

# FERREXPO PLC

## FULL YEAR FINANCIAL RESULTS (2021)

Results Presentation

22 April 2022



# THE SITUATION IN UKRAINE

## SUPPORTING UKRAINE AT THIS DIFFICULT TIME

- The world is witnessing a brutal invasion being waged by Russia against the people of Ukraine.
- In the face of Russian invasion of Ukraine, Ferrexpo continues to support its workforce, their families and communities throughout the country, with the safety of individuals being the Group's highest priority.
- This conflict has created a humanitarian crisis across the country.
- In order to react quickly to the unfolding situation, the Group has established a dedicated humanitarian fund with approved funding of US\$12.5 million, to assist the people of Ukraine at this difficult time.
- As of today, the Group has managed to continue its operations throughout the conflict.
  - The ongoing war, however, poses a threat to the Group's mining, processing and logistics operations and represents a material uncertainty in terms of the Group's ability to continue as a going concern.
  - Some of the identified uncertainties in terms of the Group's going concern are outside of the Group management's controls.
  - Please see the Group's Full Year Results announcement for more information.



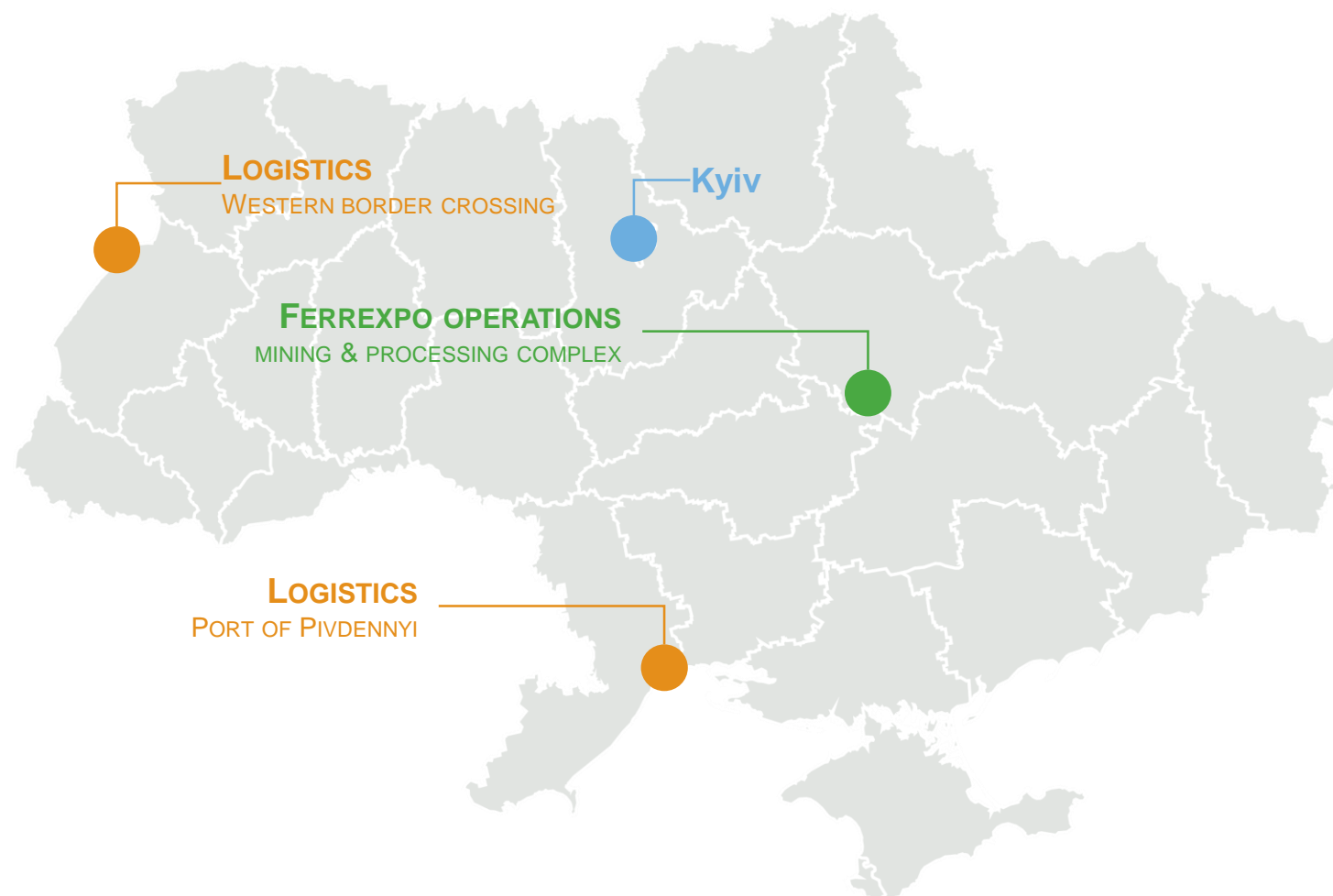
*Image: Flags flying outside at Ferrexpo's administrative buildings at the Yeristovo mine (from right to left) – the Ukrainian national flag, the flag for the local community of Horishni Plavni, and Ferrexpo.*

Footnote:

1. US\$12.5 million of approved funding as of 21 April 2022.

# FERREXPO – PROUDLY UKRAINIAN

*IN SOLIDARITY WITH UKRAINE*



## MAJOR EMPLOYER

# +10,000

FERREXPO'S ASSETS HAVE OPERATED FOR MORE THAN 50 YEARS AND THE GROUP HAS A WORKFORCE OF MORE THAN 10,000 PEOPLE.

## EXPORT REVENUES

# 4%

THROUGH ITS INVESTMENT IN HIGH GRADE PRODUCTS, FERREXPO IS ABLE TO CONTRIBUTE 4% OF UKRAINE'S NATIONAL EXPORT REVENUES<sup>1</sup> (2020: 3%).

## SIGNIFICANT INVESTOR

# +US\$3.0<sup>BN</sup>

THE GROUP HAS INVESTED OVER US\$3.0 BILLION IN ITS BUSINESS SINCE LISTING IN 2007, TO DEVELOP THE WORLD'S THIRD LARGEST EXPORTER OF PELLETS.

Footnote:  
1. Source: State Customs Service of Ukraine.

# 2007-2022: 15 YEARS OF INVESTING IN GROWTH SINCE IPO

## FOCUSED ON HIGH GRADE IRON ORE

### INCREASING OUTPUT

# +25%

Over US\$3.0 billion of investment has enabled output to grow from 9 million tonnes in 2007 to over 11 million tonnes in 2021.

### HIGH GRADE PRODUCTION

# 100%

High grade products<sup>1</sup>, including the Group's latest product – direct reduction pellets – represented 100% of production in 2021, up from 42% in 2007<sup>2</sup>.

### INVESTING IN THE FUTURE

# +46%

Growing Ore Reserves by 46% since listing and opening two new iron ore mines, the first to open in Ukraine since independence.

### FINANCIAL RESILIENCE

# 57%

Through investments in high grade pellets, the Group has increased its Underlying EBITDA<sup>A</sup> margin from 35% in 2007 to 57% in 2021.

*Image: hot pellets exiting the pelletiser. Since listing, the Group has supplied over 150 million tonnes of iron ore pellets to the global steel industry, which are a form of iron ore that helps to reduce emissions.*

1. High grade being forms of iron ore grading 65% Fe and above.

2. Production from own ore.



# FINANCIAL REVIEW

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Overview of financial performance in 2021

*Image: sunset at the Yeristovo mine, with this image showing a CAT 793D with a recently installed lightweight tray that serves to help improve productivity and reduce diesel consumption.*

# FY21 REVIEW: INCOME STATEMENT

ROBUST PERFORMANCE REFLECTS INVESTMENTS TO DATE

(USD million, unless stated)	2021	2020	%
Sales volume (million tonnes)	11.3	12.1	(6%)
Iron ore fines price (US\$/T) <sup>1</sup>	186	122	+53%
Proportion high grade production (%)	100%	99%	+1pp
Revenue	2,518	1,700	+48%
C1 cash cost of production (US\$/T)	55.8	41.5	+34%
Underlying EBITDA <sup>A</sup>	1,439	859	+68%
Underlying EBITDA <sup>A</sup> margin (%)	57%	50%	+7pp
Income tax expense	200	113	+78%
Profit After Tax	871	635	+37%
Diluted earnings per share (US cents)	147.9	107.9	+37%

Lower **sales volumes** reflects completion of destocking process in 2020.

**Revenue** reflects investments in high grade iron ore.

- Robust global markets for iron ore fines and pellets, particularly in 1H 2021, tapering in 2H 2021.

**C1 costs** higher as a result of higher energy prices, with approximately 50% of Group's operating costs related to diesel, natural gas and electricity.

Rising **Underlying EBITDA<sup>A</sup> margin** as a result of investments in pellet quality, cost control measures and market conditions.

**Profit after tax** of US\$871 million, including an impairment loss of US\$231 million.

- Impairment loss relates to stockpiled low grade ore, which the Group cannot reliably predict as to when this material will be processed.

Footnote:

1. S&P Platts

Note: Items denoted with an <sup>A</sup> suffix are Alternative Performance Measures – see Full Year Results RNS for more details.

# FY21 REVIEW: CASH FLOW STATEMENT & BALANCE SHEET

## A BALANCED APPROACH TO CAPITAL ALLOCATION

(USD million, unless stated)	2021	2020	%
<b>Net cash flows from operating activities</b>	<b>1,094</b>	<b>687</b>	<b>+59%</b>
<i>Including: Increase in trade and other receivables</i>	(103)	(50)	+108%
<i>Including: (Increase)/decrease in inventories</i>	(65)	27	(341%)
<i>Including: Income tax paid</i>	(228)	(57)	+303%
<b>Net cash flows used in investing activities</b>	<b>(355)</b>	<b>(205)</b>	<b>+73%</b>
<b>Net cash flows used in financing activities</b>	<b>(840)</b>	<b>(343)</b>	<b>+145%</b>
Cash and cash equivalents <sup>1</sup>	167	270	(38%)
Interest bearing loans and liabilities <sup>1</sup>	50	266	(81%)
<b>Net cash/(debt)<sup>1</sup></b>	<b>117</b>	<b>4</b>	<b>+3,215%</b>

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Footnotes:

1. As at 31 December.

2. The Group has announced and paid dividends to date of 46.2 US cents per share in respect of FY2021.

3. Free cash flow calculated on the basis of net cash flows from operating activities less net cash flows used in investing activities.

**Net cash flows from operations** increasing in line with profit after tax.

Increase in **inventories** reflects shipments slipped from 2021 to 2022, and increasing commodity prices.

Over 95% of **taxes paid** were in Ukraine.

**Net cash flow in investing activities** include

- Beneficiation plant and pelletiser (US\$111M);
- Press filtration project (US\$34M); and
- Pre-stripping activities in the Group's mines (US\$69M).

**Net cash flow used in financing activities** includes the full repayment of Group's pre-export finance facility in June 2021 and dividends paid.

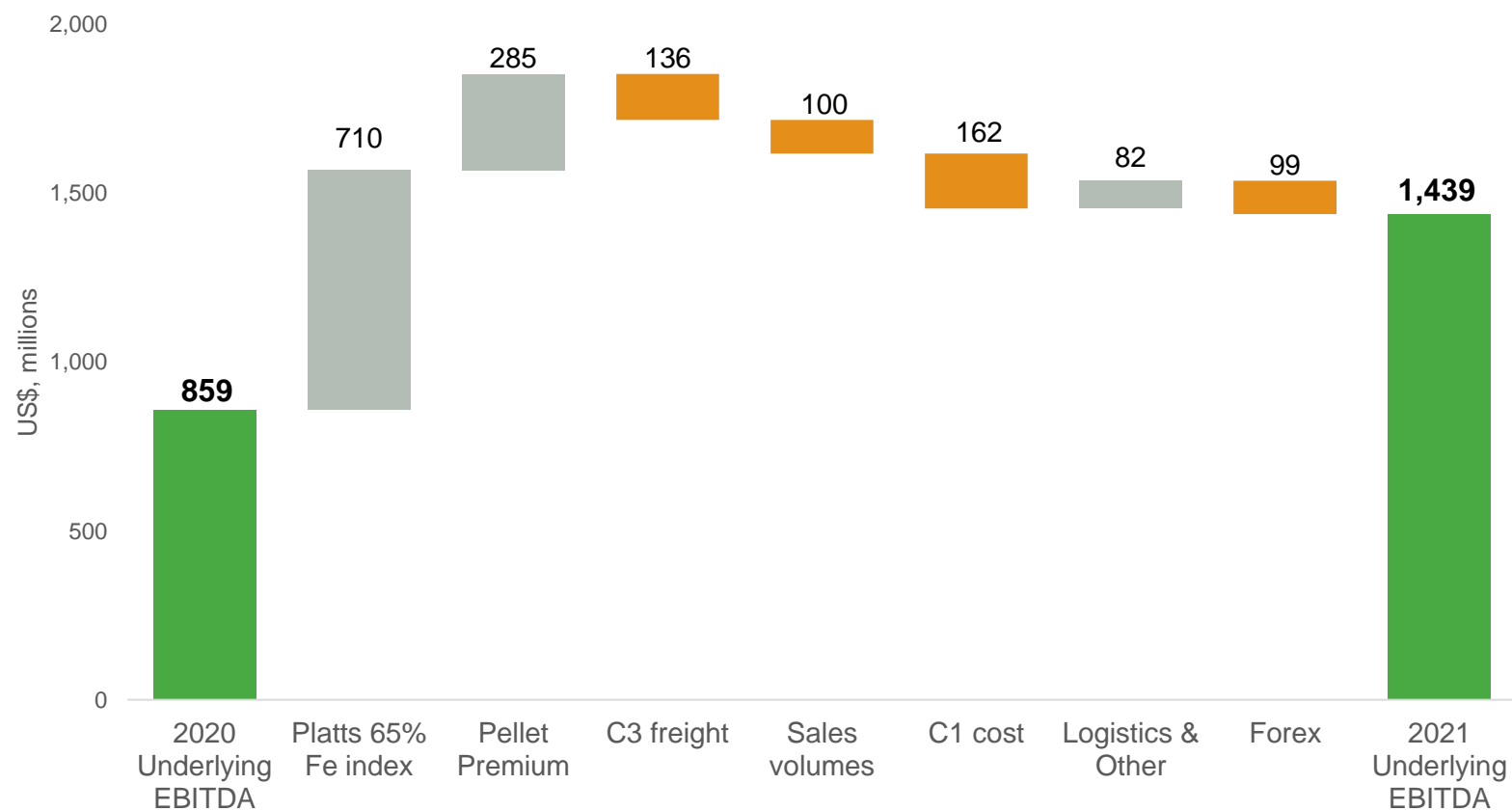
**Shareholder returns** paid to date in respect of FY2021<sup>2</sup> amount to 37% of Group's free cash flow in 2021<sup>3</sup>.



# EBITDA: KEY DRIVERS IN 2021

MARKET FACTORS HELP DELIVER INCREASE IN EARNINGS

## EBITDA: Waterfall Progression



**Market factors** contribute an additional US\$859M of EBITDA in 2021.

Reduced **sales volumes** reflect destocking process completed in 2020.

**C1 cash costs** reflect increasing commodity cost inputs.

**Logistics** reflects increased freight cost in 2021, with C3 freight rate rising to US\$27/t (2020: US\$15/t).

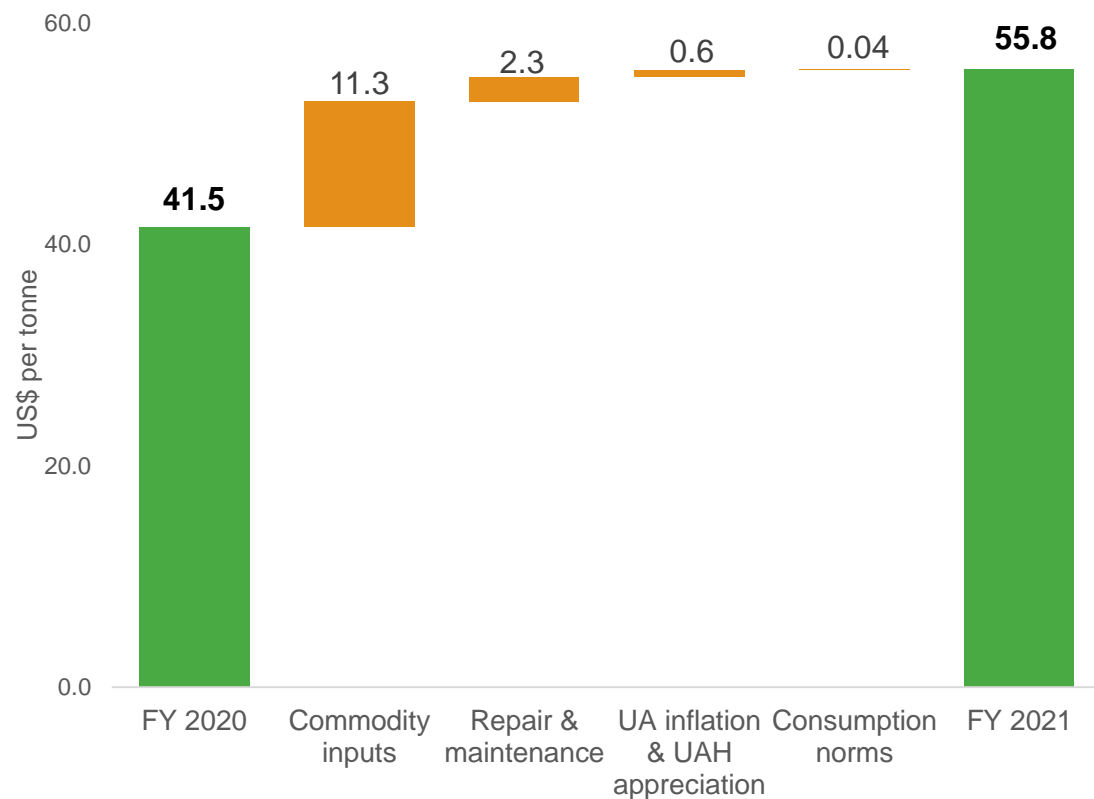
**Forex** reflects 4% appreciation of Ukrainian hryvnia during the year against US dollar.



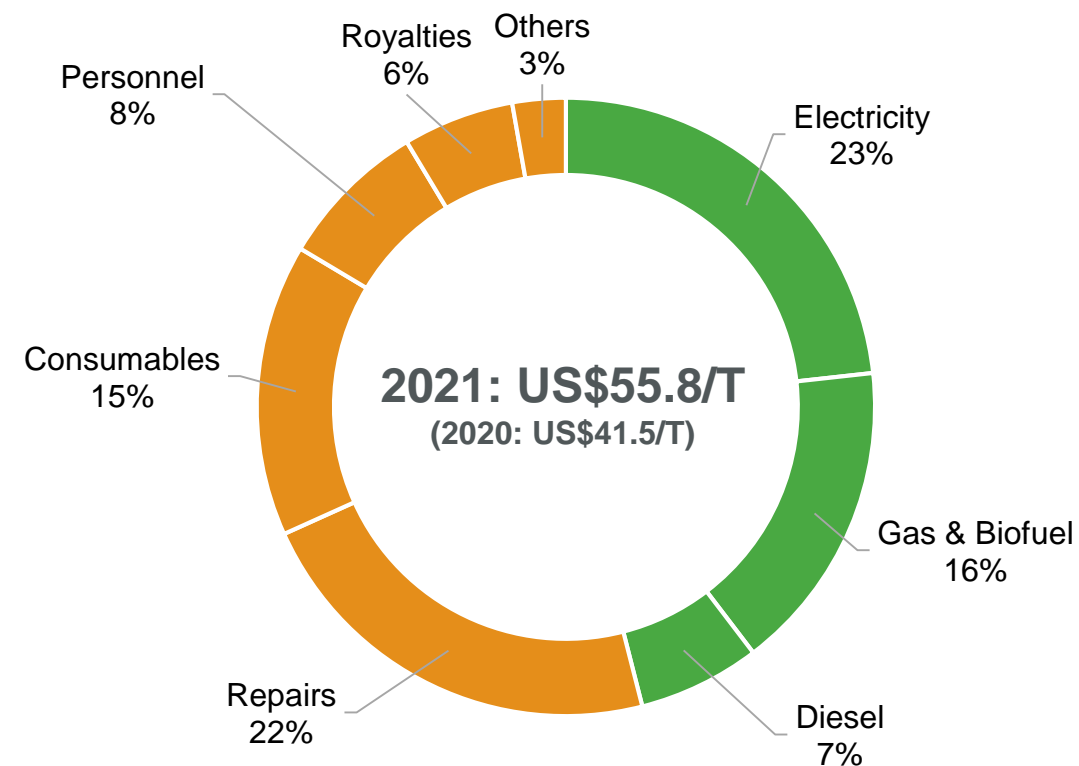
# C1 CASH COSTS: KEY DRIVERS IN 2021

COMMODITY INPUTS DRIVE COST INCREASE

## C1 Cash Cost: Waterfall progression



## C1 Cash Cost Structure (2021)



Note: green segments in chart above reflect costs directly related to the Group's energy consumption.

# MARKET REVIEW

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Overview of iron ore marketing in 2021

*Image: loading of a CAT 793D haul truck at the Yeristovo Mine. The Group has commenced a project to automate haul trucks at its Yeristovo mine, with the first phase of this project (consisting of 6 trucks) undertaken in 2021.*

# MARKET DEMAND IN 2021

## RETURN TO HISTORIC CUSTOMER BALANCE

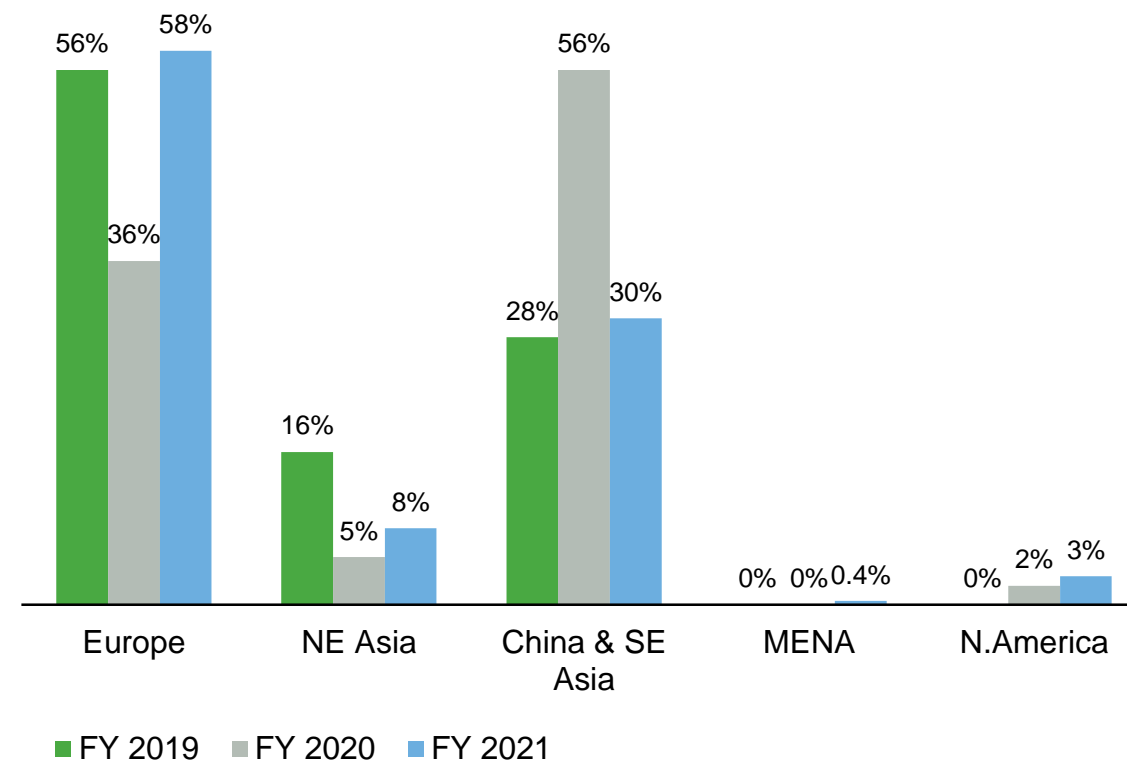
**Sales distribution** in 2021 saw a return to similar distribution to that seen prior to Covid-19 pandemic.

- Sales mix in 2021 largely mirrors 2019 distribution.
- European markets recovering faster than Asian markets.
- Additional sales to direct reduction markets in 2021, being North America and MENA regions.

### Increasing focus on **direct reduction pellets**

- Higher grade pellets, representing a pathway to green steel production (lower carbon emissions).
- Focus on growth in sales to Middle East and North Africa (“MENA”) region.
- Longer-term partnerships with customers in Europe as steelmakers convert operations over time.

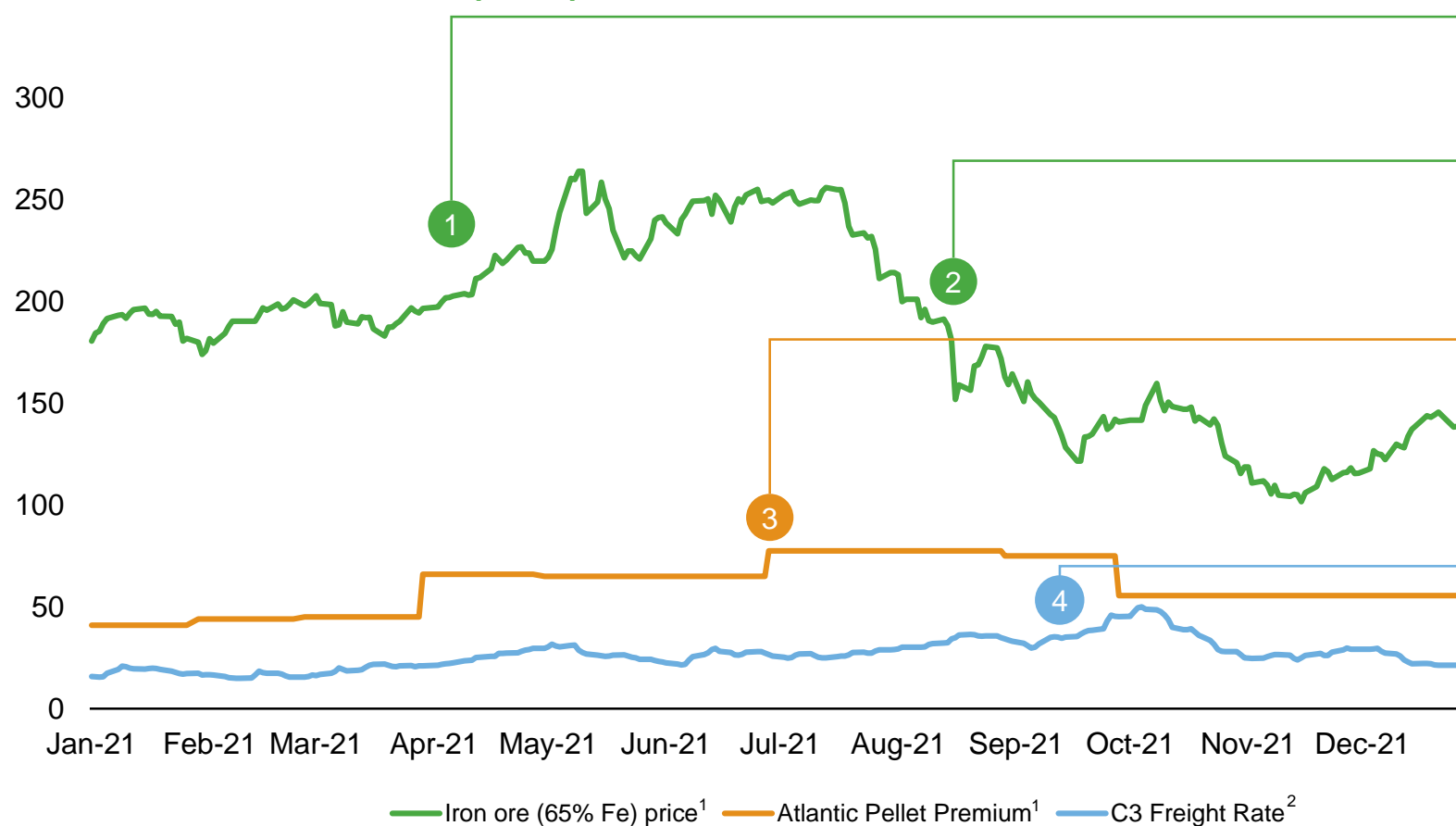
## SALES SPLIT (% TOTAL SALES, 2019-2021)



# MARKET DYNAMIC IN 2021

## VOLATILE PRICING ENVIRONMENT

### IRON ORE MARKET INDICES (2021)



### Key events in 2021:

- Rising demand for iron ore fines in H1 as governments inject Covid-19 related stimulus.
- Decrease in iron ore fines pricing in H2 as Chinese government enacts measure to taper market demand.
- Pellet premiums follow similar trend to iron ore fines, with less pronounced tapering in H2 due to reduced exposure of pellets to China.
- Freight rates rise through to October, peaking above US\$45 per tonne in early 4Q 2021, reflecting energy costs.

Footnote:

1. Source: S&P Platts

2. Source: Baltic Exchange



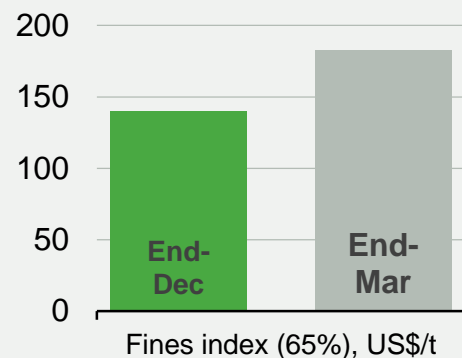
# MARKETS IN Q1 2022

ROBUST MARKET DYNAMIC SEEN IN STEEL VALUE CHAIN



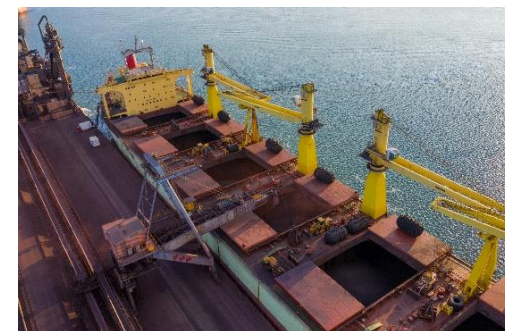
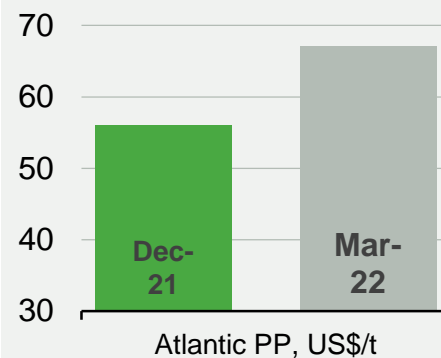
Iron ore fines price<sup>1</sup>

**+US\$28/t**



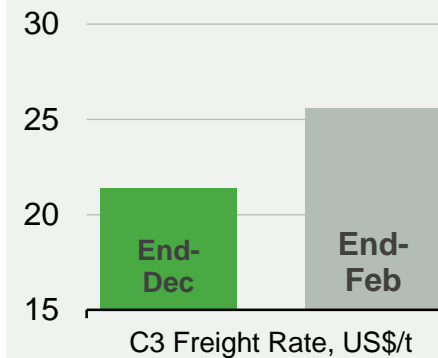
Pellet Premiums<sup>2</sup>

**+US\$12/t**



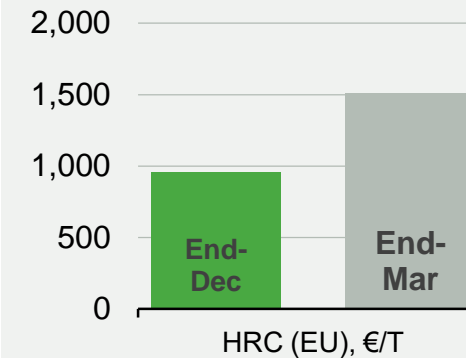
Freight Rates<sup>3</sup>

**+US\$4/t**



Steel prices

**+57%**



1. S&P Platts (65% Fe Index)  
2. S&P Platts (Atlantic Pellet Premium)  
3. Baltic Exchange (C3 Freight Rate)



# OPERATIONAL REVIEW

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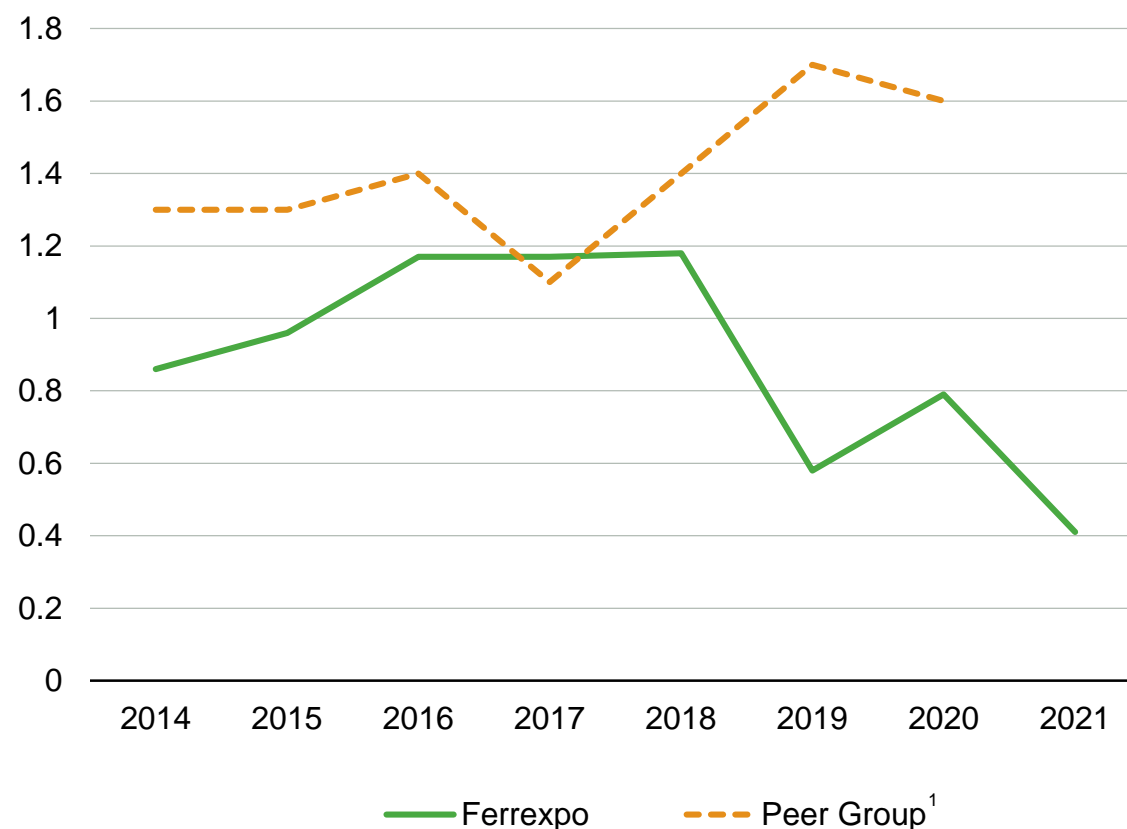
Review of production in 2021



# WORKFORCE SAFETY AND WELLBEING

## SAFETY THE TOP PRIORITY DURING RUSSIA'S INVASION OF UKRAINE

### LOST TIME INJURY RATES (PER MILLION HOURS WORKED)



Footnote:

1. Peer group quoted in chart above refers to Government of Western Australia safety statistics for iron ore mining in Western Australia. Peer data is published in the year to June, with 2019-2020 the most recently available period.

### SAFETY CONSIDERATIONS DURING RUSSIAN INVASION OF UKRAINE (2022)

- Safety of the Group's employees remains a key priority.
- Operations continue following request from Government of Ukraine to continue to contribute to economy.
- Altered shift patterns to accommodate curfew restrictions.
- Opened on-site childcare facility to help families to remain safe.
- Measures implemented to support individuals' wellbeing, such as a psychological support telephone line.

### STRONG SAFETY PERFORMANCE IN 2021

- Fatality-free year in 2021 (2020: 1).
- Lost time injury frequency rate, a key measure of safety performance, of 0.41, materially below historic performance and peer group (see chart opposite).

# PRODUCTION OVERVIEW

## FOCUS ON HIGH GRADE IRON ORE PELLETS

### PRODUCTION VOLUMES

# 11.2MT

Production result in 2021 in line with 2020, despite pelletiser upgrade work completed in 2021, which required more than 60 days of planned downtime.

### HIGH QUALITY PRODUCTION

# 100%

Pivot to high grade (65% Fe and above) forms of iron ore, completing a multi-year investment journey to upgrade the Group's production facilities.

### EXPANSION PROJECTS PAUSED

# WAVE 1

In light of the conflict in Ukraine, the Group has elected to pause its activities on growth projects.

The Wave 1 Expansion will provide an additional 3MT of pellet capacity once completed.



# ESG OVERVIEW

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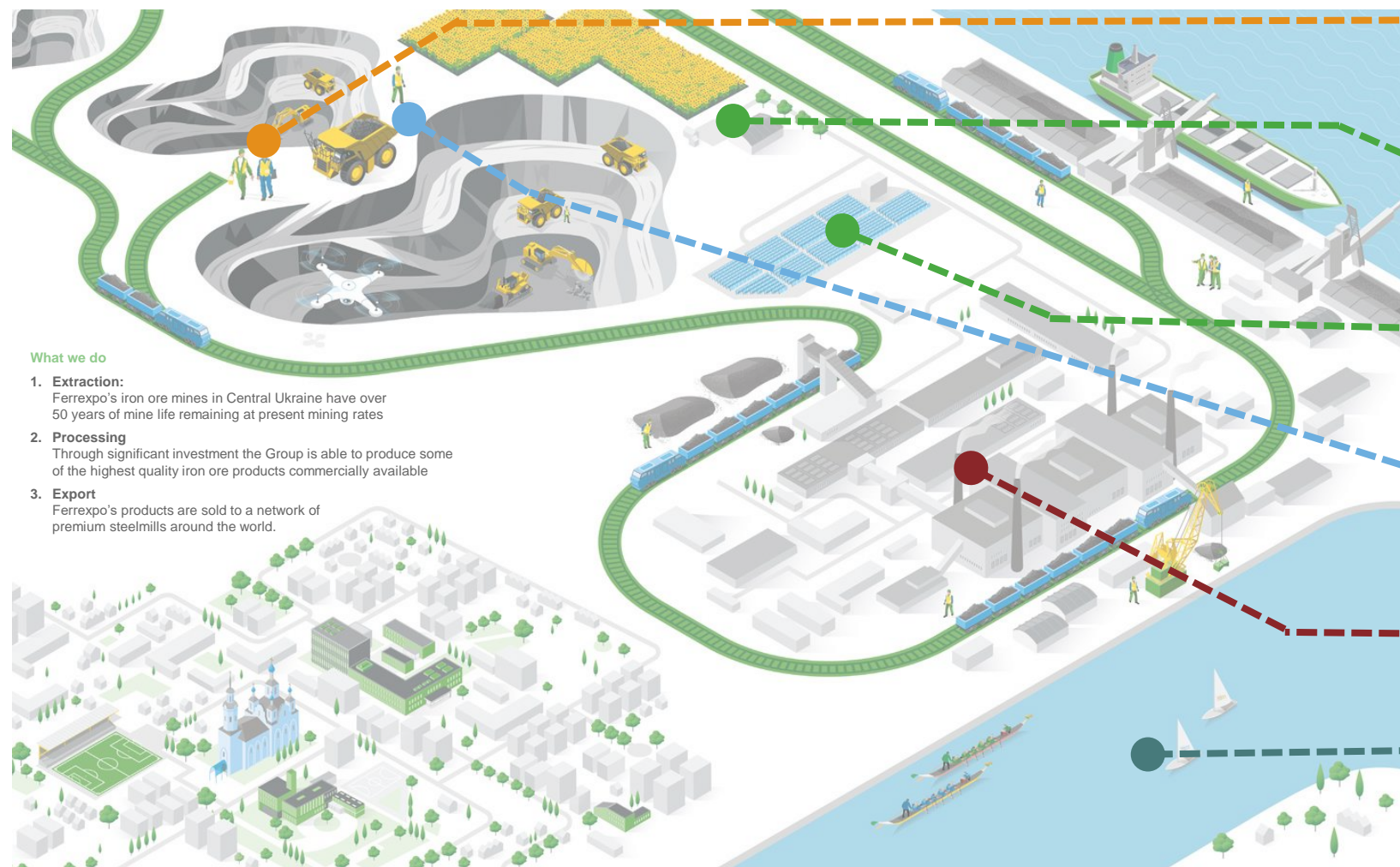
## Responsible Business Activities in 2021

*Image: Since 2015, Ferrexpo has used sunflower husks as a biofuel in its pelletiser, with this activity serving to partially substitute the use of natural gas. In 2021, the Group's use of sunflower husks represented 18% of total pelletiser energy consumption (2020:25%).*



# SUSTAINABILITY OVERVIEW

## SUSTAINABLE PRACTICES THROUGHOUT OUR BUSINESS



### What we do

- 1. Extraction:**  
Ferrexpo's iron ore mines in Central Ukraine have over 50 years of mine life remaining at present mining rates
- 2. Processing**  
Through significant investment the Group is able to produce some of the highest quality iron ore products commercially available
- 3. Export**  
Ferrexpo's products are sold to a network of premium steelmills around the world.

**SAFETY:** Maintaining safety performance below our peer group and historical average.

**BIOFUELS:** Utilising biofuels in our pelletiser, helping to reduce carbon emissions by 16% for the second successive year.

**SOLAR POWER:** 5MW trial solar power plant, testing effectiveness ahead of potentially building a larger facility.

**MODERN:** Continue to adopt technology, such as fleet autonomy, for safety and productivity benefits.

**SUSTAINABLE WATER USE:** Continuous recycling of the processing plant water use, equating to 98% of process water.

**BIODIVERSITY:** Biodiversity initiatives underway to support life in the Dnieper River.

# COMMUNITY SUPPORT

LOOKING TO PROVIDE TIMELY AND EFFECTIVE ASSISTANCE

**Ferrexpo Humanitarian Fund** established in response to the war in Ukraine

- US\$12.5 million of approved funding<sup>1</sup> to support those affected by the humanitarian crisis in Ukraine.
- Projects are varied in scale and nature, responding to community needs as they arise.
- Initiatives include the supply of food and medicines, to personal protective equipment for firefighters.

## Ferrexpo Charity Fund

- Providing direct assistance to communities since 2011.
- More than 90 projects in schools and other educational facilities and over 30 projects in local hospitals during this time.



Image: since the outbreak of conflict in Ukraine in 2022, Ferrexpo has hosted more than 1,900 internally displaced people at its facilities in central Ukraine, providing accommodation, food and basic supplies for those fleeing west, away from hostilities.

Footnote:

1. US\$12.5 million of approved funding as of 21 April 2022.



# CLIMATE CHANGE

## REDUCING EMISSIONS TODAY & LOOKING TO THE FUTURE

Process underway with climate change specialists Ricardo plc to develop a bespoke net zero pathway.

Modules underway:

- **Module 1** – government regulation (risks & opportunities).
- **Module 2** – taskforce for climate change related financial disclosures (“TCFD”) work stream, including stakeholder mapping and scenario modelling.
- **Module 3** – net zero pathway.
- **Module 4** – life cycle analysis.

The Group plans to publish the results of this process later in 2022.

*Image: Ferrexpo has installed a 5MW trial solar power plant at its operations, to test the effectiveness of solar power at its location in Ukraine. If successful throughout the calendar year, the Group will look to expand this capacity over time.*

Footnote:

1. Scope 1 and 2 emissions combined, presented on a per tonne of production basis.

2. Source: CRU.

### Carbon reduction (2021)

# 16%

Scope 1 and 2 emissions<sup>1</sup> reduced by 16% in 2021 alone, mirroring the reduction achieved in 2020.

### Carbon reduction to date

# 30%

The Group has reduced its carbon emissions<sup>1</sup> against its baseline year (2019) by 30%, matching the Group's medium-term carbon reduction target.

### Blast furnace pellets

# 40%

Ferrexpo's blast furnace pellets offer steelmakers the opportunity to reduce emissions by 40% for every tonne of sinter fines replaced<sup>2</sup>.

### Direct reduction pellets

# 49%

Direct reduction pellets carry a 49% lower carbon footprint than the Group's blast furnace pellets, enabling significant Scope 3 savings for the Group through this product<sup>2</sup>.



# GOVERNANCE: UPDATED BOARD AND MANAGEMENT

## LEADERSHIP TEAM FOR NEXT PHASE OF GROWTH



Executive management team appointments (CEO and CFO).



Two additional Independent Non-executive directors appointed in 2021.



Six out of eight Board members appointed since 2019.



Fiona MacAulay appointed Senior Independent Non executive Director.



Ann-Christin Andersen appointed Chair of HSEC Committee.



Recommendation under Hampton-Alexander Review now met for gender diversity (min. 33% female)



**Lucio Genovese**  
Non-executive Chair of the Board of Directors



**Jim North**  
Group Chief Executive Officer and Executive Director



**Fiona MacAulay**  
Senior Independent Non-executive Director



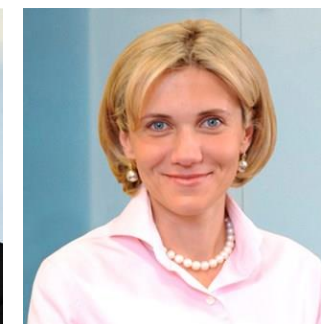
**Ann-Christin Andersen**  
Independent Non-executive Director



**Graeme Dacomb**  
Independent Non-executive Director



**Vitalii Lisovenko**  
Independent Non-executive Director



**Natalie Polischuk**  
Independent Non-executive Director



**Kostyantyn Zhevago**  
Non-executive Director



# LOOKING FORWARD

## SAFETY REMAINS THE KEY PRIORITY

### SAFETY AND WELLBEING

# 10,000

Safety remains the key priority for the Group's workforce of 10,000 people in Ukraine. Additional services are being offered to assist people's wellbeing.

### CONTINUED PRODUCTION

# 11.2MT

Continuing to produce high grade iron ore pellets and contribute to Ukraine's economy, in doing so providing employment and support to local communities.

### FERREXPO HUMANITARIAN FUND

# US\$12.5M

Dedicated fund established to manage the Group's humanitarian response efforts and react quickly to direct funds.

*Image: ore loaded onto an electric train at Ferrexpo's Poltava mine is transferred to the processing plant.*

Footnote:  
1. US\$12.5 million of approved funding as of 21 April 2022.



# THANK YOU.