit costs relating to the plans operated by the Group in the different countries are determined and accrued in the consolidated financial statements using the projected unit credit method for those employees entitled to such payments. The underlying assumptions are defined by management and the defined benefit pension liability is calculated by independent actuaries at the end of each annual reporting period.

Remeasurements, comprising actuarial gains and losses, are immediately reflected in the statement of financial position. The corresponding charge or credit is recognised in the other comprehensive income of the period in which it occurred and immediately reflected in retained earnings as not reclassified to the income statement in subsequent periods.

The costs of managing plan assets are deducted from the return on plan assets reflected in other comprehensive income. All other scheme administration costs are charged to the income statement. The net interest is calculated by applying the discount rate to the net defined benefit pension liability or plan assets. Any past service costs are recognised in the income statement at the earlier of when the plan amendment occurs or when related restructuring costs are recognised.

The service costs (including current and past) are included in cost of sales, selling and distribution expenses and general and administrative expenses in the consolidated income statement whereas the net finance expenses are included in finance expenses. The effects from remeasurements are recognised in other comprehensive income.

The defined benefit pension liability is the aggregate of the defined benefit obligation less plan assets of funded schemes. The Group operates funded and unfunded schemes.

The Group's expenses in relation to defined contribution plans are charged directly to the income statement.

The Group mainly operates defined benefit plans for qualifying employees of its subsidiaries in Ukraine and Switzerland. All local defined benefit pension liabilities are calculated by independent actuaries applying accepted actuarial techniques. In addition to the aforementioned schemes, the Group operates a defined benefit scheme in Austria and contribution plans for qualifying employees in the UK and in Singapore.

Notes to the Consolidated Financial Statements continued

Note 22: Pension and post-employment obligations continued

Details of the major defined benefit schemes in Ukraine and Switzerland are provided below:

Ukraine

The Group's subsidiaries in Ukraine make defined contributions to the Ukrainian State Pension scheme at statutory rates based on the gross salary payments made to the employees. PJSC Ferrexpo Poltava Mining ("FPM") and LLC Ferrexpo Yeristovo Mining ("FYM") also have a legal obligation to compensate the Ukrainian State Pension Fund for additional pensions paid to certain categories of its current and former employees. All pension schemes in Ukraine are unfunded.

At 31 December 2019, the pension schemes in Ukraine covered 3,514 current employees (2018: 3,623 people) and there are 860 former employees currently in receipt of pensions (2018: 900 people).

Switzerland

The employees of the Group's Swiss operation are covered under a collective pension plan (multi-employer plan), which is governed in accordance with the requirements of Swiss law. The funding, of which two-thirds is contributed by the employer and one-third by the employees, is based on the regulations of the pension scheme and Swiss law. The pension scheme in Switzerland is funded and the assets of the pension scheme are held separately from those of the Group and are invested with an insurance company. The accumulated capital of the employees is subject to interests determined by the local legislation and defined in the regulations of the pension scheme.

On retirement, employees are entitled to receive either a lump sum or an annual proportion of their accumulated capital as a pension underpinned by certain guarantees. The Group and the employees make contributions to the pension scheme as a percentage of the insured salaries depending on the age of the employees.

At 31 December 2019, the Swiss pension scheme covered 22 people (2018: 21 people).

The principal assumptions used in determining the defined benefit obligation are shown below:

	Year ended 31.12.19		Year ended 31.12.18	
	Ukrainian schemes	**Swiss scheme**	Ukrainian schemes	Swiss scheme
Discount rate	**12.3%**	**0.2%**	14.0%	1.0%
Retail price inflation	**5.3%**	**1.0%**	6.4%	1.0%
Expected future salary increase	**7.4%**	**1.5%**	7.9%	1.3%
Expected future benefit increase	**5.3%**	**0.0%**	6.4%	0.0%
Female life expectancy (years)	**81.5**	**89.7**	81.7	89.5
Male life expectancy (years)	**77.2**	**87.6**	77.4	87.5

US$000	**As at 31.12.19**	As at 31.12.18
Present value of funded defined benefit obligation	**7,934**	6,920
Fair value of plan assets	**(4,755)**	(4,483)
Funded status	**3,179**	2,437
Present value of unfunded defined benefit obligation	**30,449**	19,001
Defined benefit pension liability	**33,628**	21,438
Thereof for Ukrainian schemes	***30,352***	*18,913*
Thereof for Swiss scheme	***3,179***	*2,437*
Thereof for schemes in other jurisdictions	***97***	*88*

Note 22: Pension and post-employment obligations continued

Amounts recognised in the income statement or other comprehensive income are as follows:

US$000	Year ended 31.12.19	Year ended 31.12.18
Defined benefit cost charged in the income statement:		
Current service cost	1,258	1,234
Past service cost	(466)	–
Interest cost on defined benefit obligation	2,752	2,416
Interest income on plan assets	(34)	(31)
Administration cost	24	23
Total defined benefit cost charged in the income statement	**3,534**	**3,642**
Remeasurement cost/(gains) in other comprehensive income:		
Remeasurement from demographic assumptions	(660)	229
Remeasurement from financial assumptions	4,888	(5,035)
Experience adjustment	2,670	3,895
Return on plan assets	34	36
Total remeasurement cost/(gains) in other comprehensive income	**6,932**	**(875)**
Total defined benefit cost	**10,466**	**2,767**
Thereof for Ukrainian schemes	*9,438*	*1,893*
Thereof for Swiss scheme	*1,017*	*878*
Thereof for schemes in other jurisdictions	*11*	*(4)*

The effects from remeasurement of financial assumptions relate to the changes of the discount rate used for the Ukrainian schemes. As of 31 December 2019, the discount rate was decreased from 14.0% to 12.3% whereas at the end of the comparative period ended 31 December 2018 the rate was increased from 13.0% to 14.0%. The effect from the experience adjustments relates to higher than assumed salary increases in Ukraine during the financial year 2019 and 2018.

Changes in the present value of the defined benefit obligation are as follows:

US$000	Year ended 31.12.19	Year ended 31.12.18
Opening defined benefit obligation	25,921	23,697
Current service cost	1,258	1,234
Interest cost on defined benefit obligation	2,752	2,416
Remeasurement losses/(gains)	6,898	(947)
Contributions paid by employer	(1,884)	(1,700)
Contributions paid by employees	121	119
Benefits paid and net transfers through pension assets	(210)	881
Plan amendments	(466)	–
Translation differences	3,993	221
Closing defined benefit obligation	**38,383**	**25,921**
Thereof for Ukrainian schemes	*30,352*	*18,913*
Thereof for Swiss scheme	*7,934*	*6,920*
Thereof for schemes in other jurisdictions	*97*	*88*
Thereof for active employees	*23,903*	*16,824*
Thereof for vested terminations	*8,317*	*4,865*
Thereof for pensioners	*6,163*	*4,232*

Notes to the Consolidated Financial Statements continued

Note 22: Pension and post-employment obligations continued

The durations of the defined benefit obligation for the different schemes as at 31 December 2019 are 9.5 years in Ukraine and 21.4 years in Switzerland.

Contributions to the defined benefit plans, including benefits paid by employer and employee contributions, are expected to be US$2,128 thousand for the schemes in Ukraine and US$769 thousand in Switzerland in the next financial year.

The expenses in relation to the defined contribution plan in the UK and Singapore totalled US$53 thousand (2018: US$60 thousand).

Changes in the fair values of the plan assets are as follows:

US$000	Year ended 31.12.19	Year ended 31.12.18
Opening fair value of plan assets	4,483	3,183
Interest income	34	31
Contributions paid by employer	324	344
Contributions paid by employees	121	119
Benefits paid and net transfers through pension assets	(210)	881
Return on plan assets	(34)	(36)
Administration cost	(24)	(23)
Translation differences	61	(16)
Closing fair value of plan assets	**4,755**	**4,483**
Thereof for Swiss scheme	*4,755*	*4,483*

The asset allocation of the plan assets of the Swiss scheme is as follows:

% / US$000	As at 31.12.19	As at 31.12.19	As at 31.12.18	As at 31.12.18
Scheme assets at fair value				
Equities	29.5	1,403	29.4	1,318
Bonds	34.0	1,617	32.7	1,466
Properties	13.4	637	12.7	569
Other	23.1	1,098	25.2	1,130
Fair value of scheme assets	**100.0**	**4,755**	**100.0**	**4,483**

The pension assets are included in a multi-employer plan and no information in respect of the split of the investments into quoted and non-quoted assets is available. Taking into account the requirements of Swiss law, it is assumed that equities and bonds reflect investments into quoted assets whereas a portion of the other assets in the portfolio could be investments into non-quoted assets.

Changes to interest rates and future salary increases in Ukraine are considered to be the main pension-related risks for the Group, as such changes are likely to affect the balance of the Group's defined benefit obligation. The percentage used to calculate the sensitivities was set under consideration of the volatility for these assumptions for the Ukrainian schemes and has also been applied for the Group's less material schemes in other jurisdictions.

Note 22: Pension and post-employment obligations continued

Changes to the significant assumptions would have the following effects on the defined benefit obligation in the different jurisdictions:

US$000	Year ended 31.12.19					
	Ukrainian schemes	Swiss scheme	Other jurisdictions	Ukrainian schemes	Swiss scheme	Other jurisdictions
	Increase by			Decrease by		
Change	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year
Discount rate (%)	**(2,670)**	**(1,364)**	**(8)**	**3,053**	**1,925**	**10**
Future salary increases (%)	**1,520**	**226**	**9**	**(1,478)**	**(200)**	**(8)**
Local inflation (%)	**217**	**2**	**n/a**	**(446)**	**(1)**	**n/a**
Indexation of pension (%)	**n/a**	**803**	**n/a**	**n/a**	**n/a**	**n/a**
Life expectancy (years)	**535**	**168**	**n/a**	**(626)**	**(168)**	**n/a**

US$000	Year ended 31.12.18					
	Ukrainian schemes	Swiss scheme	Other jurisdictions	Ukrainian schemes	Swiss scheme	Other jurisdictions
	Increase by			Decrease by		
Change	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year
Discount rate (%)	(1,603)	(1,136)	(8)	1,774	1,574	9
Future salary increases (%)	1,044	152	8	(946)	(135)	(8)
Local inflation (%)	501	6	n/a	(496)	(6)	n/a
Indexation of pension (%)	n/a	775	n/a	n/a	n/a	n/a
Life expectancy (years)	287	156	n/a	(336)	(157)	n/a

Following new rules in Ukrainian pension legislation, the pension indexation is defined by the future salary increases and the local inflation rate. As a result of this change, no sensitivity for the indexation of pension is calculated for the Ukrainian schemes, but the sensitivity for local inflation is used instead.

For the presentation of the effects of the changes of the significant assumptions shown in the table above, the present value of the defined benefit obligation has been calculated based on the projected unit credit method at the end of the reporting period, which is the same as the one applied for the calculation of the defined benefit obligation recognised in the statement of financial position as at the end of the respective reporting period. The methods and assumptions used for the sensitivity analysis for the prior year are unchanged.

Note 23: Provisions

Accounting policy

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Site restoration

Site restoration provisions are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (determined by an independent expert) in the accounting period when the related environmental disturbance occurs. The provision is discounted, if material, and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future benefit and depreciated over future production from the mine to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates or the life of operations.

The provision for site restoration changed as follows during the financial year 2019:

US$000	Year ended 31.12.19	Year ended 31.12.18
Opening balance	**1,940**	2,070
Unwind of the discount	**307**	272
Charge/credit to the income statement	**437**	(429)
Translation differences	**332**	27
Closing balance	**3,016**	1,940

Notes to the Consolidated Financial Statements continued

Note 23: Provisions continued

The costs of restoration of the different deposits in the Group's open pit mines are based on amounts determined by an independent and credited institute taking into account the codes of practice and laws applicable in Ukraine. The useful lives of the different pits and mines are determined by the same institute based on expected annual stripping and production volumes having taken into account the expected timing and effect of future mine-life extension programmes. It is expected that the restoration works of the GPL mine will start after the years 2040, 2044 and 2061 for the different areas within the mine. The first minor restoration work of the Yerystivske mine is expected to start for some dump areas after 2026, whereas the removal of equipment and the flooding of the pit will only begin at the end of the mine's life in 2044.

The provision represents the discounted value of the estimated costs of decommissioning and restoring the mines at the dates when the deposits are expected to be depleted in the relevant areas within the mine. The present value of the provision has been calculated in Ukrainian Hryvnia using an average nominal pre-tax discount rate of 12.2% (2018: 14.0%) and the costs are expected to be incurred once the restoration works begin in the different areas of the mines.

Uncertainties in estimating the provision include potential changes in regulatory requirements, decommissioning and reclamation alternatives and the discount and inflation rates to be used in the calculations.

Note 24: Accrued and contract liabilities

Accounting policy

Accrued expenses are recognised for amounts to be paid in a future period for goods or services received, which have not been billed to the Group as at the end of the reporting period.

Contract liabilities consist of the portion of freight revenues under CIF and CFR Incoterms, which is deferred and recognised over time as the performance obligation is fulfilled, and released at the point of time when the freight services are completed.

As at 31 December 2019, accrued and contract liabilities comprised:

US$000	As at 31.12.19	As at 31.12.18
Accrued expenses	7,439	6,123
Accrued interest	4,306	6,438
Accrued employee costs	17,482	13,899
Advances from customers	50	195
Contract liabilities	9,980	6,038
Total accrued and contract liabilities	**39,257**	**32,693**

Note 25: Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash at bank and on hand and short-term deposits with original maturity of 90 days or less. Cash at bank and on hand and short-term deposits are recorded at their nominal amount as these present an insignificant risk of changes in value.

As at 31 December 2019, cash and cash equivalents comprised:

US$000	As at 31.12.19	As at 31.12.18
Cash at bank and on hand	131,020	62,996
Total cash and cash equivalents	**131,020**	**62,996**

The debt repayments during the financial year ended 31 December 2019 totalled US$229,374 thousand (2018: US$308,817 thousand) affecting the balance of cash and cash equivalents. Further information on the Group's gross debt is provided in Note 26 Interest-bearing loans and borrowings.

The balance of cash and cash equivalents held in Ukraine amounts to US$28,351 thousand as at 31 December 2019 (2018: US$21,416 thousand). The Group's exposure to liquidity, counterparty and interest rate risk as well as a sensitivity analysis for financial assets and liabilities are disclosed in Note 27 Financial instruments.

Note 30 Commitments, contingencies and legal disputes provides details on the Group's balance of restricted cash and deposits, which has been fully provided for during the financial years 2015 and 2016 as not available to the Group.

Note 26: Interest-bearing loans and borrowings

Accounting policy

Interest-bearing loans and borrowings (excluding lease liabilities) are measured at amortised cost. All loans are in US Dollars. See also Note 27 Financial instruments for more details in respect of the accounting policies applied. This note provides information about the contractual terms of the Group's major finance facilities.

US$000	Notes	As at 31.12.19	As at 31.12.18
Current			
Eurobond issued		–	172,454
Syndicated bank loans – secured		133,333	–
Other bank loans – secured		–	9,262
Other bank loans – unsecured		1,494	1,494
Lease liabilities	30	3,540	2,074
Trade finance facilities		–	19,316
Total current interest-bearing loans and borrowings		**138,367**	**204,600**
Non-current			
Syndicated bank loans – secured		266,667	195,000
Other bank loans – unsecured		764	2,258
Lease liabilities	30	6,580	–
Total non-current interest-bearing loans and borrowings		**274,011**	**197,258**
Total interest-bearing loans and borrowings	27	**412,378**	**401,858**

At 31 December 2019, the Group has a syndicated revolving US$400,000 thousand pre-export finance facility, which is fully drawn. As at the end of the comparative year ended 31 December 2018, US$205,000 thousand were available and US$195,000 thousand were drawn by the Group. The initial facility agreement for a total amount of US$195,000 thousand was signed on 16 November 2017 and fully drawn in March 2018. In August 2018, an amendment to the aforementioned facility agreement was signed, increasing the facility from US$195,000 thousand to US$400,000 thousand and extending the tenor by one year. The effective date of the increase and extension was 6 November 2018. Following a one-year grace period, the facility will be amortised in 12 quarterly instalments, with the first instalment due on 7 February 2020 and the final repayment due on 6 November 2022.

The aforementioned bank debt facility was guaranteed and secured as follows:

- Ferrexpo AG and Ferrexpo Middle East FZE, which are also joint borrowers, assigned the rights to revenue from certain sales contracts;
- PJSC Ferrexpo Poltava Mining assigned all of its rights of certain export contracts for the sale of pellets to Ferrexpo AG and Ferrexpo Middle East FZE; and
- the Group pledged bank accounts of Ferrexpo AG and Ferrexpo Middle East FZE into which sales proceeds from certain assigned sales contracts are exclusively received.

As at the end of the comparative year ended 31 December 2018, the Group had outstanding unsecured Notes at par value totalling US$173,181 thousand in addition to the major bank debt facility listed above. The final payment was made on 7 April 2019. The Notes had a 10.375% interest coupon payable semi-annually.

As at 31 December 2019, the Group had no open trade finance facilities (2018: US$19,316 thousand). Trade finance facilities are secured against receivable balances related to these specific trades.

Notes to the Consolidated Financial Statements continued

Note 26: Interest-bearing loans and borrowings continued

The outstanding unsecured Notes were shown net of associated arrangement fees while for the revolving syndicated pre-export finance facility, fees are presented in prepayments and current assets and other non-current assets based on the maturity of the underlying facility and are amortised over the term of the facility.

The table below shows the movements in the interest-bearing loans and borrowings:

US$000	Notes	Year ended 31.12.19	Year ended 31.12.18
Opening balance of interest-bearing loans and borrowings		**401,858**	491,706
Cash movements			
Repayments of Eurobond issued		**(173,181)**	(173,181)
Proceeds from syndicated bank loans – secured		**225,000**	195,000
Repayments of syndicated bank loans – secured		**(20,000)**	(112,500)
Repayments of other bank loans – secured		**(9,560)**	(17,189)
Repayments of other bank loans – unsecured		**(1,717)**	(1,512)
Principal and interest elements of lease payments		**(5,600)**	(3,753)
Change of trade finance facilities, net		**(19,316)**	19,288
Total cash movements		**(4,374)**	(93,847)
Non-cash movements			
Amortisation of prepaid arrangement fees		**1,462**	4,696
First-time adoption IFRS 16	3	**7,701**	–
Additions to lease liabilities		**5,297**	–
Others (incl. translation differences)		**434**	(697)
Total non-cash movements		**14,894**	3,999
Closing balance of interest-bearing loans and borrowings		**412,378**	401,858

Further information on the Group's exposure to interest rate, foreign currency and liquidity risk is provided in Note 27 Financial instruments.

Note 27: Financial instruments

Accounting policy

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities (e.g. promissory notes), trade and other receivables, cash and cash equivalents, loans and borrowings (including lease liabilities) and trade and other payables.

Derivative financial instruments

Except for the provisionally priced receivables disclosed in Note 18 Trade and other receivables, the Group does not hold any derivative financial instruments.

Initial measurement

Non-derivative financial instruments

Financial assets and financial liabilities (excluding lease liabilities) are initially measured at fair value. Any transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities are added or deducted from its fair value except for financial assets and financial liabilities at fair value through the income statement. For those financial assets and financial liabilities, the transaction costs are recognised immediately in the income statement.

All regular way purchases and sales of financial assets are recognised on the trade date (i.e. the date that the Group commits to purchase or sell the asset). Regular way purchases or sales are those that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The subsequent measurement is based on the classification of the financial instruments.

Subsequent measurement

Financial assets

Loans and receivables

Except for the provisionally priced receivables disclosed in Note 18 Trade and other receivables, loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired along with the amortisation process.

Other

Other non-derivative financial assets are measured at amortised cost using the effective interest method less any impairment losses.

Note 27: Financial instruments continued

Financial liabilities

Trade and other payables

Trade and other payables are subsequently measured at amortised cost using the effective interest method.

Interest-bearing loans and borrowings (excluding lease liabilities)

Interest-bearing loans and borrowings (excluding lease liabilities) are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Impairment of financial assets

In addition to the individual assessment at each reporting date whether a financial asset or group of financial assets is impaired, the Group also assesses the expected credit losses on financial assets carried at amortised cost. As all of the Group's loan and receivable balances are classified as current based on the agreed terms and conditions, the loss allowance is measured at an amount equal to the 12-month expected credit losses based on publicly available credit default ratings adjusted for current observable circumstances, forecast information and past history of credit losses. This assessment is performed individually for all financial assets that are individually significant and collectively for those that are not individually significant and have similar credit risk characteristics. The carrying amount of the financial assets is reduced by an allowance account with the change of the allowance being recognised in the consolidated income statement.

Individual balances are written off when management deems that there is no possibility of recovery.

The accounting classification of each category of financial instruments and their carrying amounts are set out below:

		As at 31.12.19			
US$000	Notes	Loans and receivables	Financial liabilities measured at amortised cost	Lease liabilities	Total
Financial assets					
Cash and cash equivalents	25	131,020	–	–	131,020
Trade and other receivables	18	99,864	–	–	99,864
Other financial assets		402	–	–	402
Total financial assets		231,286	–	–	231,286
Financial liabilities					
Trade and other payables	21	–	65,627	–	65,627
Accrued liabilities	24	–	29,209	–	29,209
Interest-bearing loans and borrowings	26	–	402,258	10,120	412,378
Total financial liabilities		–	497,094	10,120	507,214

		As at 31.12.18			
US$000	Notes	Loans and receivables	Financial liabilities measured at amortised cost	Lease liabilities	Total
Financial assets					
Cash and cash equivalents	25	62,996	–	–	62,996
Trade and other receivables	18	85,695	–	–	85,695
Other financial assets		456	–	–	456
Total financial assets		149,147	–	–	149,147
Financial liabilities					
Trade and other payables	21	–	34,292	–	34,292
Accrued liabilities	24	–	26,458	–	26,458
Interest-bearing loans and borrowings	26	–	399,784	2,074	401,858
Total financial liabilities		–	460,534	2,074	462,608

The presentation of the carrying amount of the financial liabilities has been changed in the current year following the adoption of the new standard IFRS 16 *Leases*. In order to be consistent with the presentation in the current year, the amount of US$2,074 thousand has been reclassified from financial liabilities measured at amortised cost to lease liabilities for the comparative year ended 31 December 2018. The total of financial liabilities remained unchanged. For further information on the impact of the adoption of the new standard IFRS 16 *Leases* see Note 3 New accounting policies.

Notes to the Consolidated Financial Statements continued

Note 27: Financial instruments continued

Fair values and impairment testing

Financial assets and other financial liabilities

The fair values of cash and cash equivalents, trade and other receivables and payables are approximately equal to their carrying amounts due to their short maturity.

Interest-bearing loans and borrowings

The fair values of interest-bearing loans and borrowings are based on the discounted cash flows using market interest rates (Level 2) except for the fair value of the Eurobond issued (Level 1), which was based on the market price quotation at the reporting date. The fair values of interest-bearing loans and borrowings totalled US$406,838 thousand (2018: US$401,089 thousand).

Fair value measurements recognised in the statement of financial position

Except for the provisionally priced trade receivables (Level 2) disclosed in Note 18 Trade and other receivables, the Group does not have any financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 3 based on the degree to which the fair value is observable. There were no transfers between Level 1 and Level 2 in these periods.

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

– credit risk;
– liquidity risk;
– market risk – including currency and commodity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Board has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee and the CFO.

The Group operates a centralised financial risk management structure under the management of the Executive Committee, accountable to the Board. The Executive Committee delegates certain responsibilities to the CFO. The CFO's responsibilities include authority for approving all new physical, commercial or financial transactions that create a financial risk for the Group. Additionally, the CFO controls the management of treasury risks within each of the business units in accordance with a Board-approved treasury policy.

Financial instrument risk exposure and management

Natural hedges that can be identified and their effectiveness quantified are used in preference to financial risk management instruments. Derivative transactions may be executed for risk mitigation purposes only – speculation is not permitted under the approved treasury policy – and are designed to have the effect of reducing risk on underlying market or credit exposures. Appropriate operational controls ensure operational risks are not increased disproportionately to the reduction in market or credit risk.

The Group has not used any financial risk management instruments that are derivative in nature, or other hedging instruments, in this or the comparative year.

Note 27: Financial instruments continued

Credit risk

Trade and other receivables

The Group, through its trading operations, enters into binding contracts, which contain obligations that create exposure to credit, counterparty and country risks. It is the primary objective of the Group to manage such risks to reduce uncertainty of collection from buyers. A secondary objective is to minimise the cost of reducing risks within acceptable parameters.

Credit risk is the risk associated with the possibility that a buyer will default, by failing to make required payments in a timely manner or to comply with other conditions of an obligation or agreement. Where appropriate, the Group uses letters of credit to assist in mitigating such risks.

Counterparty risk crystallises when a party to an agreement defaults. Where letters of credit are used to minimise this risk, the Group uses a confirming bank with a similar or higher credit rating to mitigate country and/or credit risk of the issuing bank.

Country risk is the potential volatility of foreign assets, whether receivables or investments, that is due to political and/or financial events in a given country.

Group Treasury monitors the concentration of all outstanding risks associated with any entity or country, and reports to the Group CFO on a timely basis.

Investment securities

Outside Ukraine the Group limits its cash exposure to credit, counterparty and country risk by only investing in liquid securities and with counterparties that are incorporated in an A+ or better “S&P” rated OECD country. A ratings approach is used to determine maximum exposure to each counterparty. Cash not required within three months for production, distribution and capital expenditures is invested with counterparties rated by S&P or Moody’s at a level of long-term BBB “S&P” or short-term A3 “S&P” or better.

Recognising that the principal activities of the Group are predominantly in Ukraine, special consideration is given to Ukrainian transactional banking counterparties where the sector is small and constrained by the sovereign credit rating. Exceptions may be made under the following conditions:

- the counterparty is resident in Ukraine; and
- the counterparty is included in the top 15 financial institutions in Ukraine based on the Group’s assessment of the financial institution.

Irrespective of the counterparty risk assessment above, the Group only uses subsidiaries of Western banks for transactional purposes unless required differently by law.

Subsequent to the declaration of insolvency of the Group’s former transactional bank in Ukraine (see Note 30 Commitments, contingencies and legal disputes), the Group changed its transactional banking arrangements and is currently working with four banks in Ukraine, all of them being subsidiaries of Western banks, and is still exposed to Ukraine country and banking sector risk in this respect.

Guarantees

The Group’s policy is to provide financial guarantees under limited circumstances only for the benefit of wholly owned or substantially wholly owned subsidiaries. At 31 December 2019, Ferrexpo AG, Ferrexpo Finance plc and Ferrexpo Middle East FZE were jointly and severally liable under a US$400 million revolving pre-export finance facility, which was fully drawn. As at the end of the comparative year ended 31 December 2018, US$205,000 thousand were available and US$195,000 thousand were drawn by the Group.

Certain Group companies act as guarantors for several finance facilities provided to Ukrainian subsidiaries: Ferrexpo AG amounting to US$2,301 thousand as at 31 December 2019 (2018: US$15,767 thousand), Ferrexpo Middle East FZE amounting to US$6,595 thousand and Ferrexpo plc amounting to US$2,661 thousand as at the end of the comparative year ended 31 December 2018.

The total remaining contractual maturities of the guarantees provided under the facilities listed above is US$414,079 thousand (2018: US$403,268 thousand).

Exposure to credit risk

The carrying amount of financial assets at 31 December 2019 was US$231,286 thousand (2018: US$149,147 thousand) and represents the maximum credit exposure. See page 159 for further information.

Of the total maximum exposure to credit risk, US$37,404 thousand (2018: US$26,068 thousand) related to Ukraine.

The total receivables balance relating to the Group’s top three customers was US$43,193 thousand (2018: US$40,670 thousand), making up 43.3% of the total amounts receivable (2018: 47.5%). The top three customers are considered to be crisis-resistant top-class steel mills and sales are made under long-term contracts.

Impairment profile

The Group’s exposure to credit risk relating to trade and other receivables is disclosed in Note 18 Trade and other receivables.

Notes to the Consolidated Financial Statements continued

Note 27: Financial instruments continued

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation by holding surplus cash or undrawn committed credit facilities.

The Group prepares detailed rolling cash flow forecasts, which assist it in monitoring cash flow requirements and optimising its cash return on investments. Typically, the Group intends to ensure that it has sufficient cash on demand and/or lines of credit to meet expected operational expenses, including the servicing of financial obligations. The Group also makes use of available trade finance facilities to manage its short-term liquidity requirements. Trade finance generally refers to the financing of individual transactions or a series of revolving transactions and is often self-liquidating, whereby the lending bank stipulates that all sales proceeds to be collected are applied to settle the loan, with the remainder returned to the Group. Trade finance transactions are approved by the Group Treasurer.

For further information see the Group's Viability Statement on page 61.

The following are the contractual maturities of financial liabilities:

	As at 31.12.19				
US$000	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	More than 5 years	Total
Interest-bearing					
Floating rate loans and borrowings	134,868	134,100	133,333	–	402,301
Lease liabilities	3,946	3,342	3,937	553	11,778
Total interest-bearing	138,814	137,442	137,270	553	414,079
Non-interest-bearing					
Trade and other payables	65,627	–	–	–	65,627
Accrued liabilities	29,209	–	–	–	29,209
Future interest payable	18,321	11,438	4,366	–	34,125
Total non-interest-bearing	113,157	11,438	4,366	–	128,961
Total financial liabilities	251,971	148,880	141,636	553	543,040

The difference of the total of fixed and floating interest-bearing loans and borrowings compared to the balances disclosed in Note 26 Interest-bearing loans and borrowings mainly relates to arrangement fees paid for specific facilities, which are netted for the presentation in the statement of financial position.

	As at 31.12.18				
US$000	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	More than 5 years	Total
Interest-bearing					
Fixed rate loans and borrowings (excl. lease liabilities)	179,108	–	–	–	179,108
Floating rate loans and borrowings	24,785	66,534	130,767	–	222,086
Lease liabilities	2,074	–	–	–	2,074
Total interest-bearing	205,967	66,534	130,767	–	403,268
Non-interest-bearing					
Trade and other payables	34,292	–	–	–	34,292
Accrued liabilities	26,458	–	–	–	26,458
Future interest payable	23,321	12,380	10,511	–	46,212
Total non-interest-bearing	84,071	12,380	10,511	–	106,962
Total financial liabilities	290,038	78,914	141,278	–	510,230

The presentation of the contractual maturities of the financial liabilities has been changed in the current year following the adoption of the new standard IFRS 16 *Leases*. In order to be consistent with the presentation in the current year, the amount of US$2,074 thousand has been reclassified from fixed rate loans and borrowings to lease liabilities for the comparative year ended 31 December 2018. The total of financial liabilities remained unchanged. For further information on the impact of the adoption of the new standard IFRS 16 *Leases* see Note 3 New accounting policies.

Note 27: Financial instruments continued

Currency risk

The Group is exposed to currency risk on financial assets and financial liabilities resulting from sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's subsidiaries. The functional currencies of the Group's subsidiaries are primarily the Ukrainian Hryvnia, US Dollars, Euro and Swiss Francs. The Group's functional currency and reporting currency is the US Dollar.

The Group's major lines of borrowings and the majority of its sales are denominated in US Dollars, with costs of local Ukrainian production mainly in Hryvnia. The value of the Hryvnia is published by the NBU.

An appreciation of the Ukrainian Hryvnia increases the operating costs of the production unit in US Dollar terms and the value of Hryvnia payables recorded in the statement of financial position at the year end in US Dollars, with the opposite effect in case of a depreciation of the Ukrainian Hryvnia. As the majority of sales and receivables are denominated in US Dollars, a change in the local currency will result in operating exchange differences recorded in the income statement.

In case of a change of the local currency compared to the US Dollar, US Dollar-denominated loans held by the Ukrainian subsidiaries result in non-operating exchange differences to the extent these are not matched by US Dollar-denominated assets. Fixed assets are held in local currency amounts and a change in the functional currencies different to the US Dollar results in a change of the Group's net assets as recorded in the translation reserve.

The NBU manages and determines the official exchange rates. An interbank market for the exchange of currencies exists in Ukraine and is monitored by the NBU. The Group, through financial institutions, exchanges currencies at bank offered market rates.

Trade receivables are predominately in US Dollars and are not hedged. Trade payables denominated in US Dollars are also not hedged on the market but are matched against US Dollar currency receipts. This includes the interest expense, which is principally payable in US Dollars. Trade receivables and trade payables in Ukrainian Hryvnia are not hedged as a forward market for the currency is generally not available.

Other Group monetary assets and liabilities denominated in foreign currencies are considered immaterial as the exposure to currency risk mainly relates to corporate costs within Switzerland and the UK.

The Group's exposure to foreign currency risk was as follows as of 31 December 2019:

US$000	As at 31.12.19	As at 31.12.18
Total financial assets	**231,286**	149,147
Thereof exposed to Ukrainian Hryvnia	**–**	–
Thereof exposed to US Dollar	***7,372***	6,837
Thereof exposed to Euro	***4,603***	49
Thereof exposed to Swiss Franc	***174***	674
Thereof exposed to other currencies	***1,521***	1,898
Total exposures to currencies other than local functional currencies	**13,670**	9,458
Total financial liabilities	**(507,200)**	(462,608)
Thereof exposed to Ukrainian Hryvnia	**–**	–
Thereof exposed to US Dollar	***(5,831)***	(12,369)
Thereof exposed to Euro	***(1,595)***	(1,587)
Thereof exposed to Swiss Franc	***(333)***	(4,617)
Thereof exposed to other currencies	***(1,598)***	(1,086)
Total exposures to currencies other than local functional currencies	**(9,357)**	(19,659)

No other subsidiaries of the Group, apart from the Ukrainian subsidiaries, have financial assets and liabilities denominated in the Ukrainian Hryvnia. The functional currency of the Ukrainian subsidiaries is the Ukrainian Hryvnia and the translation of financial assets and financial liabilities does not therefore pose a foreign currency risk exposure in the consolidated income statement of the Group as translation differences are reflected in the translation reserve (see Note 31 Share capital and reserves).

Interest rate risk

The Group predominantly borrows bank funds that are at floating interest rates and is exposed to interest rate movements. No interest rate swaps have been entered into in this or prior years.

Notes to the Consolidated Financial Statements continued

Note 27: Financial instruments continued

Commodity risk

Revenues related to provisionally priced sales are initially recognised at the estimated fair value of the consideration receivable based on the forward price at each reporting date for the relevant period outlined in the different contracts. As a consequence, the receivable balance may change in a future period when final invoices can be issued based on final iron ore prices to be applied according to the specific underlying contract terms. The provisionally priced iron ore exposure as at 31 December 2019 was 701,000 tonnes (2018: nil) and gave rise to a fair value gain relating to the embedded provisional pricing mechanism of US$4,905 thousand as at 31 December 2019 (2018: nil). Final iron ore prices based on the relevant index are normally known within 60 days after the reporting period. The difference between the provisionally priced receivable balance recognised as at 31 December 2019 and the receivable balance taking into account the known final prices is US$464 thousand (2018: nil) and would have decreased the consolidated result and the shareholders' equity by this amount.

Where pricing terms deviate from the index-based pricing model, derivative commodity contracts may be used to swap the pricing terms to the iron ore index price.

Finished goods are held at cost without revaluation to a spot price for iron ore pellets at the end of the reporting period, as long as the recoverable amount exceeds the cost basis.

Sensitivity analysis

A 20% strengthening of the US Dollar against the following currencies at 31 December would have increased/(decreased) income statement and equity by the amounts shown below. The percentage applied to the sensitivity analysis of the Group's foreign currency exposure is based on the average change of the Ukrainian Hryvnia, the Group's most relevant foreign currency, compared to the US Dollar in past years, which might repeat again in the near future. This percentage was also applied for the Group's less relevant foreign currencies and does not have a significant effect on the total effect of this sensitivity analysis. This assumes that all other variables, in particular interest rates, remain constant.

US$000	Year ended 31.12.19 Income statement/equity	Year ended 31.12.18 Income statement/equity
Ukrainian Hryvnia	**257**	(922)
Euro	**501**	(256)
Swiss Franc	**(26)**	(657)
Total	**732**	(1,835)

A 20% weakening of the US Dollar against the above currencies would have an equal but opposite effect to the amounts shown above, on the basis that all the other variables remain constant.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not hold any derivatives (e.g. interest rate swaps). Therefore, a change in interest rates at the reporting date would not affect the income statement.

Cash flow sensitivity for variable rate instruments

An increase of 100 basis points ("bps") in interest rates would have decreased equity and the consolidated result by the amounts shown below. The possible change applied to the cash flow sensitivity represents a plausible scenario taking into account the movement of variable interest rates in the last year and possible changes in the near future. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

US$000	Year ended 31.12.19	Year ended 31.12.18
Net finance charge	**2,713**	1,591

A decrease of 100bps would increase equity and profit by US$2,713 thousand for the year ended 31 December 2019 (2018: US$1,126 thousand). This is on the basis that all the other variables remain constant.

Capital management

The Board's policy is to maintain a strong capital base. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity, excluding non-controlling interests, and the level of dividends to ordinary shareholders. Please refer to the statement of changes in equity for details of the capital position of the Group.

A key measure in respect of the Group's capital management is the level of net debt and the net debt to EBITDA ratio. Both key figures improved during the financial year 2019 as a result of the strong financial performance. The net debt has decreased from US$338,862 thousand at the beginning of the year to US$281,358 thousand as at 31 December 2019.

The capital base of the Group can be adversely affected by falls in the price of iron ore reducing reported revenues and profitability. The price that the industry earns for iron ore products is cyclical in nature and the Board of Directors continues to review its capital base in line with industry trends. In prior years the Board approved investments in growth projects as part of its policy to support a strong capital base. During the financial years 2015 and 2016, in recognition of the industry trend and to further support the Group's capital base, the Board slowed down investments in major growth projects. Under consideration of increased iron ore prices and more positive industry trends, investments in major growth projects continued in 2019 and are expected to continue in 2020 depending on the market environment and the Group's cash generation.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and advantages and security afforded by a sound capital position. The Board continues to support maintaining a sound capital base balanced against these market constraints.

Note 27: Financial instruments continued

The Board maintains a dividend policy consistent with the Group's profile, reflecting the investment activities the Group has made supporting current and future production growth and the cash generated by existing operations, while maintaining a prudent level of dividend cover supported by an appropriate level of liquidity.

Neither Ferrexpo plc (the "Company") nor any of its subsidiaries is subject to externally imposed capital requirements other than a bank covenant requirement to maintain consolidated equity of the Group of US$500,000 thousand including non-controlling interests and excluding the translation reserve. Compliance is ensured by balancing dividend payments against the earnings of the Group.

The Company is the Group's holding company, with no direct operating business, so its ability to make distributions to its shareholders is dependent on its ability to access profits held in the subsidiaries. The Group's consolidated retained earnings shown in the consolidated statement of changes in equity do not reflect the profits available for distribution in the Group as of 31 December 2019. See Note 12 Earnings per share and dividends paid and proposed for further information.

For more information about the Group's interest-bearing loans and borrowings see Note 26 Interest-bearing loans and borrowings.

Note 28: Share-based payments

Accounting policy

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the grant date using modelling techniques consistent with the mathematics underlying the Black-Scholes option pricing model extended to allow for the performance conditions. The fair value is determined by reference to the quoted closing share price on the grant date. The cost is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. In valuing equity-settled transactions, no account is taken of any vesting conditions, except for market conditions, such as the relative Total Shareholder Return ("TSR").

Where the vesting of awards is subject to the satisfaction of certain market conditions, a vesting charge is recognised irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. Where awards terminate before the performance period is complete, any unamortised expense is recognised immediately.

At each reporting date, the cumulative expense of outstanding awards is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous reporting date is recognised in the income statement, with a corresponding entry in employee benefit trust reserve in equity.

Long-term incentive plan ("LTIP")

The LTIP is a share-based scheme whereby certain senior management and executives receive rewards based on the relative TSR. The LTIP is subject to a performance condition based on the TSR compared to a comparator group, which operates in a similar environment, measured over the vesting period. Further description is provided in the Remuneration Report. The cost of equity-settled awards is measured as described above together with an estimate of future social security contributions payable in respect of this value.

The following number of share awards were granted under the LTIP in the previous financial years. The LTIP vesting period is three years.

Thousand	2019 LTIP	2018 LTIP	2017 LTIP	Total
Year ended 31.12.19	**470**	**–**	**–**	**470**
Year ended 31.12.18	–	392	–	392
Year ended 31.12.17	–	–	803	803

The following expenses have been recognised in 2019 and 2018 in respect of the LTIP:

US$000	2019 LTIP	2018 LTIP	2017 LTIP	2016 LTIP	Total
Year ended 31.12.19	**376**	**243**	**403**	**–**	**1,022**
Year ended 31.12.18	–	238	389	47	674

	Year ended 31.12.19 WAFV (US$)	Year ended 31.12.18 WAFV (US$)	Year ended 31.12.19 No. (000)	Year ended 31.12.18 No. (000)
LTIP				
Beginning of the year	**1.16**	0.86	**1,820**	2,122
Awards granted during the year	**2.40**	1.97	**470**	392
Awards vested during the year	**0.23**	0.61	**(719)**	(594)
Awards lapsed during the year	**1.84**	1.13	**(13)**	(100)
Outstanding at 31 December	**1.94**	1.16	**1,558**	1,820

The main inputs to the valuation of the 2019 LTIP awards were the share price at date of grant of US$3.51 (2018 LTIP awards: US$3.11), the volatility of the share price of 56% p.a. (2018 LTIP awards: 71% p.a.) and a risk-free interest rate of 2.3% p.a. (2018 LTIP awards: 2.5% p.a.).

As at 31 December 2019, 68 thousand (2018: nil) of the total vested awards during the financial year 2019 have not been exercised. As at the date of authorising of the consolidated financial statements for issue, all awards have been exercised.

Notes to the Consolidated Financial Statements continued

Note 29: Employees

Employee benefits expenses for the year ended 31 December 2019 consisted of the following:

US$000	Notes	Year ended 31.12.19	Year ended 31.12.18
Wages and salaries		85,746	67,413
Social security costs		16,828	13,152
Post-employment benefits	22	1,258	1,234
Other employee costs		4,326	3,851
Share-based payments	28	1,022	674
Total employee benefits expenses		**109,180**	**86,324**

The table above includes compensation for Non-executive Directors, Executive Directors and other key management personnel as outlined below:

	Year ended 31.12.19			Year ended 31.12.18		
US$000	Non-executive and Executive Directors	Other key management	Total	Non-executive and Executive Directors	Other key management	Total
Wages and salaries	2,681	5,327	8,008	2,757	4,537	7,294
Social security costs	130	91	221	166	181	347
Post-employment benefits	80	98	178	82	140	222
Other employee costs	197	3	200	196	4	200
Share-based payments	161	522	683	93	383	476
Total compensation for key management	**3,249**	**6,041**	**9,290**	3,294	5,245	8,539

The average number of employees during the financial year 2019 is detailed in the table below:

Average number of employees	Year ended 31.12.19	Year ended 31.12.18
Production	7,007	7,178
Marketing and distribution	179	185
Administration	1,227	1,079
Other	575	728
Total average number of employees	**8,988**	**9,170**

Note 30: Commitments, contingencies and legal disputes

Accounting policy

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Commitments for the lease of mining land

These commitments relate to the agreements for the use of mining land, which fall out of the scope of IFRS 16 *Leases*.

Future minimum rental payments

These commitments relate to leases under the scope of IFRS 16 to which the lessee is committed, but not commenced.

Future commitments for contingent rental payments

These commitments include future cash flows dependent on non-fixed rates related to the long-term portion of leases of land not used for the direct extraction of ore and accounted for under IFRS 16, whereas the short-term portion is recognised as lease liability in the statement of financial position (Note 14 Leases).

Note 14 Leases provides more detailed information on the accounting policy for leases.

Note 30: Commitments, contingencies and legal disputes continued

Commitments

Commitments as at 31 December 2019 consisted of the following:

US$000	Year ended 31.12.19	Year ended 31.12.18
Total commitments for the lease of mining land (out of the scope of IFRS 16)	**29,910**	30,724
Total future contingent rental payments (IFRS 16)	**15,068**	5,704
Total capital commitments on purchase of property, plant and equipment	**116,509**	67,529

Commitments before first-time adoption of IFRS 16 *Leases* as of 1 January 2019

For further information on the impact of the first-time adoption of this new standard see Note 3 New accounting policies.

Operating lease commitments

Operating lease commitments as at the end of the comparative year 31 December 2018 consisted of the following:

US$000	Year ended 31.12.18
Less than one year	2,807
Between one and five years	4,587
More than five years	1,433
Total operating lease commitments	8,827

During the comparative year ended 31 December 2018, US$2,903 thousand was recognised as an expense in the income statement in respect of operating leases.

Finance lease commitments

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments were as follows as at the end of the comparative year ended 31 December 2018:

	As at 31.12.18	
US$000	Minimum payments	Present value of payments
Less than one year	2,267	2,074
Total minimum lease payments	2,267	2,074
Less: amounts representing finance charges	(193)	–
Present value of minimum lease payments	2,074	2,074

Contingencies

On 4 February 2019, the Group announced that it had commissioned an independent review (the "Independent Review") into the Group's relationship with third party charity fund Blooming Land (the "Charity") and the use of the total funds of US$110,000 thousand donated by the Group to the Charity during the financial years 2013 to 2018, of which US$9,500 thousand during the comparative year ended 31 December 2018.

The Group may be exposed to the risk of civil, criminal or regulatory actions and liabilities in relation to matters considered by the Independent Review.

Whilst a significant amount of work has been undertaken in connection with the Independent Review by the Independent Review Committee ("IRC") and its advisers, it has not been possible to explain some discrepancies outlined in the 2018 Annual Report & Accounts in respect of the ultimate use of funds donated by the Group to the Charity.

After careful consideration of the report received from its advisers together with the work of the IRC itself, the IRC announced on 30 August 2019 that it is satisfied that none of the Group's Directors, management or employees have had any involvement in any possible misappropriation of funds by the Charity. At the same time, the IRC reaffirmed its conclusion that the Charity is not a related party of the Group, Kostyantin Zhevago (the Group's previous Chief Executive Officer and a controlling shareholder of Ferrexpo plc) or its executive management, as defined under applicable accounting standards or Chapter 11 of the UK Listing Rules. For further information see Independent Review Committee Report on page 75.

If any of the critical judgements outlined in Note 7 Operating expenses and/or Note 34 Related party disclosures and/or the conclusions of the IRC are incorrect, in whole or in part, including as a result of information not currently known to the Group, or new information becomes available, which enables the Group to form conclusions, which were not or could not be reached by the IRC, liabilities (including fines and penalties) may accrue to the Group. At the current time, the existence, timing and quantum of potential future liability, if any, including fines, penalties or damages, which could be material or other consequences arising from the Independent Review cannot be determined and measured reliably and, as a consequence, no associated liabilities have been recognised in relation to these matters in the consolidated statement of financial position as of 31 December 2019.

The Board is currently making enquiries into a loan relationship between related parties of the Group involving FC Vorskla. If it transpires that any of the payments made by the Group to FC Vorskla or the loan provided by FC Vorskla to Collaton Limited were not used for the legitimate purposes of the football club in Ukraine, or there has been any non-compliance with legal, regulatory or other requirements, liabilities (including fines and penalties) may accrue to the Group. At the current time, the existence, timing or quantum of potential future liability, if any, including fines, penalties or damages, which could be material, or other consequences arising from the payments made by the Group to FC Vorskla, cannot be determined and measured reliably and, as a consequence, no associated liabilities have been recognised in relation to

Notes to the Consolidated Financial Statements continued

Note 30: Commitments, contingencies and legal disputes continued

these matters in the consolidated statement of financial position as of 31 December 2019. See Note 34 Related party disclosures for further information.

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.

Deposit Guarantee Fund and liquidator of Bank F&C

The Group's former transactional bank in Ukraine, Bank F&C ("BFC"), is still going through the liquidation process after having been declared insolvent by the National Bank of Ukraine and put under temporary administration on 18 September 2015. The Group, through its major subsidiaries in Ukraine, is engaged in various court proceedings with the aim to maximise its recovery in the liquidation process of BFC as disclosed below.

Following the commencement of the liquidation process of BFC and in accordance with the applicable local legislation, PJSC Ferrexpo Poltava Mining ("FPM"), LLC Ferrexpo Yeristovo Mining ("FYM") and LLC Ferrexpo Belanovo Mining ("FBM"), collectively referred to as "Ukrainian subsidiaries", submitted on 21 January 2016 their claims for cash and deposit balances held with BFC on the date of introduction of temporary administration totalling UAH4,262 million (US$179,936 thousand as of 31 December 2019).

On 22 April 2016, the liquidator of BFC issued certificates recognising UAH540 million (US$22,798 thousand as of 31 December 2019) of these claims and recognised these claims in the ninth rank. The aforementioned Ukrainian subsidiaries are still involved in legal proceedings in respect of the under-recognition of the claims amounting to UAH3,722 million (US$157,138 thousand as of 31 December 2019) and the ranking of the claims in the liquidation process.

The court proceedings commenced in October 2016 and, following various hearings during the financial year 2017, the relevant court instance dismissed on 25 October 2017 FPM's claim in full. FPM filed an appeal on 13 November 2017 and several hearings took place following the filing of FPM's appeal without a ruling on the parties' motions by the Kyiv Commercial Court of Appeal. During the hearing on 18 July 2018, the court ruled in favour of FPM and the counterparty subsequently filed its cassation appeal against this decision. On 11 December 2018, the Supreme Court of Ukraine upheld the cassation appeal and the case was directed for new consideration to the Northern Commercial Court of Appeal. On 19 June 2019, the Northern Commercial Court of Appeal satisfied the claim of FPM and the opposing party filed a cassation appeal. On 31 October 2019, the Supreme Court cancelled the decision of the Northern Commercial Court of Appeal and directed the case to this court instance for new consideration. The hearing by the Northern Commercial Court of Appeal was scheduled to take place on 17 March 2020, but did not take place and was postponed. The new date is currently unknown. FYM's claim on the same matter was dismissed by the Kyiv Commercial Court on 6 February 2019 and FYM filed its appeal against this decision on 28 February 2019. On 20 May 2019, the Northern Commercial Court of Appeal dismissed the appellate claim of FYM in full and FYM filed its cassation claim on 18 June 2019. On 20 August 2019, the Supreme Court upheld the appeal of FYM and directed the case to the court of first instance for new consideration. The hearing by Kyiv Commercial Court is scheduled to take place on 19 March 2020. In relation to the claims of FBM, the Northern Commercial Court of Appeal dismissed FBM's appeal on 11 March 2019 and FBM filed its cassation appeal on 2 April 2019. On 19 June 2019, the Supreme Court of Ukraine dismissed the cassation appeal of FBM.

The outcomes of the aforementioned legal proceedings will not have an adverse impact on the Group's financial result in future periods as a full allowance was recorded for the claimed amounts during the financial year 2015.

In relation to the aforementioned insolvency of BFC, an investigating judge of the Pecherskyi District Court of Kyiv City granted in November 2019 an order to arrest (freeze) certain assets in connection with the investigation involving Kostyantin Zhevago and BFC (the "Order"). The assets subject to the Order include 50.3% of Ferrexpo AG's ("FAG") shareholding in FPM. FAG filed an appeal against the Order and the hearing before the Court of Appeal is scheduled for 2 April 2020.

Based on legal advice received, the Board of Ferrexpo expects that an appeal should be successful as the Order has no proper or reasonable basis under Ukrainian law. The Order does not affect ownership of the shares in FPM, but prohibits their transfer, and has had no impact on the operations of the Group. As the possibility of an outflow of economic resources is considered to be remote, the Order does not constitute a contingent liability.

Note 31: Share capital and reserves

Accounting policy

Ordinary Shares

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares and share options are recognised as a deduction from equity, net of any tax effects.

Employee benefit trust reserve

Ferrexpo plc shares held by the Group are recognised at cost and classified in reserves. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from the sale and the original cost to be recorded in reserves. No gain or loss is recognised in the income statement on the purchase, issue or cancellation of equity shares.

Treasury shares

Own equity instruments, which are reacquired (treasury shares), are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in reserves.

Translation reserve

The translation reserve represents exchange differences arising on the translation of non-US Dollar functional currency operations, mainly those in Ukrainian Hryvnia, within the Group into US Dollars.

Note 31: Share capital and reserves continued

Share capital

Share capital represents the nominal value on issue of the Company's equity share capital, comprising £0.10 Ordinary Shares. The fully paid share capital of Ferrexpo plc at 31 December 2019 was 613,967,956 Ordinary Shares (2018: 613,967,956) at a par value of £0.10 paid for in cash, resulting in share capital of US$121,628 thousand (2018: US$121,628 thousand) per the statement of financial position.

As at 31 December 2019, other reserves attributable to equity shareholders of Ferrexpo plc comprised:

US$000	Uniting of interest reserve	Treasury share reserve	Employee benefit trust reserve	Translation reserve	Total other reserves
At 1 January 2018	31,780	(77,260)	(4,522)	(1,970,862)	(2,020,864)
Foreign currency translation differences	–	–	–	12,117	12,117
Tax effect	–	–	–	(2,007)	(2,007)
Total comprehensive income for the year	–	–	–	10,110	10,110
Share-based payments	–	–	674	–	674
At 31 December 2018	**31,780**	**(77,260)**	**(3,848)**	**(1,960,752)**	**(2,010,080)**
Foreign currency translation differences	**–**	**–**	**–**	**264,737**	**264,737**
Tax effect	**–**	**–**	**–**	**(20,487)**	**(20,487)**
Total comprehensive income for the year	**–**	**–**	**–**	**244,250**	**244,250**
Share-based payments	**–**	**–**	**1,022**	**–**	**1,022**
At 31 December 2019	**31,780**	**(77,260)**	**(2,826)**	**(1,716,502)**	**(1,764,808)**

Uniting of interest reserve

The uniting of interest reserve represents the difference between the initial investment by Ferrexpo AG in FPM to gain control of the subsidiary in 2005 and the net assets acquired, which under the pooling of interests method of accounting are consolidated at their historic cost, less non-controlling interests.

Treasury share reserve

In September 2008, Ferrexpo plc completed a buy-back of 25,343,814 shares for a total cost of US$77,260 thousand. These shares are currently held as treasury shares by the Group. The Companies Act 2006 forbids the exercise of any rights (including voting rights) and the payment of dividends in respect of treasury shares.

Employee benefit trust reserve

This reserve represents the treasury shares held by Ferrexpo AG setting up an employee benefit trust reserve. The reserve is used to satisfy future grants for senior management incentive schemes. Information on the Group's share-based payments is provided in Note 28 Share-based payments. As at 31 December 2019, the employee benefit trust reserve includes 1,702,056 shares (2018: 2,326,256 shares).

Translation reserve

During the financial year 2019, the Ukrainian Hryvnia appreciated from 27.688 as at the beginning of the year to 23.686 as at 31 December 2019 and the exchange differences arising on translation of the Group's foreign operations are initially recognised in the statement of other comprehensive income. See also page 122.

Note 32: Consolidated subsidiaries

Accounting policy

Entities are included in the consolidated financial statements from the date of obtaining control and the inclusion in the consolidated financial statements is consequently ceased when the control over an entity is lost. Control is obtained when the Group is exposed, or has the rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity that gives the current ability to direct the relevant activities. Control can be obtained through voting rights, but also through agreements, statutes, contracts, trust deeds or other schemes.

Non-controlling interests in the net assets of consolidated subsidiaries are shown separately in the Group's consolidated statement of financial position and consolidated statement of changes in equity. The share of the profit attributable to non-controlling interests is shown in the consolidated income statement and the consolidated statement of comprehensive income. The carrying amount of the non-controlling interests is adjusted for any change in ownership interest to reflect the relative controlling and non-controlling interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in the equity attributable to equity shareholders of Ferrexpo plc.

The Group comprises Ferrexpo plc and its consolidated subsidiaries. The Group's interests in the entities are held indirectly by the Company, with the exception of Ferrexpo AG, which is directly held. In June 2019, the Group acquired the remaining 0.9% of non-controlling interests in PJSC Ferrexpo Poltava Mining for a total consideration paid in cash of US$2,189 thousand, increasing its shareholding from 99.1% to 100.0%. The impact from the acquisition of the non-controlling interests is shown in the consolidated statement of changes in equity on page 125. After this acquisition, all of the Group's major subsidiaries are wholly owned. The interest that non-controlling interests have in the Group's operations are not material and no significant judgements and assumptions were required to determine that the Group has control over these entities. The Group's consolidated subsidiaries are listed on page 179.

The Group does not have any other interests of 20% or more in undertakings that are not disclosed on page 179, except for the investment in the associate mentioned in Note 33 Investments in associates.

Notes to the Consolidated Financial Statements continued

Note 33: Investments in associates

Accounting policy

The Group's investments in associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus any post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's investment in the associate.

The share of profit from an associate is shown on the face of the income statement. This is the profit attributable to the Group and is therefore the profit after tax and non-controlling interests in the subsidiaries of the associate. The reporting dates of the associates and the Group are identical and the associates' accounting policies are generally in conformity with those applied by the Group.

The Group also holds an interest of 49.9% (2018: 49.5%) in TIS Ruda LLC, operating a port on the Black Sea, which the Group uses as part of its distribution channel. The interest in the associate increased as a result of the increase of the Group's shareholding in PJSC Ferrexpo Poltava Mining from 99.1% to 100% in June 2019.

US$000	Year ended 31.12.19	Year ended 31.12.18
Opening balance	7,037	5,947
Share of profit[1]	4,114	5,360
Dividends declared	(4,311)	(4,515)
Translation adjustments	1,224	245
Closing balance	**8,064**	7,037

For the year ended 31 December 2019 the summarised financial information for the associate was as follows:

	Revenue		Net profit	
US$000	Year ended 31.12.19	Year ended 31.12.18	Year ended 31.12.19	Year ended 31.12.18
TIS Ruda LLC[1]	21,025	21,686	8,244	10,741

1. Based on preliminary and unaudited financial information.

The figures in the table above represent 100% of the associate's revenue and net profit and not the Group's share based on its ownership. As at 31 December 2019, the associate's total assets were US$18,655 thousand (2018: US$15,531 thousand) and the total liabilities were US$2,494 thousand (2018: US$1,428 thousand) based on preliminary and unaudited statutory accounts. Any deviations from the Group's share in the associate's equity based on the audited financial statements is adjusted subsequent to the year end once the audited financial statements are available.

Note 34: Related party disclosures

During the years presented, the Group entered into arm's length transactions with entities under the common control of Kostyantin Zhevago, a controlling shareholder of Ferrexpo plc, with associated companies and with other related parties. Management considers that the Group has appropriate procedures in place to identify, control, properly disclose and obtain independent confirmation, when relevant, for transactions with the related parties.

Entities under common control are those under the control of Kostyantin Zhevago. Associated companies refer to TIS Ruda LLC, in which the Group holds an interest of 49.9% (2018: 49.5%). This is the only associated company of the Group.

The payments made to the Non-executive Directors and Executive Directors are disclosed in the Remuneration Report on page 95.

Critical judgements

Completeness

In the course of the preparation of the consolidated financial statements of the Group for previous financial years, the Board concluded that neither Kostyantin Zhevago (the Group's previous Chief Executive Officer and a controlling shareholder of Ferrexpo plc) nor the Group's executive management control or exercise significant influence over Blooming Land or its sub-funds (the "Charity") pursuant to relevant accounting standards IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in joint ventures and associates* or under Chapter 11 of the UK Listing Rules. During the comparative year ended 31 December 2018, the Group made donations of US$9,500 thousand to the Charity. The donations were ceased in May 2018 and no donations were made in the year ended 31 December 2019.

After a significant amount of work undertaken by the Independent Review Committee ("IRC") and its advisers during the financial year 2019, the IRC reaffirmed its conclusion that the Charity is not a related party of the Group, Kostyantin Zhevago (the Group's previous Chief Executive Officer and a controlling shareholder of Ferrexpo plc) or its executive management, as defined under applicable accounting standards or Chapter 11 of the UK Listing Rules. Nevertheless, the Group may, under certain circumstances, be exposed to regulatory and other actions resulting in potential legal claims or penalties, fines or other liabilities. See Note 30 Commitments, contingencies and legal disputes on page 166 in respect of the Group's potential exposures under certain circumstances.

Note 34: Related party disclosures continued

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

Revenue, expenses, finance income and expense

	Year ended 31.12.19			Year ended 31.12.18		
US$000	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Other sales [a]	1,152	–	14	877	–	111
Total related party transactions within revenue	1,152	–	14	877	–	111
Materials [b]	7,913	–	–	8,429	–	3
Spare parts and consumables [c]	4,537	–	–	2,959	–	–
Total related party transactions within cost of sales	12,450	–	–	11,388	–	3
Selling and distribution expenses [d]	10,824	18,477	–	10,702	19,138	702
General and administration expenses [e]	1,650	–	393	788	–	529
Finance expense	19	–	–	119	–	–
Total related party transactions within expenses	24,943	18,477	393	22,997	19,138	1,234
Other income [f]	319	–	–	–	–	–
Total related party transactions	26,414	18,477	407	23,874	19,138	1,345

A description of the most material transactions, which are in aggregate over US$200 thousand in the current or comparative year is given below.

Entities under common control
The Group entered into various related party transactions with entities under common control. All transactions were carried out on an arm's length basis in the normal course of business.

a Sales of power, steam and water and other materials for US$113 thousand (2018: US$109 thousand) and income from premises leased to Kislorod PCC of US$76 thousand (2018: US$131 thousand);

a Sales of diesel to DVD Trans totalling US$322 thousand (2018: US$376 thousand). The company ceased to be a related party in September 2018; in accordance with the Listing Rules, all transactions with DVD Trans within one year from cessation are still considered as related party transactions and disclosed as such; and

a Sales of scrap metal to OJSC Uzhgorodsky Turbogas totalling US$239 thousand (2018: US$250 thousand).

b Purchases of compressed air and oxygen and scrap metal from Kislorod PCC for US$3,645 thousand (2018: US$4,536 thousand);

b Purchases of cast iron balls from AutoKraZ Holding Co. for US$274 thousand during the comparative year ended 31 December 2018. No such purchases during the year ended 31 December 2019; and

b Purchases of cast iron balls from OJSC Uzhgorodsky Turbogas for US$4,194 thousand (2018: US$3,536 thousand).

c Purchases of spare parts from CJSC Kyiv Shipbuilding and Ship Repair Plant ("KSRSSZ") in the amount of US$963 thousand (2018: US$1,201 thousand);

c Purchases of spare parts from OJSC Uzhgorodsky Turbogas in the amount of US$436 thousand (2018: US$533 thousand);

c Purchases of spare parts from Valsa GTV of US$1,165 thousand (2018: US$455 thousand); and

c Purchases of spare parts from OJSC Berdichev Machine-Building Plant Progress of US$1,931 thousand (2018: US$724 thousand).

d Purchases of advertisement, marketing and general public relations services from FC Vorskla of US$10,824 thousand (2018: US$10,702 thousand). See page 172 in respect of a loan relationship between FC Vorskla and another related party.

e Insurance premiums of US$1,156 thousand (2018: US$535 thousand) paid to ASK Omega for workmen's insurance and other insurances; and

e Purchase of marketing services from TV & Radio Company of US$296 thousand (2018: US$100 thousand).

f Other income is related to payments of US$319 thousand received from ASK Omega in respect of a claims made under insurance policies in place (2018: nil).

Associated companies
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 33 Investments in associates).

d Purchases of logistics services in the amount of US$18,477 thousand (2018: US$19,138 thousand) relating to port operations, including port charges, handling costs, agent commissions and storage costs.

Other related parties
The Group entered into various transactions with related parties other than those under the control of a controlling shareholder of Ferrexpo plc. All transactions were carried out on an arm's length basis in the normal course of business.

d Purchases of logistics management services from Slavutich Ruda Ltd. relating to customs clearance services and the coordination of rail transit totalling US$702 thousand in the comparative year ended 31 December 2018. Effective 20 April 2018, this company is no longer a related party.

e Legal services in the amount of US$362 thousand (2018: US$375 thousand) provided by Kuoni Attorneys at Law Ltd., which is controlled by a former member of the Board of Directors of Ferrexpo plc who resigned in November 2016, but still acts as a member of the Board of Directors of one of the subsidiaries of the Group and also received Directors' fees of US$100 thousand (2018: US$100 thousand); and

e Consulting service fees and expenses totalling US$31 thousand (2018: US$154 thousand) paid to Nage Capital Management AG, which is controlled by Lucio Genovese, a member of the Board of Directors of Ferrexpo plc. See the Remuneration Report on page 95 in respect of the Directors' fees paid to Lucio Genovese.

Notes to the Consolidated Financial Statements continued

Note 34: Related party disclosures continued

Purchases of property, plant and equipment

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 years presented.

	Year ended 31.12.19			Year ended 31.12.18		
US$000	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Purchases in the ordinary course of business	8,935	–	–	4,678	–	–
Total purchases of property, plant and equipment	**8,935**	**–**	**–**	**4,678**	**–**	**–**

During the year ended 31 December 2019, the Group purchased major spare parts and equipment from OJSC Berdichev Machine-Building Plant Progress totalling US$6,910 thousand (2018: US$2,821 thousand) in respect of the construction of the concentrate stockyard, from CJSC Kyiv Shipbuilding and Ship Repair Plant ("KSRSSZ") totalling US$816 thousand (2018: US$67 thousand) for several ongoing major projects, including the construction of the concentrate stockyard, the upgrade of benefication sections and the refurbishment of the pellet loading area. The balance of the comparative year ended 31 December 2018 included purchases from AutoKraZ Holding Co. totalling US$398 thousand for cranes and lifters installed on truck chassis and from Valsa GTV totalling US$212 thousand for rubber-lined steel cover sheets for the mills.

The Group further procured services relating to the top soil removal and relocation of waste material and gravel in the amount of US$861 thousand (2018: US$1,165 thousand) from DVD Trans. The company ceased to be a related party in September 2018; in accordance with the Listing Rules, all transactions with DVD Trans within one year from the cessation are still considered as related party transactions and disclosed as such.

The FPM Charity Fund owns 75% of the Sport & Recreation Centre ("SRC") in Horishni Plavni and made contributions totalling US$129 thousand during the year ended 31 December 2019 (2018: US$199 thousand) for the construction and maintenance of the building, including costs related to electricity, gas and water consumption. The remaining stake of 25% is owned by JSC F&C Realty, which is under the control of Kostyantin Zhevago.

Balances with related parties

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

	As at 31.12.19			As at 31.12.18		
US$000	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Prepayments for property, plant and equipment[f]	1,093	–	–	6,121	–	–
Total non-current assets	**1,093**	**–**	**–**	**6,121**	**–**	**–**
Trade and other receivables[g]	104	2,472	2	214	1,302	1
Prepayments and other current assets[h]	1,662	–	–	1,181	–	–
Total current assets	**1,766**	**2,472**	**2**	**1,395**	**1,302**	**1**
Trade and other payables[i]	1,001	898	–	465	963	–
Accrued and contract liabilities	–	–	1	–	–	–
Total current liabilities	**1,001**	**898**	**1**	**465**	**963**	**–**

A description of the balances over US$200 thousand in the current or comparative year is given below.

Entities under common control

f As at 31 December 2019, prepayments for property, plant and equipment totalling US$1,052 thousand (2018: US$5,980 thousand) were made to OJSC Berdichev Machine-Building Plant Progress.

h Prepayments and other current assets totalling US$921 thousand as at 31 December 2019 related to prepayments made to FC Vorskla for advertisement, marketing and general public relations services (2018: US$858 thousand) and US$605 thousand to ASK Omega for insurance premiums (2018: US$124 thousand).

i Trade and other payables included US$246 thousand (2018: US$213 thousand) related to the purchase of compressed air, oxygen and scrap metal from Kislorod PCC and US$418 thousand (2018: US$21 thousand) related to the purchase of spare parts from OJSC Berdichev Machine-Building Plant Progress.

Associated companies

g As at 31 December 2019, trade and other receivables included US$2,472 thousand (2018: US$1,302 thousand) related to dividends declared by TIS Ruda LLC.

i As at 31 December 2019, trade and other payables included US$898 thousand (2018: US$963 thousand) related to purchases of logistics services from TIS Ruda LLC.

Loan relationship between related parties of the Group

The Group has supported FC Vorskla with sponsorship for many years. FC Vorskla is a professional football club in Poltava, Ukraine that competes in the Ukrainian Premier League. The Group's sponsorship provides brand recognition for the Group both within Ukraine and internationally, and in addition given FC Vorskla's proximity to the Group's operations, provides benefit to the local community surrounding the mines.

The sponsorship payments are made by Ferrexpo Middle East FZE to two entities: FC Vorskla Cyprus Limited, a company incorporated in the Republic of Cyprus, and Football Club "Vorskla" LLC, a company incorporated in Ukraine (together, "FC Vorskla"). During the financial year 2019, the Group made total payments to FC Vorskla of US$10,824 thousand (2018: US$10,702 thousand) for advertisement, marketing and general public relations services. FC Vorskla is considered to be a related party of the Group as Kostyantin Zhevago, the Group's previous Chief Executive Officer and a controlling shareholder of Ferrexpo plc, controls FC Vorskla and is the honorary president. The payments made to FC Vorskla were considered to be in the ordinary course of business.

In January 2020, the Group received the audited financial statements of FC Vorskla for the financial year 2017, which showed that FC Vorskla had provided a loan in the amount of US$3,990 thousand to another related party, Collaton Limited, which is controlled by Kostyantin Zhevago.

Based on the audited financial statements of FC Vorskla for the financial year 2018, received by the Group in March 2020, the loan to Collaton Limited had increased to US$10,805 thousand as at 31 December 2018. In absence of the availability of the audited financial statements of FC Vorskla for the financial year 2019, the Group received unaudited management accounts showing a further increase in the loan to US$16,978 thousand as at 31 December 2019.

Note 34: Related party disclosures continued

Following the identification of the loan provided by FC Vorskla to Collaton Limited, the Board has taken steps to obtain further information in relation to the arrangements, and has engaged third party advisers to assess the situation.

As of the date of approval of these financial statements, the Board's enquiries remain ongoing. Based on the responses received to date from FC Vorskla, the Group understands that the loan to Collaton Limited was made in connection with the construction and renovation of certain sports facilities of FC Vorskla, including its central stadium and training facilities in Poltava. Collaton Limited has not provided information requested by the Group to confirm the usage of the funds provided to it by FC Vorskla. Given that the enquiries by the Board and its advisers remain ongoing, the Board is unable to conclude at this stage whether the payments made to FC Vorskla have been used in their entirety for the legitimate purposes of the football club in Ukraine. If it transpires that any of the payments made by the Group to FC Vorskla or the loan provided by FC Vorskla to Collaton Limited were not used for the legitimate purposes of the football club in Ukraine, or there has been any non-compliance with legal, regulatory or other requirements, liabilities (including fines and penalties) may accrue to the Group. See also Note 30 Commitments, contingencies and legal disputes.

Note 35: Events after the reporting period

No material adjusting or non-adjusting events have occurred subsequent to the year end other than the proposed dividend disclosed in Note 12 Earnings per share and dividends paid and proposed.

Parent Company Statement of Financial Position

Ferrexpo plc (the "Company") is required to present its separate Parent Company statement of financial position and certain notes to the statement of financial position on a standalone basis as at 31 December 2019 and 2018, which has been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Information on the principal accounting policies is outlined in Note 3 Significant accounting policies.

Ferrexpo plc is exempt from presenting a standalone Parent Company profit and loss account and statement of comprehensive income in accordance with Section 408 of the UK Companies Act 2006.

US$000	Notes	As at 31.12.19	As at 31.12.18
Fixed assets			
Investment in subsidiary undertakings	4	**147,496**	147,496
Total fixed assets		**147,496**	147,496
Current assets			
Debtors: amounts falling due within one year	5	**33,626**	70,091
Debtors: amounts falling due after more than one year	5	**736,297**	763,891
Cash at bank and in hand		**89**	184
Total current assets		**770,012**	834,166
Creditors: amounts falling due within one year	6	**4,939**	3,428
Net current assets		**765,073**	830,738
Total assets less current liabilities		**912,569**	978,233
Creditors: amounts falling due after more than one year	6	**564**	463
Net assets		**912,005**	977,771
Capital and reserves			
Called up share capital	7	**121,628**	121,628
Share premium account		**185,112**	185,112
Treasury share reserve	7	**(77,260)**	(77,260)
Employee benefit trust reserve	7	**(2,826)**	(3,848)
Retained earnings	7	**685,351**	752,139
Total capital and reserves		**912,005**	977,771

The profit after taxation for the Company, registration number 05432915, was US$88,299 thousand for the financial year ended 31 December 2019 (2018: US$97,790 thousand).

The financial statements were approved by the Board of Directors on 17 March 2020.

Steve Lucas
Chairman

Christopher Mawe
Acting Chief Executive Officer

Parent Company Statement of Changes in Equity

US$000	Issued capital	Share premium	Treasury share reserve	Employee benefit trust reserve	Retained earnings	Total capital and reserves
At 1 January 2018	121,628	185,112	(77,260)	(4,522)	751,219	976,177
Profit for the year	–	–	–	–	97,790	97,790
Total comprehensive income for the year	–	–	–	–	97,790	97,790
Equity dividends paid to shareholders	–	–	–	–	(96,870)	(96,870)
Share-based payments	–	–	–	674	–	674
At 31 December 2018	**121,628**	**185,112**	**(77,260)**	**(3,848)**	**752,139**	**977,771**
Profit for the year	**–**	**–**	**–**	**–**	**88,299**	**88,299**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**88,299**	**88,299**
Equity dividends paid to shareholders	**–**	**–**	**–**	**–**	**(155,087)**	**(155,087)**
Share-based payments	**–**	**–**	**–**	**1,022**	**–**	**1,022**
At 31 December 2019	**121,628**	**185,112**	**(77,260)**	**(2,826)**	**685,351**	**912,005**

Notes to the Parent Company Financial Statements

Note 1: Corporate information

The Company is incorporated and registered in England, which is considered to be the country of domicile, with its registered office at 55 St James's Street, London SW1A 1LA, UK. The Company's Ordinary Shares are traded on the London Stock Exchange.

The majority shareholder of the Company is Fevamotinico S.a.r.l. ("Fevamotinico"), a company incorporated in Luxembourg and ultimately owned by The Minco Trust, of which Kostyantin Zhevago, the Group's previous Chief Executive Officer, is a beneficiary. At the time this report was published, Fevamotinico held 50.3% (2018: 50.3%) of the Company's issued share capital.

Note 2: Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The financial statements are presented in US Dollars (US$), the Company's functional currency, and all values are rounded to the nearest thousand, except where otherwise indicated. The functional currency is determined as the currency of the primary economic environment in which the Company operates. The majority of the Company's operating activities are conducted in US Dollars.

The Company has taken advantage of the following disclosure exemptions under FRS 101 as the Company is included in publicly available consolidated financial statements, which include disclosures that comply with the standards listed below:

- the requirements of paragraphs 45(b) and 46–52 of IFRS 2 *Share-based payments*;
- the requirements of IFRS 7 *Financial instruments: Disclosures*;
- the requirements of paragraphs 91–99 of IFRS 13 *Fair value measurements*;
- the following paragraphs of IAS 1 *Presentation of financial statements*:
  - 10 (d) (statement of cash flows);
  - 16 (statement of compliance with all IFRSs);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134–136 (capital management disclosures).
- the requirements of IAS 7 *Statement of cash flows*;
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting policies, changes in accounting estimates and errors*;
- the requirements of paragraph 17 of IAS 24 *Related party disclosures* and the requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary, which is a party to the transaction is wholly owned by such a member of the same standard.

The Company does not have any employees other than the Directors. The requirement to give employee numbers and costs information under Section 411 of the Companies Act is addressed in the Directors' Remuneration Report of the Group on page 85.

Note 3: Significant accounting policies

Foreign currencies

The accounting policy is consistent with the Group's policy set out in Note 2 Basis of preparation of the Group's financial statements.

Investments in subsidiary undertakings

Equity investments in subsidiaries are carried at cost less any provision for impairments. Investments are reviewed for impairment at each reporting date. If indication exists that investments may be impaired, the investments' recoverable amounts are estimated. If the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. Impairment losses are recognised in the income statement.

Financial guarantees

Financial guarantee liabilities issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss, which incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

Financial guarantees provided are initially recognised at fair value and subsequently measured at the higher of the best estimate to settle the present obligation at the reporting date and the amount initially recognised less, when appropriate, the cumulative amortisation recognised as guarantee fee.

Treasury share reserve

Own equity instruments, which are reacquired (treasury shares), are recognised at cost and deducted from equity shown in the treasury share reserve. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in reserves.

Share-based payments

The accounting policy is consistent with the Group's policy set out in Note 28 Share-based payments of the Group's financial statements.

Employee benefit trust reserve

Ferrexpo plc shares held by the Company are classified in capital and reserves as employee benefit trust reserves and recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost taken to revenue reserves. No gain or loss is recognised on the purchase, sale issue or cancellation of equity shares.

Note 3: Significant accounting policies continued

Taxation

The accounting policy is consistent with the Group's policy set out in Note 11 Taxation of the Group's financial statements.

Changes in accounting policies

The accounting policies adopted and applied in the preparation of the financial statements are consistent with those of the previous year, except for the adoption of new and amended IFRSs and IFRIC interpretations effective as of 1 January 2019. The new and amended IFRSs and IFRIC interpretations adopted are consistent with the Group's new accounting policies set out in Note 3 New accounting policies of the Group's financial statements and have not had a significant impact on these financial statements.

Use of critical estimates and judgements

The Company has not identified any area involving the use of critical estimates and judgements made by management in preparing the separate Parent Company financial statements.

Note 4: Investment in subsidiary undertakings

Investment in subsidiary undertakings at 31 December 2019 relates to the Company's investment in Ferrexpo AG, which is domiciled in Switzerland and wholly owned by the Company. The subsidiary's registered office is at Bahnhofstrasse 13, 6340 Baar, Switzerland.

US$000	At 31.12.19	At 31.12.18
Investment in subsidiary undertakings	147,496	147,496
Total investment in subsidiary undertakings	**147,496**	**147,496**

See Note 32 Consolidated subsidiaries to the consolidated financial statements for further information on subsidiaries indirectly held by the Company.

Note 5: Debtors

Debtors as at 31 December 2019 related to the following:

US$000	At 31.12.19	At 31.12.18
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	30,277	67,775
Accrued interest owed by subsidiary undertakings	2,774	1,979
Prepaid expenses	575	337
Total amounts falling due within one year	**33,626**	**70,091**
Amounts falling due after more than one year		
Amounts owed by subsidiary undertakings	736,297	763,891
Total amounts falling due after more than one year	**736,297**	**763,891**
Total debtors	**769,923**	**833,982**

The Company's loans are contractually payable on demand but having assessed the expected repayment profile, this balance is presented as falling due after more than one year.

Amounts owed by subsidiary undertakings include the financial guarantees provided by the Company and reflect the future guarantee fee receivable recorded when the financial guarantees were recognised as a liability.

The table above includes the impact from the application of the expected credit loss impairment model under IFRS 9 Financial instruments. The balance of impairment losses on debtors included in the profit after taxation is US$404 thousand as of 31 December 2019 (2018: US$200 thousand).

Notes to the Parent Company Financial Statements continued

Note 6: Creditors

Creditors as at 31 December 2019 related to the following:

US$000	At 31.12.19	At 31.12.18
Creditors: amounts falling due within one year		
Financial guarantees	**789**	485
Other payables and accrued liabilities	**4,150**	2,943
Total creditors: amounts falling due within one year	**4,939**	3,428
Creditors: amounts falling due after more than one year		
Financial guarantees	**564**	463
Total creditors: amounts falling due after more than one year	**564**	463

The Company's policy is to provide financial guarantees under limited circumstances only for the benefit of wholly owned or substantially owned subsidiaries.

As at 31 December 2019, the Company was a guarantor to the following major external debt facility of the Group's subsidiary Ferrexpo Finance plc:

– a syndicated revolving US$400,000 thousand pre-export finance facility, which is fully drawn. As at the end of the comparative year ended 31 December 2018, US$205,000 thousand were available and US$195,000 thousand were drawn by the Group. The initial facility agreement for a total amount of US$195,000 thousand was signed on 16 November 2017 and fully drawn in March 2018. In August 2018, an amendment to the aforementioned facility agreement was signed, increasing the facility from US$195,000 thousand to US$400,000 thousand and extending the tenor by one year. The effective date of the increase and extension was 6 November 2018. Following a one-year grace period, the facility will be amortised in 12 quarterly instalments, with the first instalment due on 7 February 2020 and the final repayment due on 6 November 2022.

The Company earns guarantee fees from its subsidiaries for the financial guarantees provided in respect of the Group's finance facility aforementioned.

Note 7: Share capital and reserves

Share capital

Share capital represents the nominal value on issue of the Company's equity share capital, comprising £0.10 Ordinary Shares. The fully paid share capital of the Company at 31 December 2019 was 613,967,956 Ordinary Shares (2018: 613,967,956 Ordinary Shares) at a par value of £0.10 paid for in cash, resulting in share capital of US$121,628 thousand (2018: US$121,628 thousand) per the statement of financial position.

Treasury share reserve

In September 2008, the Company completed a buy-back of 25,343,814 shares for a total cost of US$77,260 thousand (2018: US$77,260 thousand). These shares are currently held as treasury shares by the Group. The Companies Act 2006 forbids the exercise of any rights (including voting rights) and the payment of dividends in respect of treasury shares.

Employee benefit trust reserve

This reserve represents the treasury shares used to satisfy future grants for senior management incentive schemes. As at 31 December 2019, the employee benefit trust reserve included 1,702,056 shares (2018: 2,326,256 shares).

Distributable reserves

The Company is the Group's holding company, with no direct operating business, so its ability to make distributions to its shareholders is dependent on its ability to access profits held in the subsidiaries. The Company's retained earnings shown in the statement of changes in equity as of 31 December 2019 do not reflect the profits that are available for distribution by the Company as of this date. Taking into account relevant thin capitalisation rules and dividend-related covenants for the Group's major bank debt facilities, the total available distributable reserves of Ferrexpo plc was US$201,647 thousand as of 31 December 2019 (2018: US$168,370 thousand).

Note 8: Events after the reporting period

No material adjusting or non-adjusting events have occurred subsequent to the year end other than the proposed dividend disclosed in Note 12 Earnings per share and dividends paid and proposed to the consolidated financial statements.

Additional Disclosures

See Note 32 Consolidated subsidiaries for further information on the Group.

Unless otherwise stated, the equity interest disclosed includes ordinary or common shares, which are owned by subsidiaries of the Group.

Name	Address of consolidated subsidiary's registered office	Principal activity	Equity interest owned 31.12.19 %	Equity interest owned 31.12.18 %
Consolidated subsidiaries				
Ferrexpo AG	Bahnhofstrasse 13, 6340 Baar, Switzerland	Holding company and sale of iron ore pellets	100.0	100.0
PJSC Ferrexpo Poltava Mining	Budivelnykiv Street 16, 39802 Horishni Plavni, Poltava Region, Ukraine	Iron ore mining	100.0	99.1
LLC Ferrexpo Yeristovo Mining	Budivelnykiv Street 15, 39802 Horishni Plavni, Poltava Region, Ukraine	Iron ore mining	100.0	100.0
LLC Ferrexpo Belanovo Mining	Budivelnykiv Street 15, 39802 Horishni Plavni, Poltava Region, Ukraine	Iron ore mining	100.0	100.0
Ferrexpo Middle East FZE	Office A2207, Jafza One, Jebel Ali Free Zone, Dubai, U.A.E., P.O. Box 18341	Sale of iron ore pellets	100.0	100.0
Ferrexpo Finance plc	55 St James's Street, London SW1A 1LA, United Kingdom	Finance	100.0	100.0
Ferrexpo Services Limited	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Management services and procurement	100.0	100.0
Universal Services Group Ltd.	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Asset holding company	100.0	100.0
DP Ferrotrans	Portova Street 65, 39802 Horishni Plavni, Poltava Region, Ukraine	Trade, transportation services	100.0	99.1
United Energy Company LLC	Budivelnykiv Street 16, 39802 Horishni Plavni, Poltava Region, Ukraine	Holding company	100.0	99.1
Nova Logistics Limited	Budivelnykiv Street 16, 39802 Horishni Plavni, Poltava Region, Ukraine	Service company	51.0	51.0
Ferrexpo Singapore PTE Ltd.	1 Fullerton Road, One Fullerton #02-01, Singapore 049213, Singapore	Marketing services	100.0	100.0
Ferrexpo Shipping International Ltd.	Ajeltake Road, MH-96960 Ajeltake Island – Majuro, Marshall Islands	Holding company	100.0	100.0
Iron Destiny Ltd.	Ajeltake Road, MH-96960 Ajeltake Island – Majuro, Marshall Islands	Shipping company	100.0	100.0
First-DDSG Logistics Holding GmbH	Handelskai 348, 1020 Wien, Austria	Holding company	100.0	100.0
EDDSG GmbH	Handelskai 348, 1020 Wien, Austria	Barging company	100.0	100.0
DDSG Tankschiffahrt GmbH	Handelskai 348, 1020 Wien, Austria	Barging company	100.0	100.0
DDSG Services GmbH	Handelskai 348, 1020 Wien, Austria	Service company	100.0	100.0
DDSG Mahart Kft.	Sukorói út 1., 8097 Nadap, Hungary	Barging company	100.0	100.0
Pancar Kft.	Sukorói út 1., 8097 Nadap, Hungary	Barging company	100.0	100.0
Ferrexpo Port Services GmbH	Handelskai 348, 1020 Wien, Austria	Port services	100.0	100.0
Transcanal SRL	Ecluzei Street 1, Agigea, Constanta, Romania	Port services	77.6	77.6
Helogistics Asset Leasing Kft.	Sukorói út 1., 8097 Nadap, Hungary	Asset holding company	100.0	100.0
LLC DDSG Ukraine Holding	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Holding company	100.0	100.0
LLC DDSG Invest	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Asset holding company	100.0	100.0
LLC DDSG Ukraine Shipping Management	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Barging company	100.0	100.0
LLC DDSG Ukraine Shipping	Radhospna Street 18, 39763 Kamiani Potoky, Kremenchuk District, Poltava Region, Ukraine	Asset holding company	100.0	100.0
Ferrexpo Poltava Mining Charity Fund[1]	Heroiv Dnipra Street 23-a, 39802 Horishni Plavni, Poltava Region, Ukraine	Charity fund	100.0	99.1
Associate				
TIS Ruda LLC	Chapaieva Street 50, 67543 Vizirka Village, Odesa Region, Ukraine	Port development	49.9	49.5
Available-for-sale investments[2]				
PJSC Stakhanov Railcar Company		Rail car producer	1.1	1.1
Vostok Ruda LLC		Iron ore mining	1.1	1.1
LLC Atol		Gas	9.9	9.9
CJSC AMA		Gas	9.0	9.0
CJSC Amtek		Gas	9.0	9.0

1. Charity fund controlled by the Group through its CSR Committee.
2. All investments relate to companies incorporated in Ukraine and are fully impaired.

Alternative Performance Measures

When assessing and discussing the Group's reported financial performance, financial position and cash flows, management may make reference to Alternative Performance Measures ("APMs") that are not defined or specified under International Financial Reporting Standards ("IFRSs").

APMs are not uniformly defined by all companies, including those in the Group's industry. Accordingly, the APMs used by the Group may not be comparable with similarly titled measures and disclosures made by other companies. APMs should be considered in addition to, and not as a substitute for or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRSs.

Ferrexpo makes reference to the following APMs in the 2019 Annual Report.

C1 cash cost of production

Definition: Non-financial measure, which represents the cash cost of production of iron pellets from own ore divided by production volume of own production ore. Non-C1 cost components include non-cash costs such as depreciation, inventory movements and costs of purchased ore and concentrate. The Group presents the C1 cash cost of production because it believes it is a useful operational measure of its cost competitiveness compared to its peer group.

US$000	Year ended 31.12.19	Year ended 31.12.18
C1 cash costs	**502,887**	454,560
Non-C1 cost components	48,245	26,800
Cost of sales – pellet production	**551,132**	481,360
Own ore produced (tonnes)	10,518,954	10,506,164
C1 cash cost per tonne (US$)	47.8	43.3

Underlying EBITDA

Definition: The Group calculates the underlying EBITDA as profit before tax and finance plus depreciation and amortisation, net gains and losses from disposal of investments and property, plant and equipment, share-based payments and write-offs and impairment losses. The underlying EBITDA is presented because it is a useful measure for evaluating the Group's ability to generate cash and its operating performance. See Note 5 Segment information to the consolidated financial statements for further details.

Closest equivalent IFRSs measure: Profit before tax and finance.

Rationale for adjustment: The Group presents the underlying EBITDA as it is a useful measure for evaluating its ability to generate cash and its operating performance. Also it aids comparability across peer groups as it is a measurement that is often used.

Reconciliation to closest IFRSs equivalent:

US$000	Notes	Year ended 31.12.19	Year ended 31.12.18
Underlying EBITDA		**586,067**	502,897
Losses on disposal of property, plant and equipment		(417)	(5,701)
Share-based payments	28	(1,022)	(674)
Write-offs	7	(1,241)	(1,489)
Depreciation and amortisation		(82,130)	(62,094)
Profit before tax and finance		**501,257**	432,939

Diluted earnings per share

Definition: Earnings per share calculated using the diluted number of Ordinary Shares outstanding.

Closest equivalent IFRSs measure: Diluted earnings per share.

Rationale for adjustment: Excludes the impact of special items that can mask underlying changes in performance.

Reconciliation to closest IFRSs equivalent:

	Year ended 31.12.19	Year ended 31.12.18
Earnings for the year attributable to equity shareholders – per share in US cents		
Basic	**68.6**	56.9
Diluted	**68.4**	56.7

Net debt to underlying EBITDA

Definition: Net debt divided by the underlying EBITDA (for the last 12 months):

	As at 31.12.19	As at 31.12.18
Net debt (US$000)	**(281,358)**	(338,862)
Underlying EBITDA (US$000)	**586,067**	502,897
Net debt to underlying EBITDA	**0.48x**	0.67x

Net debt as at 31 December 2019 included an effect of US$7,108 thousand as a result of the first-time application of the new standard IFRS 16 *Leases*. For further information on the impact of the adoption of the new standard IFRS 16 *Leases* see Note 3 New accounting policies.

Rationale for adjustment: The ratio is a measurement of the underlying EBITDA Group's leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its underlying EBITDA.

Reconciliation to net debt:

US$000	Notes	As at 31.12.19	As at 31.12.18
Cash and cash equivalents	25	**131,020**	62,996
Interest-bearing loans and borrowings – current	26	**(138,367)**	(204,600)
Interest-bearing loans and borrowings – non-current	26	**(274,011)**	(197,258)
Net debt		**(281,358)**	(338,862)

For a reconciliation of underlying EBITDA to profit before tax and finance see page 129.

Capital investment

Definition: Capital expenditure for the purchase of property, plant and equipment and intangible assets.

Closest equivalent IFRSs measure: Purchase of property, plant and equipment and intangible assets (net cash flows used in investing activities).

Rationale for adjustment: The Group presents the capital investment as it is a useful measure for evaluating the degree of capital invested in its business operations.

Reconciliation to closest IFRSs equivalent:

US$000	Notes	As at 31.12.19	As at 31.12.18
Purchase of property, plant and equipment and intangible assets (net cash flows used in investing activities)	13/15	**247,478**	135,113

Alternative Performance Measures
continued

Total liquidity
Definition: Sum of cash and cash equivalents and available facilities.

Closest equivalent IFRSs measure: Cash and cash equivalents.

Rationale for adjustment: The Group presents total liquidity as it is a useful measure for evaluating its ability to meet short-term business requirements.

Reconciliation to closest IFRSs equivalent:

US$000	As at 31.12.19	As at 31.12.18
Cash and cash equivalents	131,020	62,996
Available committed facilities	–	205,000
Total liquidity	**131,020**	267,996

Glossary

Act	The Companies Act 2006
AGM	The Annual General Meeting of the Company
Articles	The Articles of Association of the Company
Audit Committee	The Audit Committee of the Company's Board
Bank F&C	Bank Finance & Credit
Belanovo or Bilanivske	An iron ore deposit located immediately to the north of Yeristovo
benchmark price	International seaborne traded iron ore pricing mechanism understood to be offered to the market by major iron ore producers under long-term contracts
beneficiation process	A number of processes whereby the mineral is extracted from the crude ore
BIP	Business Improvement Programme, a programme of projects to increase production output and efficiency at FPM
blast furnace pellets	Used in Basic Oxygen Furnace ("BOF") steelmaking and constitute about 70% of the traded pellet market
Board	The Board of Directors of the Company
BT	Billion tonnes
C1 costs	Represents the cash costs of production of iron pellets from own ore, divided by production volume from own ore, and excludes non-cash costs such as depreciation, pension costs and inventory movements, costs of purchased ore, concentrate and production cost of gravel
capesize	Capesize vessels are typically above 150,000 tonnes deadweight. Ships in this class include oil tankers, supertankers and bulk carriers transporting coal, ore and other commodity raw materials. Standard capesize vessels are able to transit through the Suez Canal
capital employed	The aggregate of equity attributable to shareholders, non-controlling interests and borrowings
Central Europe	This segmentation for the Group's sales includes Austria, Czech Republic, Hungary, Serbia and Slovakia
CFR	Delivery including cost and freight
Charity	Donations made to a charity called Blooming Land which operates through three sub-funds
CHF	Swiss Franc, the currency of Switzerland
China & South East Asia	This segmentation for the Group's sales includes China and Vietnam
CID	Committee of Independent Directors
CIF	Delivery including cost, insurance and freight
CIS	The Commonwealth of Independent States
Code	The UK Corporate Governance Code
CODM	The Executive Committee is considered to be the Group's Chief Operating Decision-Maker
Company	Ferrexpo plc, a public company incorporated in England and Wales with limited liability
controlling shareholder	50.3% of Ferrexpo plc shares are held by Fevamotinico S.a.r.l., Fevamotinico is wholly owned by The Minco Trust. The Minco Trust is a discretionary trust that has three beneficiaries, consisting of Mr Zhevago and two other members of his family. Mr Zhevago is considered a controlling shareholder of Ferrexpo plc
CPI	Consumer Price Index
CRU	The CRU Group provides market analysis and consulting advice in the global mining industry (see www.crugroup.com)
CSR	Corporate Social Responsibility
CSR Committee	The Corporate Safety and Social Responsibility Committee of the Board of the Company
DAP	Delivery at place

Glossary
continued

DFS	Detailed feasibility study
Directors	The Directors of the Company
Direct reduction "DR" pellets	Used in Direct Reduction Iron ("DRI") production. In regions where natural gas is cheap and plentiful, such as the Middle East, DR pellets are mixed with natural gas to produce DRI, an alternative source of metallic to scrap in Electric Arc Furnace ("EAF") steelmaking. DR pellets are a niche, higher quality product with Fe content greater than 67% and a combined level of silica and alumina of <2%
EBT	Employee benefit trust
EPS	Earnings per share
ERPMC	Executive Related Party Matters Committee
Executive Committee	The Executive Committee of management appointed by the Company's Board
Executive Directors	The Executive Directors of the Company
FBM	LLC Ferrexpo Belanovo Mining, a company incorporated under the laws of Ukraine
Fe	Iron
Ferrexpo	The Company and its subsidiaries
Ferrexpo AG Group	Ferrexpo AG and its subsidiaries, including FPM
Fevamotinico	Fevamotinico S.a.r.l., a company incorporated with limited liability in Luxembourg
First-DDSG	First-DDSG Logistics Holding GmbH (formerly Helogistics Holding GmbH) and its subsidiaries, an inland waterway transport group operating on the Danube/Rhine river corridor
FOB	Delivered free on board, which means that the seller's obligation to deliver has been fulfilled when the goods have passed over the ship's rail at the named port of shipment, and all future obligations in terms of costs and risks of loss or damage transfer to the buyer from that point onwards
FPM	Ferrexpo Poltava Mining, also known as PJSC Ferrexpo Poltava Mining, a company incorporated under the laws of Ukraine
FRMC	Finance and Risk Management Committee, a sub-committee of the Executive Committee
FTSE 250	Financial Times Stock Exchange top 250 companies
FYM	LLC Ferrexpo Yeristovo Mining, a company incorporated under the laws of Ukraine
GPL	Gorishne-Plavninske-Lavrykivske, the iron ore deposit being mined by FPM
Group	The Company and its subsidiaries
HSE	Health, safety and environment
HSEC	The Health, Safety, Environment and Community Committee
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards, as adopted by the EU
IPO	Initial public offering
iron ore concentrate	Product of the beneficiation process with enriched iron content
iron ore pellets	Balled and fired agglomerate of iron ore concentrate, whose physical properties are well suited for transportation to and reduction within a blast furnace
iron ore sinter fines	Fine iron ore screened to -6.3mm
IRR	Internal Rate of Return
JORC	Australasian Joint Ore Reserves Committee – the internationally accepted code for ore classification
K22	GPL ore has been classified as either K22 or K23 quality, of which K22 ore is of higher quality (richer)

KPI	Key Performance Indicator
KT	Thousand tonnes
LIBOR	The London Inter Bank Offered Rate
LLC	Limited Liability Company (in Ukraine)
LSE	London Stock Exchange
LTI	Lost time injury
LTIFR	Lost time injury frequency rate
LTIP	Long-term incentive plan
m^3	Cubic metre
mm	Millimetre
MT	Million tonnes
mtpa	Million tonnes per annum
NBU	National Bank of Ukraine
Nominations Committee	The Nominations Committee of the Company's Board
Non-executive Directors	Non-executive Directors of the Company
NOPAT	Net operating profit after tax
North East Asia	This segmentation for the Group's sales includes Japan and Korea
OHSAS 18001	International safety standard "Occupational Health & Safety Management System Specification"
Ordinary Shares	Ordinary Shares of 10 pence each in the Company
ore	A mineral or mineral aggregate containing precious or useful minerals in such quantities, grade and chemical combination as to make extraction economic
panamax	Modern panamax ships typically carry a weight of between 65,000 and 90,000 tonnes of cargo and can transit both the Panama and Suez canals
PPE	Personal protective equipment
PPI	Ukrainian producer price index
probable reserves	Those measured and/or indicated mineral resources which are not yet "proved", but of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination and under specific economic conditions
proved reserves	Measured mineral resources of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination and under specific economic conditions
PXF	Pre-export finance
rail car	Railway wagon used for the transport of iron ore concentrate or pellets
Relationship Agreement	The relationship agreement entered into among Fevamotinico S.a.r.l., Kostyantin Zhevago, The Minco Trust and the Company
Remuneration Committee	The Remuneration Committee of the Company's Board
reserves	Those parts of mineral resources for which sufficient information is available to enable detailed or conceptual mine planning and for which such planning has been undertaken. Reserves are classified as either proved or probable
resources	Concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction

Glossary
continued

sinter	A porous aggregate charged directly to the blast furnace which is normally produced by firing fine iron ore and/or iron ore concentrate, other binding materials and coke breeze as the heat source
spot price	The current price of a product for immediate delivery
sterling/£	Pounds Sterling, the currency of the United Kingdom
STIP	Short-Term Incentive Plan
sub-funds	Three funds that operate under the Blooming Land charity
tailings	The waste material produced from ore after economically recoverable metals or minerals have been extracted. Changes in metal prices and improvements in technology can sometimes make the tailings economic to process at a later date
tolling	The process by which a customer supplies concentrate to a smelter and the smelter invoices the customer with the smelting charge, and possibly a refining charge, and then returns the metal to the customer
ton	US short ton, equal to 0.9072 metric tonnes
tonne or t	Metric tonne
treasury shares	A company's own issued shares that it has purchased but not cancelled
TSF	Tailings storage facility
TSR	Total Shareholder Return. The total return earned on a share over a period of time, measured as the dividend per share plus capital gain, divided by initial share price
UAH	Ukrainian Hryvnia, the currency of Ukraine
Ukr SEPRO	The quality certification system in Ukraine, regulated by law to ensure conformity with safety and environmental standards
underlying EBITDA	The Group calculates the underlying EBITDA as profit before tax and finance plus depreciation and amortisation, net gains and losses from disposal of investments and property, plant and equipment, share-based payments and write-offs and impairment losses
underlying EBITDA margin	Underlying EBITDA (see definition above) as a percentage of revenue
US$/t	US Dollars per tonne
value-in-use	The implied value of a material to an end user relative to other options, e.g. evaluating, in financial terms, the productivity in the steelmaking process of a particular quality of iron ore pellets versus the productivity of alternative qualities of iron ore pellets
VAT	Value added tax
WAFV	Weighted average fair value
Western Europe	This segmentation for the Group's sales includes Germany and Italy
WMS	Wet magnetic separation
Yeristovo or Yerystivske	The deposit being developed by FYM

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