

## Ferrexpo plc

(“Ferrexpo”, the “Group” or the “Company”)

### Interim Results for the six months ended 30 June 2023

## Resilient performance in challenging circumstances

**Ferrexpo plc (LSE: FXPO)**, a premium iron ore pellet producer and exporter to the global steel industry, with operations in central Ukraine, and customers across Europe and Asia, is pleased to report interim results for the six months ended 30 June 2023 (“the interims” or “first half” or “1H 2023”).

**Commenting on the results, Lucio Genovese, Executive Chair, said:** *“With the war approaching the middle of its second year, Ukraine continues to demonstrate an incredible resilience. At Ferrexpo, we have managed to increase production on the previous period which has mitigated a lower iron ore pellet price environment. Unfortunately, the war, coupled with the continued closure of the Ukrainian ports mean volumes remain lower than pre-war production levels. Whilst a renewed sense of optimism in Ukraine is noticeable, the situation continues to be challenging. We remain steadfast in our commitment to support our workforce and communities in every way we can. Their safety and wellbeing is our primary concern.*

*Our workforce is very different today. Tragically, we have lost 27 brave men who served in the armed services. There are many still serving, and indeed many veterans that have returned to work. At the start of the war, a large part of our workforce moved away; but, at the same time, we have absorbed even more internally displaced people fleeing the conflict on the eastern border, providing them with accommodation, food and medical supplies, and wherever possible, employment too.*

*Our operations have changed too, adapting to become more nimble and responsive to different challenges as they develop. We are currently running two out of four pelletiser lines, which generate enough high-quality production to utilise the available logistics capacity to continue supplying our European customers.*

*I believe that our business is the right size in the current environment. We are able to respond to market conditions, remain cash flow positive, with a strong cash balance and no financial debt. As we enter an uncertain price environment for iron ore, we will continue to focus on managing costs and defer longer-term CAPEX projects where possible.*

*I am proud of our achievements during a time of war, which is testament to the resilience of our workforce and competitiveness of the operations. When the war ends, Ferrexpo will be ready to invest, and we look forward to playing a significant part in the reconstruction of Ukraine and continue our role as a supplier of high-grade iron ore products to meet the ever growing need for green steel production, in Europe in particular.”*

### Financial Highlights

- Revenues declined by 64% to US\$334 million due to lower production and realised prices.
- Profit after tax declined by 67% to US\$27 million.
- The C1 Costs<sup>A</sup> reduced to US\$71 per tonne, due to lower energy costs, local currency devaluation and cost saving initiatives.
- Underlying EBITDA<sup>A</sup> decreased by 87% to US\$64 million, reflecting higher costs, principally driven by lower production volumes, rising global inflation and energy prices.
- The Group remains in a Net Cash<sup>A</sup> position US\$131 million, comprising US\$135 million of cash and cash equivalents, and minimal financial debt as of 30 June 2023 (Net Cash<sup>A</sup> position as at 31 December 2022: US\$106 million).
- Capital investment of US\$58 million, split between maintenance and expansion as the Group continued to invest in future growth.

\* Words with the symbol “<sup>A</sup>” are defined in the Alternative Performance Measures section on pages 46 and 47.

**Commenting on the financial results, Nikolay Kladiev, CFO, said:** “Improvements in sales volumes and prices helped lift revenues 7% to \$334million for the first half of 2023 compared to the last six months of 2022, although admittedly lower than the first half of 2022 during which operations were running at full capacity until the invasion of Ukraine and iron ore prices were correspondingly higher.

During the first six months of 2023 we have worked hard to manage our unit costs and it is an achievement that our C1 Costs reduced 17% to US\$71 per tonne compared to the same period last year. This is in part due to a fall in energy costs, but also due to efficiency measures which will continue to have a positive effect and help counter other challenges in the coming months. Nevertheless, with only one-to-two pelletiser lines operational out of a total four, the business continues to carry large fixed costs, notably the costs of a full workforce and the important and ongoing funding for our communities and humanitarian support.

By focusing on high-grade, high-quality forms of iron ore, with all production grading 65% Fe or above we achieved an Underlying EBITDA of US\$64 million for the period. This is a commendable achievement, notably as we have continued to invest in the business, with capital investment totalling US\$58 million, over half of which went into expansion projects. However, to maintain a strong cash balance in an uncertain future pricing environment, we will seek to defer longer-term expansionary CAPEX, as we right-size our business in the event of a longer conflict.”

**Table 1: Summary of financial performance\***

	<b>6 months ended 30.06.23</b>	6 months ended 31.12.22	<i>Change</i>	6 months ended 30.06.22	<i>Change</i>	FY year ended 31.12.22
Total pellet production (kt)	<b>1,967</b>	1,256	<b>+57%</b>	4,797	<b>-59%</b>	6,053
Sales volumes (kt)	<b>2,085</b>	1,806	<b>+15%</b>	4,374	<b>-52%</b>	6,180
Average Platts 62% Fe iron ore fines price (US\$/t)	<b>118</b>	101	<b>+17%</b>	140	<b>-16%</b>	120
Revenue (US\$m)	<b>334</b>	313	<b>+7%</b>	936	<b>-64%</b>	1,249
Average C1 Cash Cost of production <sup>A</sup> (US\$/t)	<b>71</b>	75	<b>-5%</b>	85	<b>-17%</b>	83
Underlying EBITDA <sup>A</sup> (US\$m)	<b>64</b>	279	<b>-77%</b>	486	<b>-87%</b>	765
Diluted EPS (US cents)	<b>4.5</b>	23.4	<b>-81%</b>	13.9	<b>-67%</b>	37.4
Net cash flow from operating activities	<b>80</b>	68	<b>+18%</b>	233	<b>-66%</b>	301
Capital investment <sup>A</sup> (US\$m)	<b>58</b>	59	<b>-2%</b>	102	<b>-43%</b>	161
Closing Net Cash <sup>A</sup> (US\$m)	<b>131</b>	106	<b>+24%</b>	172	<b>-24%</b>	106
Closing cash and cash equivalents (US\$m)	<b>135</b>	113	<b>+19%</b>	177	<b>-24%</b>	113

## Humanitarian Fund

- Established at start of war, the Ferrexpo Humanitarian Fund provides comprehensive support for our workforce, including those serving and returning from military service, local communities, internally displaced people and the Ukrainian society at large, to help ease the impact of the humanitarian crisis playing out across the country.
- Total approved funding for the Ferrexpo Humanitarian Fund of US\$19 million at the end of June 2023, deployed across 70 different projects and initiatives, including:
  - Provision of shelter, food and medical supplies for individuals and families.
  - Partnering with regional authorities to respond to critical needs.
  - Donation of medical supplies, equipment and rescue vehicles.
- Each individual project is reviewed and approved by the Group’s Health, Safety, Environment and Community (“HSEC”) Committee, a subcommittee of the Board of Directors (“Board”), and the committee responsible for the Group’s community support activities and sustainability programme.

## Health and Safety

- The safety and wellbeing of the Group’s workforce is the highest priority, and the Group continues to take extensive measures to protect its workforce, their families and local communities.
- During the first half the Group reported an LTIFR of 0.26 materially below the historic five-year trailing average of 0.69. The Group is proud to report zero fatalities for the period.
- The Group’s facilities operate with zero-to-minimal impact on operations as a result of Covid-19, and therefore based on current statistics, the Group will cease reporting on Covid-19.

## Operational Highlights

- Despite the ongoing conflict in Ukraine, and associated energy and logistics constraints during the first half of the year, the Group successfully operated two pelletiser lines, the second of which was recommissioned earlier in the year, ramping up to add additional flexibility and capacity.



## **About Ferrexpo:**

Ferrexpo is a Swiss headquartered iron ore company with assets in Ukraine and a premium listing on the London Stock Exchange in the FTSE 250 index (ticker FXPO). The Group produces high-grade iron ore pellets, which are a premium product for the global steel industry and enable reduced carbon emissions and increased productivity for steelmakers when the Group's iron ore pellets are converted into steel, compared to more commonly traded forms of iron ore. Ferrexpo's operations have been supplying the global steel industry for over 50 years. Before Russia's invasion of Ukraine in February 2022, the Group was the world's third largest exporter of pellets to the global steel industry. The Group has a customer base comprising of premium steel mills around the world. For further information, please visit [www.ferrexpo.com](http://www.ferrexpo.com).

## **Notes:**

\*Due to the ongoing war in Ukraine, and the multiple challenges that this places on operations, it is not considered appropriate at the current time to compare half yearly numbers to same period last year, i.e. 1H 2023 to 1H 2022, because the circumstances in which they are produced are different. Even withstanding seasonal anomalies, it is believed that at the present time, investors and other readers will have a better understanding of how the Company is performing if the latest half yearly operations is compared to the previous period (i.e. 1H 2023 to 2H 2022). Hence, for this and subsequent reporting periods, and until further notice, it has been decided to present reports in this time format.