FERREXPO

DELIVERING SUSTAINABLE GROWTH

Ferrexpo plc
Annual Report & Accounts 2020

Ferrexpo plc is the third largest exporter of iron ore pellets in the world, with high grade iron ore pellets enabling Ferrexpo's steel producing customers to reduce carbon emissions by 40%[1].

The Group is listed on the London Stock Exchange, a member of the FTSE 250 and FTSE4Good Indices, and has a BBB rating from ESG ratings agency MSCI, placing Ferrexpo in the top 40% of companies assessed in the steel sector.

The Group is a major contributor to the Ukrainian economy, generating 3% of the country's export revenues in 2020. The Group is entering into a new growth phase of its development, with increased production and new high grade product offerings, whilst simultaneously cutting the Group's carbon footprint per tonne.

SAFETY FIRST

Lost time injury frequency rate of

0.79

2019: 0.58

GROWING OUTPUT

Total iron ore production of

11.2MT

7% increase on 2019

RESILIENT FINANCIAL PERFORMANCE

13% increase in revenues to

US$1.7BN

46% increase in underlying EBITDA[A] to

US$859M

58% increase in diluted earnings per share[A] to

107.9

US cents per share

26% growth in dividends paid in 2020 to

US$195M

(33.0 US cents per share)

REINVESTING FOR THE FUTURE

Capital investment[A]

US$206M

increasing total investment since IPO to over US$2.75 billion

BALANCE SHEET STRENGTH

Net cash position

From a net debt position of US$281 million at the end of the comparative year.

Footnote: Alternative performance measures: words with the symbol **A** are defined in the Alternative Performance Measures section of the Annual Report on pages 186 to 188. In this report, the terms "Ferrexpo", the "Company", the "Group", our "business", "organisation", "we", "us", "our" and "ourselves" refer to Ferrexpo plc and, except where the context otherwise requires, its subsidiaries as defined in on page 185.

[1] Source: CRU.

SAFETY

Safety is at the heart of Ferrexpo's operations, with every worker entitled to a safe working environment to carry out their day-to-day activities.

P28-29

GROWTH

2020 represented the start of an exciting new phase of growth for Ferrexpo. The conclusion of an expansion in 2020 delivered increased volumes, whilst the Group also pivoted into its next phase of investments for tomorrow's growth.

P24-25

PREMIUM

New high grade products developed in 2020 are enabling the Company to engage with additional premium customers in new regions of the world.

P22-23

MODERN

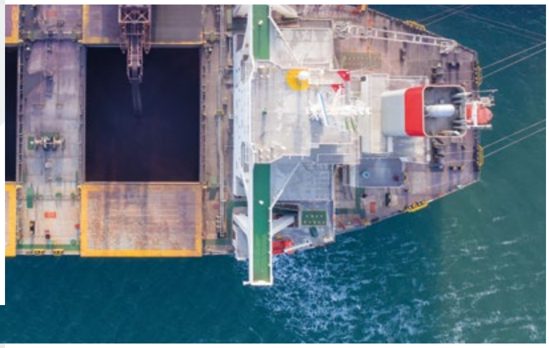
Using modern technologies to position for the future. In 2020, Ferrexpo became the first mining company in Europe to deploy large scale autonomous haul trucks.

P8

SUSTAINABLE

Sustainability is essential for any company in the modern era, including a consideration of all stakeholders, with companies expected to deliver much more than just financial results.

P26-27



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At a Glance

Ferrexpo is an iron ore pellet producer with mines in Ukraine, as well as marketing and corporate offices around the world. We have been mining, processing and selling high quality iron ore pellets to the global steel industry for over 40 years.

1. LONG LIFE ASSETS

Ferrexpo's operations have supplied the global steel industry for over 40 years. The Group's world class asset base will see a further +50 years of production if current output levels are maintained.

Find out more
P22-23

Mineral Resources at FPM and FYM increased by 12% in 2020, with the Company now having over 6.1 billion tonnes of JORC-compliant Mineral Resources across its three mines, including 1.7 billion tonnes of Ore Reserves.

12%

Increase in Mineral Resources at FPM and FYM in 2020.

Additionally, the Group saw a 3% increase in Ore Reserves in 2020.

2. GENERATING VALUE THROUGH HIGH QUALITY PELLETS

Iron ore pellets are a premium product for steelmakers, and command a premium price as they enable steelmakers to enhance mill productivity whilst also offering the opportunity to reduce carbon emissions.

Find out more
P18-21

3. INVESTMENTS YIELDING SUSTAINABLE GROWTH

The Company has invested over US$2.75 billion since its IPO in 2007, and as a result Ferrexpo has grown to become the third largest exporter of iron ore pellets in the world.

Find out more
P22-25

7%

Growth in production in 2020

Increasing output following successful expansion of the Group's concentrator in 2020. Further growth in volumes and pellet quality are expected in 2021.

4.

WORLD CLASS STEELMAKERS

Ferrexpo's marketing team has developed a global network of customers that produce the highest quality steel, including types of steel used in renewable energy generation.

Find out more
P16-17

99%

Proportion of production represented by Ferrexpo's high grade pellets in 2020 (grading 65% Fe and above).

5.

POSITIONED FOR A LOW CARBON FUTURE

2020 represented a significant year in the Group addressing its carbon footprint per tonne, with a 16% reduction in CO_2e emissions per tonne in a single year.

Find out more
P26-39

40%

less CO_2

Independent research by CRU shows that steel mills produce 40% less CO_2 for each tonne of iron ore pellets used in a blast furnace, compared to the more commonly used sinter fines.

67 % Fe

Direct reduction ("DR") pellets

Through investing in its production process, Ferrexpo is now able to produce higher grade DR pellets, which represent the pathway to carbon-free steel production (Green Steel).

Chair's Statement

2020 HIGHLIGHTS AND LOOKING FORWARD

2020 has been a significant year in the evolution of the Ferrexpo business, ranging from resilience in our response to the global COVID-19 pandemic, shifting into a new phase in growth of the business, renewed focus on our Responsible Business activities and further efforts to strengthen corporate governance.

View inside Ferrexpo's concentrator expansion project, referred to as Section 9, which was completed in 2020.

COVID-19 presented us with a unique set of challenges in 2020 – from day-to-day activities being restricted at our operations, through to temporarily shifting global demand for iron ore pellets away from the status quo and towards China. But despite all this, we grew production by 7% in 2020, showing our flexibility and resilience as a business. As a further demonstration of our resilience, we increased our percentage of Ukrainian exports to 3% of the country's total exports in 2020 (2019: 2%), delivering consistent export revenues to the national government throughout the pandemic.

Our workforce remains our strongest asset, and it is their safety and wellbeing that is key to all of our future plans. That is why we have made every effort to insulate and protect our workforce during the global pandemic, and I would like to thank them for their achievements this year. They represent Ferrexpo's DNA and their safety and wellbeing is key to all of our future plans, and I am proud to report that to date, production at Ferrexpo's operations has continued largely unaffected despite 3,000 employees, representing nearly 40% of our workforce in Ukraine, working remotely during the pandemic.

Our management team evolved in 2020, with a renewed focus on our operations, delivering on our growth and carbon reduction strategies, whilst also increasing stakeholder engagement. On engagement, this is evidenced through our recent

Dividends paid

2020	US$195M
2019	US$155M
2018	US$97M

KPIs P14

FTSE4Good

Responsible Steel standards & certification

For further information, please see the Responsible Business Section, pages 26–39.

appointment of Liberum as our corporate broker and financial adviser, and also through more regular and broader updates on the business via our social media channels, which collectively represent a key opportunity for modern companies to communicate with their stakeholders.

As we enter into the next phase of the Group's development, it is important that we continue to communicate effectively around our strategy, from our plans to expand production volumes and pellet quality, to cutting our carbon footprint per tonne for our customers who are actively targeting production of Green Steel. Through continued investment in our operating base, we have demonstrated our ability to evolve and adapt for the future, including the recent deployment of large scale autonomous trucks at our Yeristovo mine, making Ferrexpo the first mine in Europe to utilise this technology. Our strategy and purpose remain the same however: we continue to invest in both our assets and our people, produce the highest quality iron ore products for the global steel industry, and operate a business model that provides both sustainable growth and returns to shareholders.

Corporate governance

At Board level, in addition to my appointment as Chair of the Company we appointed Ann-Christin Andersen as an additional Independent Non-executive Director to the Board in March 2021, who brings over 30 years of experience in the oil and gas industry. The Ferrexpo Board also conducted a process of shareholder engagement following the 2020 Annual General Meeting, and we are taking steps to act on the feedback received as part of this process, including increased levels of shareholder engagement and greater levels of disclosure with proxy advisory firms.

In March 2021, the Committee of Independent Directors ("CID") concluded its previously disclosed review into the Group's sponsorship arrangements with the football club FC Vorskla, with arrangements having been made for the repayment in full of the c.US$17 million loaned by FC Vorskla to Collaton Limited. For further information regarding the conclusion of the CID's review, please see page 36 (Governance), page 76 (Audit Committee Report) and Notes 30 and 34 to the Consolidated Financial Statements.

Responsible business

In January 2020 we reformed our CSR Committee with a renewed focus on safety and the environment, with Independent Non-executive Director Fiona MacAulay appointed as Chair. Details of the work undertaken by the newly formed Health, Safety, Environment and Community ("HSEC") Committee are detailed in the Responsible Business section of this report (pages 26 to 39).

Shareholder returns

Through strong operating performance, prudent financial management, and continued investment in our operations, we have consistently returned profits to shareholders in the form of dividends since IPO. Dividends paid in the 2020 calendar year grew by 26% to US$195 million, reflecting the Group's strong balance sheet and growth in our operations. Furthermore, the Board is pleased to announce a special interim dividend of 39.6 US cents per share (2019: 3.3 US cents per share), meaning that the total dividend declared in respect of the 2020 financial year will be a record 72.6 US cents per share (total dividend declared in respect of 2019: 19.8 US cents per share). This record dividend reflects the Group's strong operational and financial performance, transition to net cash position and continued healthy iron ore prices. The Board will consider, as appropriate, whether or not to propose a final dividend in respect of 2020, which if proposed will be put to the Group's AGM in May 2021.

A final thank you to our workforce for the hard work and dedication shown to achieve the result for 2020 presented in this report, which is a significant achievement in light of the social difficulties faced across the globe. The year ahead marks a new phase for Ferrexpo, one which we are very much looking forward to developing with all of our stakeholders.

Lucio Genovese
Chair, Ferrexpo plc

Lucio Genovese,
Chair, Ferrexpo plc.

CEO's Review

TAKING A LOOK AT KEY EVENTS OF 2020

+7%

Production growth of 7% in 2020 to total iron ore production of 11.2 million tonnes.

50%

Growth in underlying EBITDA[A] margins to 50% in 2020 through investment and new pellet types (2019: 39%).

Despite the headwinds facing the world in 2020 due to the global COVID-19 pandemic, we are pleased to be able to report today that our business has shown strength in its ability to grow and adapt to shifting market conditions. Ferrexpo is a multi-faceted business that is focused on providing stakeholder value beyond its financial results in any given year, and the following review aims to provide an overview of our key achievements in 2020, as well as our goals for the year ahead.

0.79

Group LTIFR of 0.79 recorded in 2020, a level 22% below five-year trailing average rate.

16%

Reduction in the Group's combined CO_2e emissions footprint (comprising 8% reduction in Scope 1 CO_2e emissions footprint and 21% reduction in Scope 2 CO_2e).

Jim North, Acting Chief Executive Officer.

Safety continues to be the number one priority at our operations. We strive to ensure that all employees and contractors are able to return home safely at the end of each shift, and it is our aim to provide clear and transparent reporting around safety. Whilst the Group has recorded a second successive year with its lost time injury frequency rate ("LTIFR") materially below the Group's five-year trailing average, it is with regret that we report the fatality of a contractor at our operations in 2020, whereby a maintenance contractor was fatally injured during maintenance work being conducted in the beneficiation plant. We strive to learn from these terrible events and further details of the investigation and key learnings from this incident are provided on page 28. We also continue to benchmark our safety performance against our peers and can report a LTIFR in 2020 significantly lower than the major iron ore miners in the Pilbara region of Australia[1]. Given the difficulties facing the world related to the global COVID-19 pandemic in 2020, we note the importance of our role in keeping our workforce safe, protecting local communities and also increasing our efforts in terms of workforce wellbeing. Further details of these initiatives in relation to COVID-19 are provided on pages 9 and 34-35.

Growth through a well invested asset base has been a cornerstone of our business since IPO, and 2020 marks the culmination of a multi-year expansion plan to grow production volumes and product quality. In 2020, we saw production volumes grow by 7%, whilst we also added sales of a new product – direct reduction ("DR") pellets – to our marketing offering. This growth in volumes and product quality has helped to deliver one of the best annual financial results Ferrexpo has achieved since listing in 2007, details of which are provided in the Financial Review on pages 18 to 21. Furthermore, DR pellets are particularly important as they position us for the future of carbon-free Green Steel, as well as enable us to reduce our Scope 3 carbon emissions footprint. Further details of our expansion plans are available on pages 22 to 25, Green Steel on page 31 and our Scope 3 footprint on page 32.

Producing high grade, **premium** iron ore pellets enables us to generate higher margins through selling to **premium** customers. In 2020, we realised an underlying EBITDA[A] margin of 50% on our pellets, up from the five-year trailing average of 39%. Through selling our premium products to the world's best steelmakers, we also add resilience to our business.

Viewing platform overlooking Ferrexpo's Poltava Mine.

KEY RECENT DEVELOPMENTS

Board changes:

Lucio Genovese appointed Chair, leading Company into new phase of development and growth. Jim North appointed as an Executive Director. Additional Independent Non-executive Director Ann-Christin Andersen appointed to the Board in March 2021.

Management changes:

Jim North appointed Acting CEO; stepping into role after six years as COO.

Sustainable growth:

Completion of concentrator expansion, resulting in growth in production. Advancing additional projects such as concentrate stockyard to provide operational flexibility.

New products:

Trial shipments of higher grade DR pellets; growing into new markets, new premium customers. DR pellets represent future of pellet market and Green Steel.

Resilience:

In the midst a of global pandemic; increasing sales to China in response to shifting markets.

Safety:

LTIFR of 0.79, second successive year of rate being materially below the five-year trailing average (1.01).

Net cash position:

Delivering a US$285 million reduction in net debt in 2020, resulting in a net cash position of US$4 million as at year end, down from peak levels of net debt of over US$850 million seen at the end of 2015.

US$**859**M

Strong cash generation with underlying EBITDA[A] of US$859M, a 46% increase on 2019.

Investments yielding growth

50%

Underlying EBITDA[A] margin of 50% in 2020 (five-year trailing average: 39%).

Shareholder returns

US$**195**M

Total of US$195 million paid in dividends in 2020 (2019: US$155 million).

[1] Latest available period: 12 months to June 2020. http://www.dmp.wa.gov.au/Documents/Safety/MSH_Stats_Reports_SafetyPerfWA_2019-20.pdf

CEO's Review
continued

CASE STUDY

AUTONOMOUS LARGE SCALE HAUL TRUCKS – A FIRST FOR MINING IN EUROPE

Ferrexpo recorded a first in December 2020, becoming the first mine to deploy a large scale autonomous haul truck in both Ukraine and Europe.

Fleet autonomy represents state of the art modern technology for modern mining operations, and has been shown to offer mining companies significant improvements in both safety and productivity, through removing individuals from hazardous working environments, whilst also enabling trucks to operate 24/7.

Automation of the Group's CAT 793 haul trucks at the Yeristovo mine is under way, with additional trucks expected to be deployed throughout 2021. Fleet automation represents industry best practice and is an important step in the Group's long-term growth ambitions.

This milestone represents the latest step in the Group's drive to modernise its operations, with a similar project to automate the Group's drilling operations successfully implemented back in 2017.

Underlying EBITDA

2020	US$859M
2019	US$586M
2018	US$503M

KPIs P14

Our work over the years to develop a customer presence in China enabled us to efficiently pivot to this market in 2020 when demand in the rest of the world declined as a result of the global COVID-19 pandemic. We are also proud to sell our pellets to steelmakers that produce high end steels for green sectors such as renewable power generation, with steel representing up to 85% of the construction of a typical wind turbine, as well as steel representing the single largest component by weight in the construction of solar PV technologies[1].

Technology helps us to maintain our profitability and resilience, as well as offer safety benefits. In December 2020, we successfully deployed autonomous trucks in our Yeristovo mine, becoming the first mine in Europe to successfully invest in this modern technology. We have seen significant safety improvements through our investments in other areas of technology, such as our autonomous drill rigs and drone surveys, which have been in use since 2017 and 2018 respectively. We expect to see similar benefits throughout our mining department as further automation investments are realised.

High ESG standards are expected of all mining companies, and we aim to be no exception. We worked hard to reduce our carbon emissions footprint per tonne in 2020, achieving an 8% reduction in Scope 1 and 21% reduction in Scope 2. We began reporting our Scope 3 emissions in 2019 and have further developed our thinking in terms of reporting and assurance in this year's report. We continue to work in a range of assistance projects in our neighbouring communities, which have been particularly focused on helping medical institutions during the global pandemic in 2020, with US$2.5 million of funding made available in March 2020 through our dedicated COVID-19 Response Fund, in addition to a further US$1 million of funding approved in 1Q 2021. For further details of our ESG work, please see the Responsible Business section, pages 26 to 39, as well as our Responsible Business Reports, which are available on the Ferrexpo website.

Our strong operational performance, delivery of investments and expertise in marketing have enabled us to deliver a 46% increase in underlying EBITDA[A] to US$859 million in 2020, which will enable us to reinvest in our operations to further develop the business, in addition to delivering further shareholder value.

I would like to thank all of our stakeholders in achieving the result presented in this report, from our workforce's collective hard work and determination, to our local communities in Ukraine, and the continued support of our customers and shareholders around the world. We have much to look forward to at Ferrexpo in 2021, and I would like to thank everyone for their support going into the year ahead.

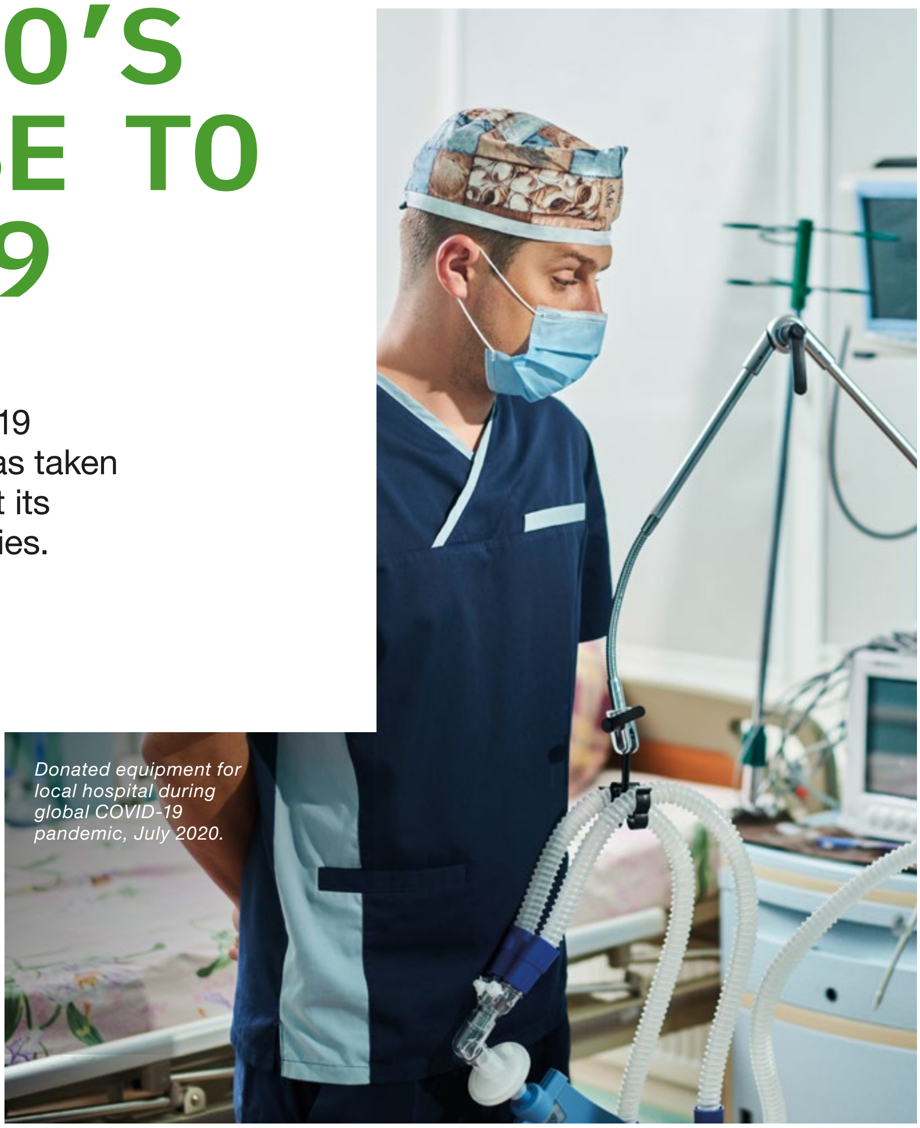
Jim North
Acting Chief Executive Officer

[1] Carrara, S., Alves Dias, P., Plazzotta, B. and Pavel, C., Raw materials demand for wind and solar PV technologies in the transition towards a decarbonised energy system, EUR 30095 EN, Publications Office of the European Union, Luxembourg, 2020, ISBN 978-92-76-16225-4 (online), doi:10.2760/160859 (online), JRC119941.

COVID-19

FERREXPO'S RESPONSE TO COVID-19

Throughout the global COVID-19 pandemic in 2020, Ferrexpo has taken significant measures to protect its workforce and local communities.



Donated equipment for local hospital during global COVID-19 pandemic, July 2020.

Throughout the year, the Group has continued to operate with minimal disruption due to COVID-19. In response to the global pandemic, Ferrexpo has implemented a range of measures at various levels of its organisation to raise awareness and change behaviours in order to reduce the spread of COVID-19, as well as clear messaging around the effectiveness of the Group's actions. Across the business, Ferrexpo has enabled remote working, with over 3,000 employees working remotely during the peak of the global pandemic in April and May 2020, representing nearly 40% of the Group's workforce at its operations in Ukraine. For those who cannot work remotely, social distancing, face masks and staggered shifts are all examples of the significant measures that have been implemented, along with the Group's own in-house testing equipment, with the capacity to conduct over 1,000 tests a month.

However, no community has been unaffected by COVID-19, and Ferrexpo's workforce is no exception. As of the end of 2020, one Ferrexpo employee sadly passed away having contracted COVID-19. Where the Group registers a positive test result in its testing, extensive measures are implemented in each instance to both look after the affected individual and to minimise the risk of onward transmission of the virus. The Group has its own specialist teams in place to isolate and support affected individuals, as well as conduct contact tracing exercises.

Furthermore, the Group has periodically implemented increased measures whereby external visitors are prohibited from visiting Ferrexpo's operations, aimed at further reducing the transmission risk at times of heightened infection rates within Ukraine.

In addition to the efforts undertaken to protect the Group's workforce, Ferrexpo has made significant efforts to protect its local communities in 2020, including the approval in March 2020 of a US$2.5 million dedicated COVID-19 Response Fund for medical donations to support local hospitals. In light of the ongoing pandemic in 2021, the Group has approved a further US$1 million of funding for this initiative, to sustain its support efforts into 2021. Further details of this work are provided on pages 34 to 35 of this report.

40%

Nearly 40% of workforce demobilised from operations at the peak of the pandemic.

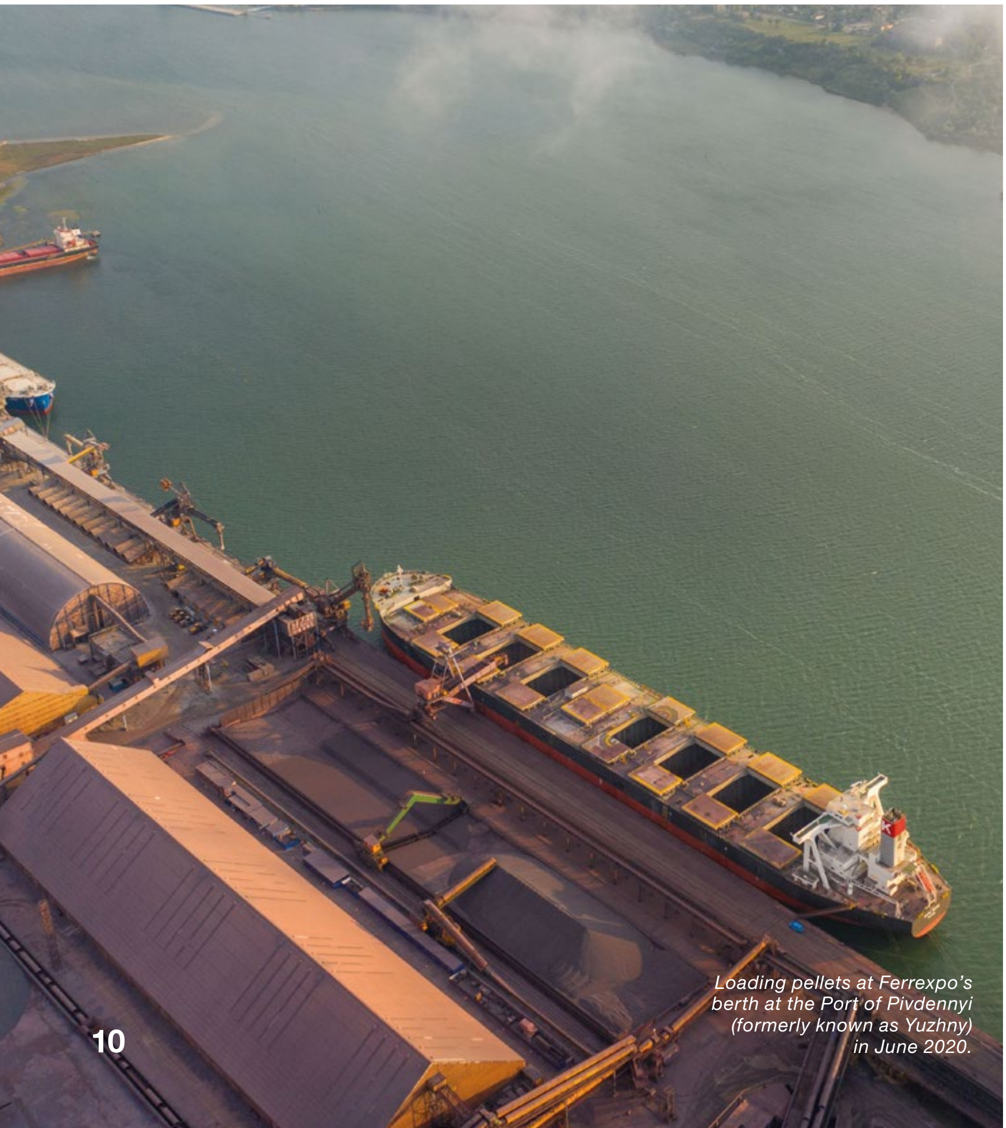
Market Review

2020 was a year of shifting supply and demand within the markets, with the main factors being (1) COVID-19 temporarily shifting relative demand for iron ore towards China, and (2) disruptions in iron ore supply from Brazil and Australia. Ferrexpo's diverse customer portfolio, central geographic location and flexibility in its logistics capacity helped the Group to adapt quickly to these changing conditions.

The following market review focuses on the high grade fines index (65% Fe), as this is the basis for pricing Ferrexpo's iron ore products, which are predominantly grade 65% Fe or above.

Iron ore fines indices

Global iron ore fines prices showed resilience in the first half of 2020, amid the onset of the global pandemic, with the high grade (65% Fe) iron ore fines index rising 9% through to the end of June 2020[1]. This upward trend reflected the speed and scale of the Chinese government's intervention in its economy in the first half of the year, with China ending the year as the only developed economy in the world to report overall growth in 2020[2]. China alone typically represents approximately 70% of total global iron ore fines consumption[3], and therefore this acceleration is directly attributable to the strength in iron ore fines prices in the first half of 2020.



Loading pellets at Ferrexpo's berth at the Port of Pivdennyi (formerly known as Yuzhny) in June 2020.

In the second half of the year, iron ore fines prices continued their upward trajectory. This was driven by strong demand in China, particularly high grade ores, but also by returning demand from steel mills in the rest of the world. This increase in pricing was further exacerbated by supply side disruptions from Brazilian iron ore exports, related to ongoing permitting issues following two high profile breaches of tailings dams in 2015 and 2019. Supply constraints were also seen in Australia due to short term shortages of benchmark material. These factors led to a 53% rise in iron ore prices in the second half of the year, to close the year with an iron ore price of US$174 per tonne[1].

Expectations for the fines index in 2021 are that fines supply from Brazil will begin to return to previous levels, whilst overall output from Australia will be maintained at broadly similar levels to those seen in 2020. It is, however, understood that the overall chemistry of benchmark sinter fines material produced from the Pilbara is changing, and it is, therefore, expected that demand for low alumina iron ore products, such as those produced by Ferrexpo, will increase as steelmakers seek to balance the chemistry of material entering each blast furnace.

Pellet premiums

Pellet premiums, which are applied to the pricing for pellets in addition to the benchmark iron ore fines price, are primarily governed by global demand from key markets in Europe and Asia. With these destinations seeing a sharper impact from the global pandemic in 2Q and 3Q 2020 compared to China, pellet premiums did not experience the same level of support as was seen with sinter fines. This decline was seen despite significant disruption in the supply of Brazilian pellets during 2020, which represents the single largest source of iron ore pellets in the global pellet export market.

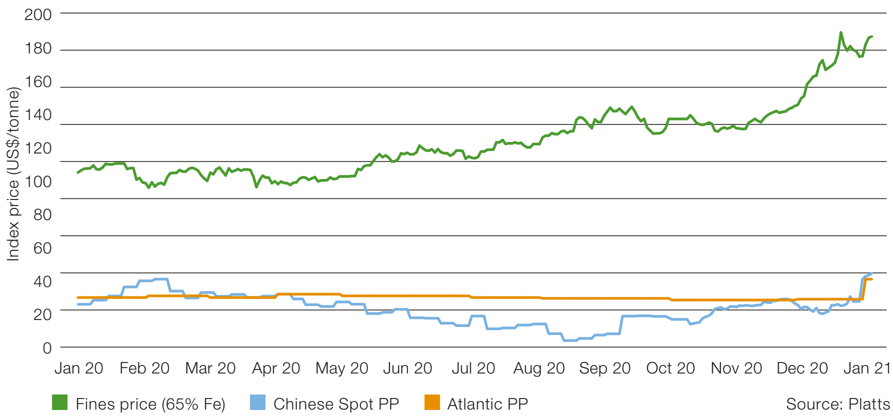
Atlantic pellet premiums, as assessed by Platts, which is the premium used in pricing the majority of long term contracts, fell from a multi-year high of US$57 per tonne in 2019 to an average of US$29 per tonne in 2020, with this decrease linked to the impact of COVID-19 on key pellet markets. Conversely, China saw increased pellet buying activity in 2020, which was the result of government stimulus and increased steel demand. With global iron ore demand pivoting towards China as the

[1] Source: S&P Platts.
[2] Source: IMF World Economic Outlook Report.
[3] Source: CRU.

Summary of industry key statistics for 2020 and 2019

(All figures US$/tonne, unless stated otherwise.)	2020	2019	Change
Average Platts 62% Fe iron ore fines price CFR China[4]	**109**	93	17%
Average Platts 65% Fe iron ore fines price CFR China[4]	**122**	104	17%
65% Fe spread over 62% Fe	**13**	11	18%
Average Atlantic pellet premium[4]	**29**	57	-49%
Average China pellet premium[4]	**23**	28	-18%
Average DR pellet premium[4]	**36**	61	-41%
C3 freight (Brazil – China)[5]	**15**	19	-21%
C2 freight (Brazil – Netherlands)[5]	**7**	8	-19%
Global steel production (million tonnes)[6]	**1,829**	1,846	-1%

Iron ore



Source: Platts

pandemic developed, the global pellet export market mirrored this shift, with over 50% of global pellet exports dispatched to China at the peak of the pandemic in May and June 2020 (2019 China average: 22%)[7]. As a result of this increasing supply, spot pellet premiums in China dropped to below US$5 per tonne in August 2020, as portside inventories of imported iron ore pellets doubled in size. Following a return to more normal market conditions in 4Q, spot pellet premiums in China returned to average US$23 per tonne in 4Q 2020.

With Chinese steel producers seeking to increase the productivity of steel mills and further reduce their environmental impact in 2020, owners of these steel mills increased buying of imported iron ore pellets from approximately 28 million tonnes of pellets in 2019 to 43 million tonnes in 2020, representing a significant shift in the global pellet export market[7]. Ferrexpo, with its operating base in Ukraine, was well situated to adapt to this shift in the pellet market, whereas other pellet producers in more remote locations such as Sweden and Canada faced additional shipping and logistics challenges with their increased shipping distances to China.

The second half of the year was characterised by resurgent demand for iron ore, including iron ore pellets. In particular, a number of European, Japanese and Korean steelmakers restarted blast furnaces in 4Q 2020, and as a result, pellet producers saw a return of sales to these markets, replacing spot sales to China. As of the end of 2020, the global pellet export market had broadly returned to a balance of sales in line with previous years.

The outlook for pellet premiums in 2021 is positive, with continued supply disruption of Brazilian pellet exports expected, as Brazilian producers face continued operational issues in the consistent supply of pellet feed, as well as the apparent prioritisation of the domestic steel sector in Brazil. The return of Brazilian pellet producer Samarco is not expected to materially impact the market in 2021, with this operation ramping up towards a reduced level of output compared to previous levels. Global demand for pellets continues to be robust, with steel producers globally looking to increase the productivity of blast furnaces and reduce carbon emissions, both of which are achieved through the increased usage of iron ore pellets over sinter fines. In December 2020, Brazilian pellet producer Vale S.A. announced an agreed Atlantic pellet premium of US$40 per tonne for 1Q 2021, representing an increase of over US$10 per tonne on the level seen in late 2020, and this reflects tightness in pellet supply relative to demand. It is expected that demand for both iron ore fines and pellets will continue to mirror global steel demand throughout 2021, as economies around the world recover from the global pandemic.

Seaborne freight indices[5]

Ferrexpo exports all of its production, with the majority shipped through the Group's berth at the port of Pivdennyi (formerly Yuzhny) in south west Ukraine. The C3 freight rate, which is the most relevant index for Ferrexpo's shipments to Asia, averaged US$15 per tonne in 2020, compared to US$19 per tonne in 2019. The evolution of the C3 index throughout the year was dominated by the global COVID-19 pandemic, starting at US$19 per tonne in January, declining to a low of less than US$7 per tonne in late May (driven by declining global industrial output and falling oil prices), before recovering in the second half of the year.

Iron ore demand: steel sector

According to the World Steel Association, global steel output fell by just 1% in 2020 to 1,829 million tonnes, despite the impact of the global COVID-19 pandemic. Of particular note is the global recovery in steel output in the second half of the year, which amounted to a 4% gain year on year for this period. China, which represents over 50% of global steel production, drove global demand trends in 2020, with a 5% increase in steel output in the full year, whilst the EU, Japan and the rest of the world saw full year steel output fall by 12%, 16% and 5% respectively[6]. The EU and Japan are key import markets for iron ore pellets and therefore particularly relevant for this review. December 2020 data for steel output[6] indicates that both the EU and Japan are producing at similar rates to December 2019 (down 1% and 3% respectively), suggesting that the recovery of these markets is nearing a conclusion.

[4] Source: S&P Platts.
[5] Source: Baltic Exchange.
[6] World Steel Association.
[7] Management estimates.

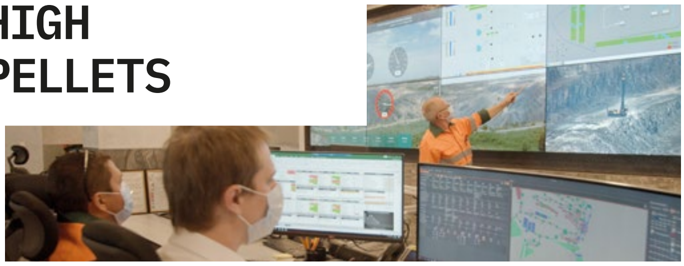
Strategic Framework

Ferrexpo's strategic goal is to maximise value from its world class iron ore deposit, by producing high quality iron ore products that can be sold to the best steel producers in the world.

This is achieved through a well-invested asset base, an engaged workforce and a low cost of production, which enables further reinvestment in the Group's assets.

Strategy as stated in last year's report	Goals as communicated in last year's report

PRODUCE HIGH QUALITY PELLETS



- 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.

BE A LOW COST PRODUCER

- Increase production levels to improve efficiencies and reduce C1 cash cost.
- Final consolidation of mining and mobile maintenance activities into one organisation.

SELL TO A WORLD CLASS CUSTOMER PORTFOLIO

- 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.

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.

DISCIPLINED CAPITAL ALLOCATION

- 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.

What was achieved in 2020		Strategic targets for 2021
– Continued delivery of high quality iron ore pellets to existing premium customer portfolio. – Trial cargoes of DR pellets commenced in 2020, with two shipments delivered, amounting to 339kt, or 3% of total production.	– Concentrator expansion completed in 2Q 2020 and ramped up in 2H 2020. For further information, see pages 22 to 25. – Increased proportion of high grade pellets (65% Fe or above) to 99% of total production in 2020.	– Expand existing customer portfolio with additional high quality steelmakers. – Continue to develop DR pellet offering with trial cargoes shipped to additional DR pellet customers. – Further investments in both concentrator and pelletiser (see pages 22 to 25).
– C1 cash cost[A] reduced by 13% to US$41.5 per tonne, as a result of a 7% production increase, and productivity increases. An example of which is in the consumption of diesel, which fell by 5% in 2020 whilst mining activity rose by 1%.	– Consolidation of mining and mobile maintenance into one organisation commenced in December 2020, with completion expected 1Q 2021.	– Target further cost reduction initiatives through disciplined cost control and further dilution of fixed costs through production increases.
– Market pattern adjusted in 2020 by global COVID-19 pandemic, meaning increased volumes to spot customers in China. – Long term contracts renewed with key customers. – Development of new relationships with potential new customers, with particular focus on DR pellets.	– Two trial cargoes of DR pellets shipped in 2020 (combined total: 339kt). – Diverse geographic mix of customers maintained in 2020. – Sales to China and SE Asia increasing to 56% in 2020 (2019: 30%), reflecting iron ore market conditions in 2020.	– Develop relationships with new customers for existing blast furnace pellet offering. – Further work to establish DR pellet offering with new customers. – Establish presence in selling high grade concentrate, either through synergies with existing customers or through new relationships.
– One fatality in 2020. For further details, please see page 28. – LTIFR maintained materially below five-year trailing average for second successive year.	– Greenhouse gas emissions per tonne (CO_2e) reduced by 16% in 2020. – Continued community support throughout 2020 via Ferrexpo Charity Fund, with specific focus on COVID-19 Response Fund, as well as ongoing programme to refurbish local hospitals and schools.	– Target zero harm for workforce. – Maintain LTIFR safety metric below five-year trailing average and iron ore peer group. – Continue efforts to reduce Scope 1 and 2 emissions footprints per tonne.
– Continued capital investment in the Group's operations, amounting to US$206 million in 2020 (2019: US$247 million). – The Group has continued to repay existing debt facilities under the existing maturity profile. Market conditions have not necessitated any extension of existing debt facilities.	– US$195 million of dividends paid in 2020 (2019: US$155 million). – Further special interim dividend announced of 39.6 US cents per share, (2019: 3.3 US cents). Total dividends declared in respect of 2020 amount to 72.6 US cents per share (2019: 19.8 US cents per share), reflecting strong operational and financial performance of the Group.	– Continued development of operations, delivering volume growth and quality improvements. – Continue to pay dividends as appropriate with cash flows in 2021.

Key Performance Indicators

Measures to assess performance across the business in 2020.

See pages 186 to 188 for a reconciliation of Alternative Performance Measures to the IFRS equivalent.

FINANCIAL KEY PERFORMANCE INDICATORS (KPIs)

Underlying EBITDA[A]

2020	US$859M
2019	US$586M
2018	US$503M

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 2020, underlying EBITDA was US$859 million, reflecting increased sales volumes and reduced cash operating costs.

Link to strategy: 1 2 3 4 5

Closest equivalent IFRS measure: profit before tax and finance

Profit for the year

2020	US$635M
2019	US$403M
2018	US$335M

In addition to Alternative Performance Measures, Ferrexpo considers the IFRS results of the Group to be an important measurement of profitability. In 2020, profit for the year was 58% higher at US$635 million, reflecting an increase in production and decrease in operating costs and capital investment.

Link to strategy: 1 2 3 4 5

Net debt to underlying EBITDA[A]

2020	N/A
2019	0.48
2018	0.67

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. As of the end of 2020, the Group entered into a net cash position of US$4 million, reflecting the strong cash flow generation of the Group during 2020.

Link to strategy: 1 2 3 4 5

Net cash flow from operating activities

2020	US$687M
2019	US$473M
2018	US$292M

Net cash flow from operating activities represents the cash flow generation ability of the Group and indicates available cash flow for investments, returns to shareholders and debt reduction. In 2020, net cash flow from operating activities increased 45% to US$687 million, reflecting higher production, increased product quality and lower operating costs.

Link to strategy: 1 2 3 4 5

Link to strategy

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.

NON-FINANCIAL KEY PERFORMANCE INDICATORS (KPIs)

Lost time injury frequency rate ("LTIFR")

2020	0.79
2019	0.58
2018	1.18

It is the Group's highest priority to ensure its workforce operates 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 2020 was 0.79 (2019: 0.58), representing the second successive year that this metric is materially below the Group's five-year trailing average (1.01).

Link to strategy: 1 2 3 4 5

Production volumes

2020	11.2MT
2019	10.5MT
2018	10.5MT

Production volumes measure the Group's ability to meet customer demand as well as provide an indication of the Group's operational performance. In 2020, production was up 7% to 11.2 million tonnes as a result of the completion of investments in the Group's production process in Ukraine.

Link to strategy: 1 2 3 5

C1 cash costs[A]

2020	US$41.5/T
2019	US$47.8/T
2018	US$43.3/T

This is the cash cost of production of iron pellets from own ore to the factory gate, divided by production. This is an industry standard measurement and assesses Ferrexpo's relative competitiveness compared to other pellet producers. In 2020, Ferrexpo's C1 cash cost of production decreased by 13% to US$41.5 per tonne, reflecting a 7% increase in production and falling input costs for raw materials prices such as diesel and electricity.

Link to strategy: 2 5

Sales volume by region

Region	2020	2019	2018
Turkey, MENA and India	5%	5%	6%
China & South East Asia	56%	30%	13%
North East Asia	5%	16%	17%
Western Europe	8%	13%	16%
Central Europe	23%	36%	47%
North America	2%	0%	1%

Ferrexpo believes it is important to have a diversified customer base to be able to withstand periods of volatility in specific regions. In 2020, the global COVID-19 pandemic resulted in a temporary pivot in sales towards China, in line with increasing relative demand from this market.

Link to strategy: 3 5

Business Model

Ferrexpo's purpose is to produce and market premium quality iron ore pellets and concentrate, in a socially responsible and sustainable manner. Ferrexpo has achieved this for a number of years through building constructive relationships with stakeholders and driving consistent and sustainable returns from its asset base in mining, processing and logistics.

CORE COMPETENCIES

1. Long life asset base
Tier one mining assets with over 40 years of production track record and Ore Reserves for a further +50 years of production.

2. Established mining, processing and logistics infrastructure
Reinvestment of profits over successive years has developed Ferrexpo into the third largest exporter of iron ore pellets globally.

3. Skilled workforce
Working safely, adapting to implement new technology, to increase production in a safe and sustainable manner.

4. Premium products
Consistent investment in assets providing near-term growth in production volumes, product quality and new product types.

5. Premium customers
Ferrexpo's marketing team has developed a network of established steel producers, building resilient business relationships.

6. Prudent financial management
Resilience, consistent profitability, disciplined capital allocation, balance sheet strength.

OUR COMMERCIAL AND OPERATING MODEL

LONG LIFE ASSET BASE
The Group has a mine life of over 50 years at its two main mines, with an additional mine (FBM) in development.

OPERATIONS & WORKFORCE
Experienced management team and well invested business, transforming raw ore into high grade pellets.

PREMIUM PRODUCTS
Pellets are the highest quality form of iron ore that can be used in the steelmaking process.

PREMIUM CUSTOMERS
Ferrexpo supplies its iron ore products to the world's best steelmakers to produce high quality steel types.

PRUDENT FINANCIAL MANAGEMENT
Delivering strong profitability to ensure a balance of investment for future growth and shareholder returns.

UNDERPINNED BY OUR VALUES

Responsibility
Safety first, environmental responsibility, accountable to communities. P26

Make it happen
Focused efforts to deliver superior business results, achieved through an engaged workforce. P38-39

Integrity
Delivering high ethical standards and delivering on commitments. Accountability. P36

Diversity within one team
Valuing difference in opinions and backgrounds. Building collective strength. P38

Continuous innovation
Embracing change. Courage to improve and accepting new thinking. P08

REINVESTMENT

Reinvestment of over US$2.75 billion since IPO to deliver further volume and quality improvements for stakeholders.

STAKEHOLDER BENEFITS

Employees
Wages and salaries paid
(2019: US$109M)
US$**114**M

Customers
Revenue generated
(2019: US$1.5BN)
US$**1.7**BN

Suppliers
Suppliers of goods and services
(2019: US$944M)
US$**876**M

Communities
Donations through Ferrexpo Charity Fund
(2019: US$6M)
US$**6**M

Environment
Money spent to safeguard the environment
(2019: US$16M)
US$**17**M

Government
Taxes and royalties paid
(2019: US$114M)
US$**100**M

Investors
Shareholder returns
(2019: US$155M)
US$**195**M

Capital providers
Debt repayments and interest
(2019: US$263M)
US$**170**M

Financial Review

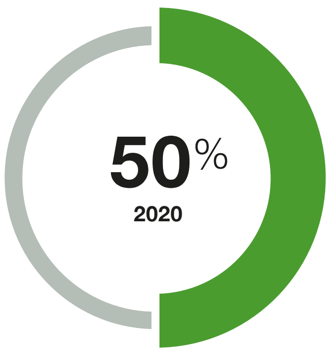
DELIVERING GROWTH THROUGH INVESTMENT

Through investment of over US$2.75 billion in the Group's production base since IPO, Ferrexpo has been able to realise strong financial and operational performance in 2020, as a result of volume growth and quality enhancements.

Mine planning work for Ferrexpo Yeristovo Mine, July 2020.

Aerial view of Ferrexpo Yeristovo Mine, July 2020.

Underlying EBITDA margin (%)



2019 **39%**

KPIs **P14**

Underlying EBITDA[A] of

US$859M

2019: US$586 million

Roman Palyvoda
Acting Chief Financial Officer

Summary

In 2020, Group revenue increased by 13% to US$1.7 billion and profit before tax increased by 63% to US$748 million. Strong cash flow generation provided a platform for dividend payments during the 2020 calendar year of US$195 million and capital investment of US$206 million, whilst the Group reduced its net debt position by US$285 million, entering into a net cash position of US$4 million.

Revenue

Group revenue increased by 13% to US$1.7 billion in 2020 (2019: US$1.5 billion), principally driven by a 17% increase in total sales volumes. Average received DAP/FOB pellet prices fell by 4% during the year as a result of a decrease in pellet premiums, negating the impact of a 17% increase in the average iron ore fines price (65% Fe) to US$122 per tonne and a US$2 per tonne decrease in benchmark freight rates.

Total pellet sales volumes for the period increased to 11.9 million tonnes (2019: 10.3 million tonnes), increasing revenue by US$219 million. Furthermore, the Group sold 183,000 tonnes of high grade concentrate during 2020, giving a combined sales figure of 12.1 million tonnes. For further information, please see the Operational Review section on pages 22-25.

The Group continues to sell its pellets using the high grade, 65% Fe, fines index, reflecting the high grade nature of Ferrexpo pellets.

Iron ore pellets are priced using a pellet premium, which is paid in addition to the benchmark fines price. The Atlantic Pellet Premium and China Spot Pellet Premium are two pellet premiums that are published regularly by third party providers, and further discussion around the movements in these two indices during 2020 is provided in the Market Review section (pages 10 to 11). The global COVID-19 pandemic and a shift in pellet demand resulted in elevated global shipments to China in the middle of 2020. The situation for pellet demand subsequently stabilised in the second half of 2020 and pellet demand began to normalise in Europe and North East Asia.

The geographic diversity of Ferrexpo's customer base results in a variety of reference periods being used in contract pricing. The net effect of this timing is not considered to have had a material influence on the Group's financial performance in 2020.

Seaborne freight revenue arising from CFR sales increased revenue by US$20 million compared to 2019, reflecting the net effect from a higher proportion of sales to Asia, partially offset by lower freight rates.

Lastly, the revenues from the Group's barging and bunker operations, First-DDSG Logistics Holding, decreased by US$8 million in 2020 compared with 2019 as a result of reduced volumes shipped, lower freight rates and bunker prices.

C1 cash cost of production[A]

The Group's average C1 cash cost of production[A] was US$41.5 per tonne in 2020 compared with US$47.8 per tonne in 2019.

The decrease in costs in 2020 was primarily due to a fall in input prices, notably oil prices, reduced electricity prices and a weakening local currency against the US Dollar. Oil prices (Brent) began the year at US$67 per barrel before falling to a multi-year low of $9 per barrel in April 2020 in part as a result of the global COVID-19 pandemic. Whilst prices recovered to US$51 per barrel by the end of the year, the average oil price for the year declined by 35%. Locally, reduced industrial activity in Ukraine, which also related to the global COVID-19 pandemic, resulted in electricity costs falling by 9% in 2020. Local inflation of 5% and a 14% depreciation of the Ukrainian Hryvnia against the US Dollar also contributed to the fall in C1 cash cost seen in 2020. 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, please see Currency on page 20.

Lower electricity, gas and fuel costs contributed US$4 to the total reduction of the C1 cash cost per tonne in 2020 and the remaining cost reduction was primarily related to materials used in the production of pellets. An improvement in consumption rates for key consumables offset the majority of commodity cost increases during the year. Royalties increased in the second half of 2020 by approximately US$1 per tonne due to a change in royalty tax legislation in Ukraine.

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, as well as the costs of purchased ore, concentrate and gravel.

The C1 cash cost of production[A] (US$ per tonne) is regarded as an Alternative Performance Measure ("APM"). For further information, please see pages 186 to 188.

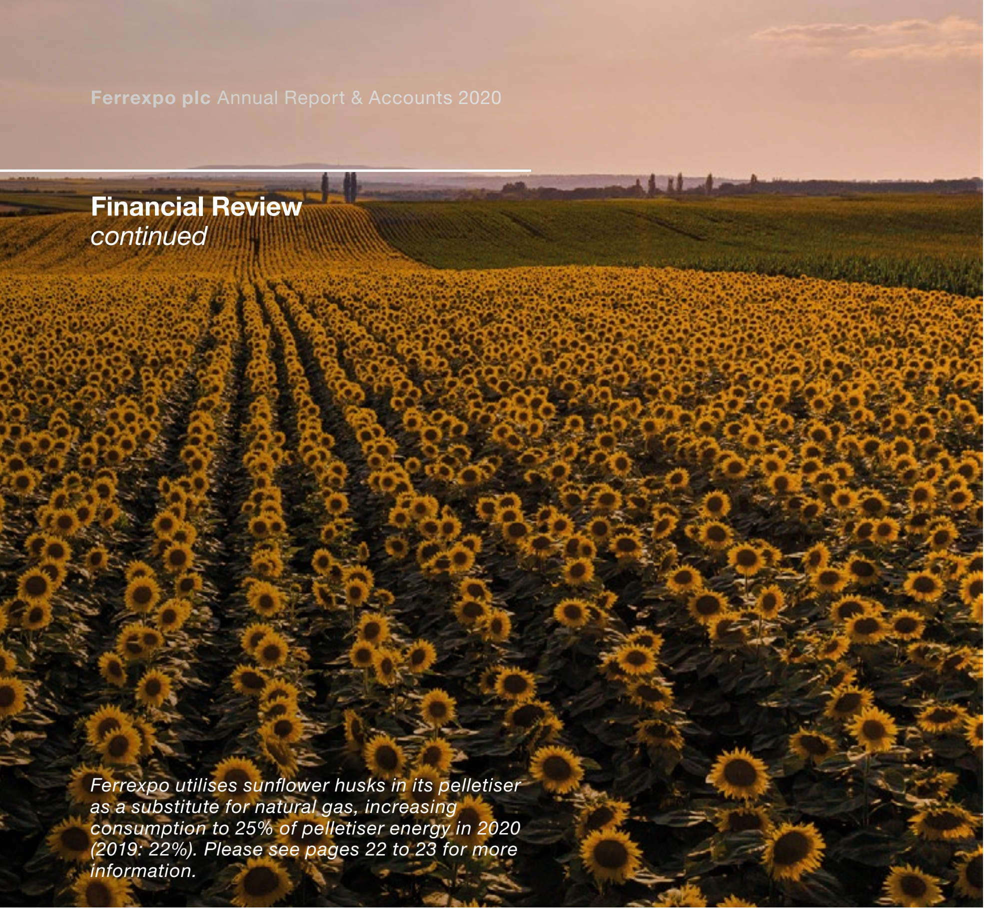
Selling and distribution costs

Total selling and distribution costs were US$309 million (2019: US$294 million), reflecting an increase in sales to Asia, which was partly offset by lower freight rates. As a result, international freight costs arising from CFR sales increased by US$17 million compared to 2019.

General, administrative and other expenses

General and administrative and other expenses was US$62 million compared with US$66 million in 2019, mainly due to US$3 million decrease in audit and professional fees.

Financial Review
continued



Ferrexpo utilises sunflower husks in its pelletiser as a substitute for natural gas, increasing consumption to 25% of pelletiser energy in 2020 (2019: 22%). Please see pages 22 to 23 for more information.

Table 4: Ukrainian Hryvnia vs. US Dollar

	UAH per US$
Spot 16.03.21	**27.643**
Opening rate 01.01.20	**23.686**
Closing rate 31.12.20	**28.275**
Average 2020	**26.958**
Average 2019	**25.846**

Source: National Bank of Ukraine.

Currency

Ferrexpo prepares its accounts in US Dollars. The functional currency of the Group's operations in Ukraine is the Hryvnia, which has historically represented approximately half of the Group's operating costs. In 2020, the Hryvnia depreciated 19% from UAH23.686 per US Dollar on 1 January 2020 to UAH28.275 per US Dollar as of 31 December 2020. For further information, please see C1 Cash Cost of Production[A] on page 19.

Local balances as of 31 December 2020 are converted into the Group's reporting currency at the prevailing exchange rate. The depreciation of the Hryvnia resulted in a US$301 million decrease in net assets in 2020 (2019: increase of US$246 million), as reflected in the translation reserve, net of an associated tax effect.

Operating foreign exchange gains/losses

Given that the functional currency of the Ukrainian subsidiaries is the Hryvnia, a depreciation of the Hryvnia against the US Dollar results in foreign exchange gain on the subsidiaries' US Dollar denominated receivable balances (from the sale of pellets). The operating foreign exchange gain in 2020 was US$61.0 million compared to a loss of US$46.8 million in 2019.

Non-operating foreign exchange gains/losses

Non-operating foreign exchange gains are mainly due to the conversion of the Hryvnia 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. In 2020, the Group recorded a non-operating foreign exchange gain of US$5.3 million (2019: loss of US$18.5 million), which was driven by a 19% depreciation of the Hryvnia during the year against the US Dollar, as well as changes in the Euro/US Dollar exchange rate. For further information, please see Note 9 Foreign Exchange Gains and Losses to the Consolidated Financial Statements.

Underlying EBITDA[A]

Underlying EBITDA[A] in 2020 increased 46% to US$859 million compared to US$586 million in 2019.

This increase in 2020 reflects a 17% increase in the Group's total sales volumes to 12.1 million tonnes, which contributed an additional US$100 million, in addition to a US$6 per tonne decrease in C1 cash costs, which contributed a further US$71 million. This was partially offset by a 4% decrease in realised DAP/FOB pellet prices, which reduced underlying EBITDA[A] by US$41 million. Selling and distribution and other costs reduced by US$35 million. The 2020 Underlying EBITDA[A] includes a noncash operating forex gain of US$61 million in 2020 (2019: non cash operating forex loss of US$47 million).

Interest

Interest expense on loans and borrowings declined 33% to US$22 million compared to US$34 million in 2019 due to a lower average outstanding debt balance. The average cost of debt for the period ended 31 December 2020 was 5.2% (average 31 December 2019: 7.0%). The decrease of the cost of debt was driven by the repayment of US$173 million 10.375% Eurobonds in April 2019. Further details on finance expense are disclosed in Note 10 Net Finance Expense to the Consolidated Financial Statements.

Tax

In 2020, the Group's tax expense was US$113 million (2019: US$56 million). The effective tax rate for 2020 was 15.1% (2019: 12.2%). The increase of the effective tax rate is driven by a higher proportion of taxable profits in Ukraine.

In 2020, the Group paid income taxes of US$57 million (2019: US$84 million), of which US$54 million were paid in Ukraine (2019: US$73 million). US$48 million of income taxes related to 2020 are expected to be paid in 2021, of which US$42 million in Ukraine. Further details on taxation are disclosed in Note 11 Taxation to the Consolidated Financial Statements.

Profit for the period

Profit for the period increased 58% to US$635 million compared with US$403 million in 2019, reflecting a 51% increase in operating profit (including operating foreign exchange effects) and US$12 million lower net financial expense and a foreign exchange gain of US$66 million compared to foreign exchange losses of US$65 million in 2019 as well as higher income tax expense of US$56 million.

Cash flows

Operating cash flow before working capital increased 27% while the working capital outflow in 2020 was US$26 million compared to an inflow of US$30 million in 2019. The increase in working capital largely reflects an increase in trade accounts receivable and other receivables, such as prepayments.

As a result of the higher operating cash flow, the net cash flow from operating activities increased 45% to US$687 million in 2020 (2019: US$473 million). Capital investment was US$206 million, a decrease of 17% compared to 2019 (US$244 million), while dividends paid during the 2020 calendar year increased by 26% to US$195 million compared to US$155 million in 2019.

Capital investment[A]

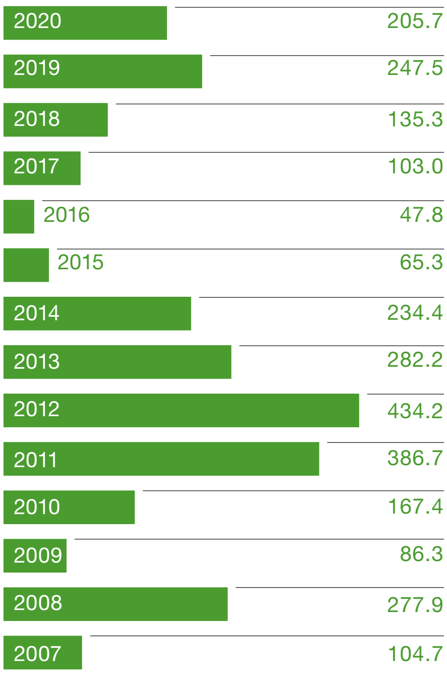
Capital expenditure in 2020 was US$206 million compared to US$247 million in 2019. Of this, US$103 million was sustaining and modernisation capex (2019: US$102 million) at FPM, FYM, FBM, First-DDSG and others. Total investment in the Group's concentrator, including the concentrator expansion project commissioned in 2H 2020, amounted to US$33 million in 2020 (2019: US$34 million), with these projects expected to increase concentrate production by 1.5 million tonnes per annum in 2021. FPM also spent US$45 million on its press filtration project during the year. Ferrexpo also invested US$6 million (2019: US$11 million) in the development and exploration of the Belanovo, Galeschyno and the Northern Deposits.

For further information regarding the Group's capital investment plans to expand existing production above current levels, please see the Operational Review section (pages 22 to 25).

Dividends

A special interim dividend of 39.6 US cents per share (2019: 3.3 US cents per share) has been announced and will be paid on 15 April 2021 to shareholders on the register at the close of business on 26 March 2021. The dividends paid in respect of 2020 are now 72.6 US cents (2019: 19.8 US cents), and this increase reflects the Group's continued strong operational and financial performance, transition to net cash position and continued healthy iron ore prices. The dividend will be paid in UK Pounds Sterling with an election to receive US Dollars. The Group's Board will consider, as appropriate, whether or not to propose a final dividend in respect of

Capital investment since IPO
(US$M)



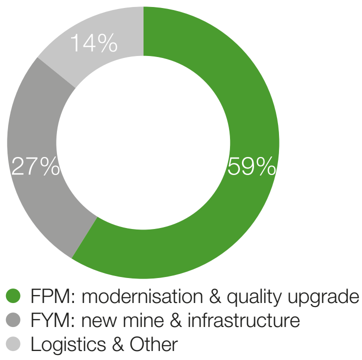
+US$2.75BN

Over US$2.75 billion invested since IPO

US$206M

Capital investment in Group's assets in 2020

Capital investment since IPO
(By area)



2020, which if proposed will be put to the Group's AGM in May 2021. The total available distributable reserves of the Group are shown in Note 12 (Earnings Per Share and Dividends Paid and Proposed). Payment of further dividends during 2021 calendar year will require a waiver from lenders, or full repayment of this facility.

Debt and debt maturity profile

Ferrexpo has a strong balance sheet, low levels of gross debt and had a net cash position as of 31 December 2020 (31 December 2019: net debt position of US$281 million). At the end of the comparative year ended 31 December 2019, the Group had a net debt to underlying EBITDA[A] position of 0.48x. The Group's net cash position of US$4 million as of 31 December 2020 includes a cash position of US$270 million (31 December 2019: US$131 million).

Gross debt as of 31 December 2020 was US$266 million compared with US$412 million as of 31 December 2019. The Group's gross debt relates to a Pre-Export Finance ("PXF") facility that was initially drawn down in 2017. As of 31 December 2020, the total amount drawn was US$257 million and US$10 million is available for future drawdown if required by the Group. Amortisation of this facility commenced in 1Q 2020 and it will amortise over a total of 12 quarters until 4Q 2022.

The credit ratings agency Moody's has a long term corporate and debt rating for Ferrexpo of B2, with a negative outlook. Furthermore, during 2020, the credit ratings agency Standard & Poor's downgraded Ferrexpo's long term foreign issuer credit rating by one notch to B-, with a negative outlook. The credit ratings agency Fitch maintains a BB- rating on the Group, with a stable outlook. The credit ratings ascribed by both Fitch and Moody's are capped at a maximum level above Ukraine's Sovereign rating (one notch above sovereign for Moody's and two notches above sovereign for Fitch).

Related party transactions

The Group enters into arm's length transactions with entities under the common control of Kostyantin Zhevago and his associates. For further information, please see Note 34 Related Party Disclosures to the Consolidated Financial Statements.

Operational Review

During the course of 2020, Ferrexpo's operations in Ukraine produced 11.2 million tonnes of iron ore pellets, a 7% increase on the previous year, and representing a record for production of high grade pellets since the Group's IPO. This improvement in production was delivered through a multi-year investment programme throughout the Group's production process.

Mineral Resources and Ore Reserves

Geological work completed during the year focused on in-pit drilling and led to a 12% increase in the Group's JORC-compliant Mineral Resources at FPM and FYM combined, and a 3% increase in the Group's total Ore Reserves, with these estimates shown in the table opposite. At current processing rates, the Group has sufficient Ore Reserves for over 50 years of further production. The resource update process in 2020 also identified 6.3 billion tonnes of additional material at depth below the Group's existing mines with exploration potential for exploitation via underground means. This mineralisation sits outside of the Group's JORC compliant Mineral Resource estimate.

Mining review

Mining activities at the Poltava mine saw ore mined volumes maintained at 17 million tonnes for the second year running, with waste stripping volumes reduced by 7% as operations focused on mining at depth in the main pit, with additional pushbacks planned for 2021.

At the Yeristovo mine, total mining volumes increased by 11% to 44 million tonnes as this relatively new mine continues to develop over time. The increase in mining activity resulted in a greater supply of high grade ore from Yeristovo mine to the main processing plant.

The Belanovo mine is Ferrexpo's newest development project, with a focus on pre-stripping activities in 2020 and general preparatory work with existing infrastructure and land acquisition. The long-term development of the Belanovo mine is a key investment in the Group's planned increase towards its strategic goal of doubling existing production levels.

Processing review

Processing activities in the beneficiation plant increased by 4% to 30 million tonnes in 2020, following the implementation of new processing capacity in the second half of 2020 (for more detail, see the Future Growth Investment Plan Programme section on pages 24 to 25). Expectations for processing in 2021 are for a further increase as operations realise a full year at the plant's newly expanded processing capacity. The Group is also progressing construction of its concentrate stockyard, press filtration and medium- and fine-crushing projects, which are collectively expected to provide additional operational flexibility in processing.

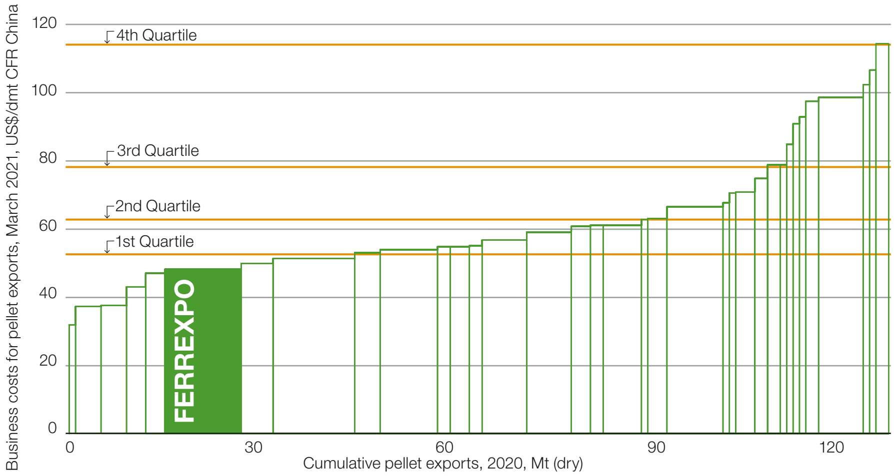
Maintenance is key to a successful operation and further work was completed in 2020 to ensure consistent and high quality production. Work in this area focused on embedding world class maintenance planning processes and the adoption of a management system for preventative maintenance. An example of the progress being made in maintenance can be seen in the change in culture and consistent increase in pelletiser availability rates in 2017-2019, increasing to 88% in 2020, up from 84% in 2017.

In 2020, the Group increased production of high grade (65% Fe or above) iron ore pellets to 99% of total output (2019: 96%). Further to this increase, the Group has also commenced production of direct reduction ("DR") pellets, which are higher grade (67% Fe) and lower impurity than alternative forms of iron ore pellets. DR pellets are expected to represent the future of global steel production, as steelmakers transition to the production of carbon-free Green Steel, with DR pellets the primary source of virgin iron utilised in this process. The Group continues to develop its offering of DR pellets, production of which is possible through the Group's existing production facilities, with two trial cargoes in 2020, and a further four trial cargoes planned for 2021.

Operations

(000't unless otherwise stated)	**2020**	2019	% change
Iron Ore Production			
Iron ore mined	**29,842**	28,195	+6%
Strip ratio (waste:ore)	**3.2**	3.4	-6%
Iron ore processed	**29,723**	28,475	+4%
Concentrate produced	**14,007**	13,228	+6%
Pellets produced	**11,218**	10,519	+7%
Of which 67% Fe pellets ("DR pellets")	**339**	–	–
Of which 65% Fe pellets ("Premium Pellets")	**10,780**	10,116	+7%
Of which 62% Fe pellets ("Basic Pellets")	**98**	403	-76%
Iron Ore Sales			
Pellets sold	**11,878**	10,312	+15%
Concentrate sold	**183**	–	–
Total iron ore products sold	**12,062**	10,312	+17%

CRU breakdown pellet cost curve to China
(US$ per tonne)



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

Chief Geologist Alexander Belous hosting virtual site visit, August 2020.

CASE STUDY

UTILISING TECHNOLOGY TO ADAPT TO A PANDEMIC

In light of travel restrictions imposed as a result of the global COVID-19 pandemic, in August 2020 Ferrexpo conducted a virtual site visit to host third party consultants Bara Consulting Ltd ("Bara"), to conclude the planned update to the Group's Mineral Resources and Ore Reserves under the JORC Code.

+12%

12% increase in Mineral Resources for FPM and FYM combined in 2020.

In the first site visit of its kind for Ferrexpo, the Group's site teams hosted Bara's engineers and geologists using live stream video cameras on the crest of each mining operation and drone footage to assess the status of each mine, with simultaneous presentation of mine design software and discussion with Ferrexpo's specialists. This visit was an integral part of the Group's resource and reserve update, which is dated as of June 2020, and completion of which would not have been possible without the use of modern technology to show Bara's specialists around our operations.

Strategic Report
Corporate Governance
Financial Statements

The Group continues to utilise sunflower husks as a biofuel in its pelletiser, as a substitute for natural gas. Sunflower husks are an abundant by-product of the sunflower industry in Ukraine, which was the world's largest producer in the 2019-2020 crop year[1]. This project has been in place since 2015, and usage has steadily increased as the Group optimises the usage of husks in its pelletisers. In 2020, the Group successfully increased usage to 25% of the total energy consumed in the pelletiser (2019: 22%).

C1 cash costs[A] review

As shown in the graph opposite, Ferrexpo continues to operate in the lowest quartile for pellet exporters globally, as assessed by CRU. The Group's C1 cash cost[A] of production was US$41.5 per tonne in 2020; for more details on the key drivers behind the Group's C1 cash costs[A], please see Financial Review section, pages 18 to 21.

Logistics review

The Group's sales of 12.1 million tonnes in 2020 is a record for Ferrexpo since IPO in 2007, representing a significant achievement for all those involved. Of particular note was the loading of 47 capesize vessels in 2020, a 68% increase on the prior year, and this reflects the flexibility Ferrexpo has in its logistics chain to meet changing global demand.

Outlook for 2021

The Group expects to deliver a further increase in production from the level seen in 2020. Pellet production is likely to be higher in the second half of 2021 as pelletiser upgrade work is planned for the first half of the year, which will deliver approximately 0.5-1.0 million tonnes per annum of additional full year pelletiser capacity in the second half of 2021. The Group also expects to market additional concentrate for sale during 2021 as a result of investments completed in expanding processing capacity in 2020.

The Group's ongoing growth projects are shown on pages 24 to 25, which represent the near term investment being made to grow production and increase product quality.

Ore Reserves and Mineral Resources

	Proven			Probable			Total		
Ore Reserves	Mt	Fe total %	Fe magnetic %	Mt	Fe total %	Fe magnetic %	Mt	Fe total %	Fe magnetic %
Gorishne-Plavninske-Lavrykivske ("GPL")	313	33	26	841	31	23	1,154	32	24
Yerystivske	234	30	25	290	33	26	524	32	26
Total	**547**	**32**	**26**	**1,131**	**33**	**24**	**1,678**	**32**	**24**

	Measured			Indicated			Inferred			Total		
Mineral Resources	Mt	Fe total %	Fe magnetic %	Mt	Fe total %	Fe magnetic %	Mt	Fe total %	Fe magnetic %	Mt	Fe total %	Fe magnetic %
Gorishne-Plavninske-Lavrykivske ("GPL")	479	35	29	1,639	30	22	744	32	24	2,862	31	23
Yerystivske	283	35	29	571	34	27	382	33	27	1,255	34	27
Bilanivske	336	31	24	1,149	31	23	217	30	21	1,702	31	23
Galeschynske	–	–	–	268	55	–	58	55	–	326	55	–
Total	**1,098**	**33**	**26**	**3,627**	**33**	**21**	**1,401**	**33**	**23**	**6,126**	**33**	**23**

The Group's JORC-compliant Ore Reserves and Mineral Resources shown above are based on an independent review completed by Bara Consulting, and are dated as of 1 June 2020.

[1] Source: www.statista.com/

Operational Review
continued

FUTURE GROWTH INVESTMENT PROGRAMME

MINING FLEET AUTOMATION

Location: Yeristovo Mine

Status/timeline: Successful deployment December 2020

Capital outstanding: US$2M for Phase 1

Operational benefit: Phase 1 deployment of autonomous trucks commenced in December 2020, with an expectation to deploy additional autonomous CAT793 haul trucks to production areas throughout 2021 (Phase 1), delivering gains in both safety and productivity.

TROLLEY ASSIST (HAUL TRUCKS)

Location: Poltava Mine

Status/timeline: Scoping study

Capital outstanding: N/A (subject to OEM selection)

Operational benefit: Scoping studies are under way to install a pantograph network of overhead cables in the Group's mines, which would enable haul trucks to ascend the open pit using electricity rather than diesel. Benefits expected in C1 cost base and Scope 1 carbon footprint.

FERREXPO BELANOVO MINE

Location: Belanovo Mine

Status/timeline: Pre-stripping works commenced

Capital investment in 2020: US$6M

Operational benefit: FBM, located 4km north of the Yeristovo Mine, has a significant Mineral Resource of 1.7 billion tonnes of magnetite ore. Ore production from FBM is a prerequisite to the Group achieving its long term goal of increasing pellet production above 20 million tonnes per annum.

CONCENTRATE STOCKYARD

Location: Concentrator

Status/timeline: Commissioning 1H 2021

Capital outstanding: US$3M

Operational benefit: Increases operational flexibility to operate the Group's concentrator and pelletiser independently of each other during periods of plant maintenance. Enables phases of excess concentrate production if desired.

Ferrexpo aims to grow its production base through continual investment in the various sections of its production process, for both volume growth and quality enhancements. The completion of the Group's concentrator expansion in 2020 represents one phase of growth to fully realise the Group's pelletiser capacity of 12 million tonnes per annum, and the following showcases examples from the next phase of growth.

SECTION 9 EXPANSION

Location: Concentrator

Status/timeline: Commissioned 2H 2020

Capital outstanding: N/A (operational optimisation)

Operational benefit: Provides additional 6MTPA of raw ore processing capacity, resulting in 1.5-2.0 million tonnes per annum of additional high grade concentrate capacity for pelletising.

MEDIUM AND FINE CRUSHING 2

Location: Concentrator

Status/timeline: Construction/Q4 2021

Capital outstanding: US$8M

Operational benefit: Second phase of upgrades to plant crushing capacity, adding 800 tonnes per hour of raw ore capacity over two additional crushing lines. Subset of next phase of expansion beyond 12 million tonnes per annum.

PELLETISER UPGRADES

Location: Pelletiser

Status/timeline: 1H 2021 (all four lines)

Capital outstanding: US$10M

Operational benefit: Work to reconfigure initial heating stage within the pelletiser and improved heat recirculation, which will result in enhanced pellet quality through reduced fragmentation of pellets, as well as increases to the productivity of the pelletiser and improved natural gas consumption rates.

SOLAR POWER (PILOT PLANT)

Location: Concentrator

Status/timeline: Procurement/2H 2021

Capital outstanding: US$4M

Operational benefit: First stage in investigating potential for industrial-scale generation of solar power at Ferrexpo's operations, commencing with a 5MW pilot plant. Electricity consumption accounted for 55% of the Group's Scope 1 and 2 carbon emissions in 2020, with solar power offering significant potential for cutting the Group's carbon footprint.

HSEC Committee Chair's Review

PROGRESS IN RESPONSIBLE BUSINESS

In 2020, the CSR committee was reformed into the HSEC committee with an increased focus on all aspects of safety and climate change. As Chair of this new committee, our goal is to deliver sustainable improvements throughout the organisation. Furthermore, the global pandemic has also highlighted the need for companies to take a proactive role in the wellbeing of workforces, with this work coordinated via the HSEC Committee.

A number of Ferrexpo's customers, including those in Germany and Japan, use iron ore pellets to produce high end steels for wind turbines and solar wind farms, with as much as 85% of a wind turbine being made from steel[1].

22% reduction

LTIFR for 2020 of 0.79, 22% below Group's five-year trailing average, and below the Group's peers.

BBB

MSCI ESG Rating, placing Ferrexpo in top 40th percentile of steel companies assessed by MSCI, which was upgraded by one notch to BBB in December 2020[2].

12 months

LTI free at barging subsidiary First-DDSG, reduction in LTIFR at this entity from 5 year trailing average of 3.06 to zero.

16% reduction

in Ferrexpo's CO_2e footprint per tonne in 2020, comprising of an 8% reduction in Scope 1 CO_2e emissions and a 21% reduction in Scope 2 CO_2e emissions (both per tonne of production).

Fiona MacAulay, Chair, HSEC Committee

[1] World Steel Association.

[2] For further information on MSCI ESG Ratings please see www.ferrexpo.com/disclaimer

Safety

Safety remains central to the success of our operations, and we continue to operate with a lost time injury frequency rate below that of the major iron ore producers in Australia. However, it is with deep regret that we report a fatality at our operations in 2020, whereby a maintenance contractor was injured during routine maintenance on heavy equipment in our beneficiation plant. As with any safety event, we endeavour to investigate, learn and improve our practices to ensure this type of accident cannot happen again, with details of the key learning points described in the Safety section on page 28. Across the Ferrexpo Group, we recorded a LTIFR of 0.79 in 2020, which represents a level 22% below our five-year trailing average for safety performance, and which we see as an indication of a culture of safety being embedded throughout the Group.

One area of safety improvement that we are particularly pleased to report on is with our barging subsidiary, DDSG, which has implemented a number of safety initiatives at its operations and operated injury-free for the entirety of 2020. For more information, please see the Responsible Business – Health and Safety section, pages 28 to 29.

Carbon footprint

The world is on a pathway to a carbon-free future, with many countries making pledges to be carbon neutral by 2050, and the global steel industry is no exception to this trend. As part of the network of suppliers that feeds the steel industry, we at Ferrexpo acknowledge the importance of climate change and remaining relevant as economies transition to a carbon neutral future. Longer term, we are developing our DR pellet offering, which are pellets that can be used in the production of Green Steel.

In the more immediate future, we are striving to reduce our carbon footprint on a per tonne basis, with a 16% reduction realised in 2020 alone. This excellent result has been achieved through improving productivities in our operations (Scope 1) and commencing a project to source low- to zero-carbon forms of electricity (Scope 2). We are also continuing to use sunflower husks in our pelletisers, and successfully increased consumption of this biofuel to 25% of the pelletiser's total energy in 2020 (2019: 22%). We are reviewing further increases to our biofuel consumption, having steadily increased this figure since this project's inception in 2015.

Our next major project is the development of a 5MW solar farm at our operations, to trial the effectiveness of solar power in our geographic location. Should this trial be successful, we will look to significantly expand this particular project.

Workforce wellbeing

In other areas, we continue to invest in our workforce, with over 6,500 individuals trained in 2020, despite restrictive measures associated with the global pandemic. In such uncertain times, it is important that we also look after the wellbeing of our workforce, and have offered a range of initiatives, including dedicated mental health support sessions and training in financial planning, as measures to help those who may be struggling through the pressures of working during the pandemic.

ESG ratings upgrade

As a consequence of our efforts to bring our Responsible Business efforts and reporting in line with industry best practice, we can also report that Ferrexpo's ESG rating provided by MSCI was upgraded one notch to BBB in December 2020[2]. This puts Ferrexpo into the top 40% of companies covered by MSCI in the steel sector, and we are extremely proud of this recognition for our efforts.

In February 2021, we also joined the ResponsibleSteel initiative, which is a certification initiative designed to maximise steel's contribution to a sustainable society.

In conclusion, we have seen an unprecedented year in 2020 with the global pandemic. However, with the HSEC Committee and our various local community support projects, I am confident that Ferrexpo is well placed to provide vital support to our workforce, environment and communities during these difficult times, aiming to make Ferrexpo a good corporate citizen for all stakeholders, whilst also addressing climate change as a key priority.

Fiona MacAulay
Chair, HSEC Committee

Ferrexpo Square, Horishni Plavni, July 2020.

Responsible Business

HEALTH AND SAFETY

Creating a safe working environment is paramount to a successful modern mining business and an engaged workforce. Ferrexpo uses a number of leading indicators to help measure progress in implementing safety initiatives, as well as lagging indicators to measure the effectiveness of these efforts.

Safety performance

It is with regret that the Company reports a fatality amongst its workforce in 2020. In August, a maintenance contractor working in the crushing plant was struck when using equipment to lift a cone crusher from its protective housing during regular maintenance. Whilst this individual was wearing the required PPE for this task, the exclusion zone applied around the heavy equipment as it was extracted was not sufficient in size. Ferrexpo endeavours to support any family affected by such a tragic accident and measures are taken to address the specific risks raised by any such incident where an injury occurs. Corrective actions taken in respect of this incident include efforts to strengthen the quality controls in place for inspecting equipment prior to lifting activities, and to extend the relevant hazard zones applied when this type of maintenance is conducted.

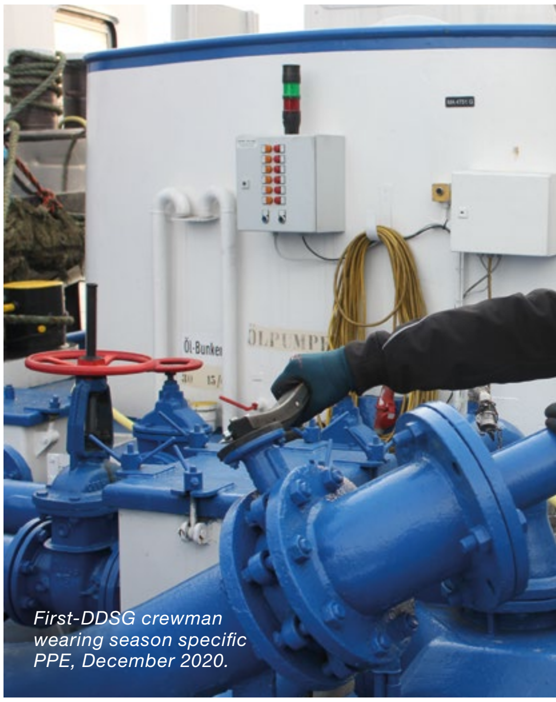
Ferrexpo's LTIFR was 0.79 in 2020 (2019: 0.58), which represents a second successive year where our overall safety performance was recorded at a level significantly below the Group's five-year trailing average LTIFR of 1.01. This result is also significantly ahead of the major iron ore producers in the Pilbara region of Western Australia, which averaged an LTIFR of 1.60 in the most recently published information[1]. Furthermore, a review of the leading and lagging safety indicators that the Group uses to assess its full safety performance is presented below and in the table opposite.

Looking beyond lost time injuries, which are the traditional indicator of safety performance, leading indicators, such as safety inductions and training hours are important tools for assessing the prospect of safety incidents before they occur. These factors, such as safety inductions, were generally affected by measures implemented in response to the global COVID-19 pandemic, with reduced recruitment and an increase in those working remotely. Despite this however, safety inspections were maintained at broadly the same level in 2020. The number of near miss events, significant incidents and road traffic incidents fell in 2020, reflecting the increase in remote working during the global COVID-19 pandemic. A study of Significant Incident Reports ("SIRs") in 2020 indicated that working at heights and road traffic incidents ought to be priority focus areas for our safety initiatives in 2021, but the number of incidents involving the delivery of cargo have decreased significantly in 2020 (50% reduction in 2020 to four working at height related SIRs).

Effective occupational health and safety management systems are an important tool in establishing a safe working culture, with Ferrexpo successfully gaining ISO accreditation (ISO 45001) at FPM in December 2020.

Workforce wellbeing

The global pandemic in 2020 drastically changed the working environment, with Ferrexpo's operations implementing social distancing, staggered shifts and rotating team working patterns, all to reduce the risk of transmission of COVID-19. Ferrexpo's operations are, however, sociable places to work, with many groups meeting outside of work for formal and informal gatherings for sport, hobbies and other activities. In the summer of 2020, Ferrexpo began an offering of remote counselling sessions to support the Group's workforce throughout the pandemic. This support was not limited to counselling, but also personal financial planning, as family's incomes were often negatively affected with family members facing uncertainty around their employment outside of Ferrexpo. The Group considers that these initiatives are critical for Ferrexpo to retain its talented workforce and maintain a level of stability that would otherwise have been missing during the pandemic, and the Group has approved additional funding to continue these efforts into 2021.


First-DDSG crewman wearing season specific PPE, December 2020.

[1] Latest available period: 12 months to June 2020. http://www.dmp.wa.gov.au/Documents/Safety/MSH_Stats_Reports_SafetyPerfWA_2019-20.pdf

CASE STUDY

FIRST-DDSG – SAFETY ACROSS THE FERREXPO GROUP

Ferrexpo's barging subsidiary on the River Danube – First-DDSG – helps transport pellets to its customers in Central Europe. It is the Group's third largest entity in terms of hours worked, but historically has operated with the highest LTIFR within the Group. Recent actions taken to address this issue have had significant results, however, with barging operations operating LTI-free for the entirety of 2020.

Efforts in safety to achieve this great result have focused on the following:

(1) Additional training requirements for safety qualifications.
(2) Adoption of season-specific personal protective equipment ("PPE"), ensuring First-DDSG's workforce have the correct PPE for the conditions faced.
(3) Inclusion of safety related clauses in contracts of employment, providing for both bonuses and penalties.
(4) Mentoring scheme for senior officers and cadet interns, to ensure safe working practices are passed on.

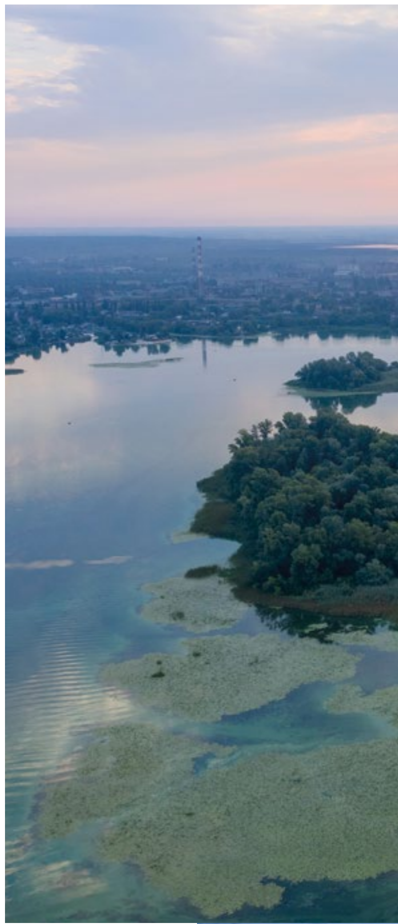
KPIs P14

First-DDSG barge carrying Ferrexpo pellets along the Danube River.

Health and Safety Performance Statistics

	2020	2019	Change
Lagging indicators			
Fatalities	**1**	0	–
Lost time injuries	**17**	10	+70%
LTIFR	**0.79**	0.58	+35%
TRIFR	**1.25**	0.86	+45%
Near miss events	**7**	26	-73%
Significant incidents	**17**	30	-43%
Road traffic incidents	**31**	35	-11%
Lost work days	**1,046**	1,336	-22%
Leading indicators			
HSE inspections	**3,305**	3,349	-1%
HSE meetings	**1,528**	1,347	+13%
HSE inductions	**7,335**	10,147	-28%
Training hours	**14,755**	36,167	-59%
Hazard reports	**51**	37	+38%
Management high visibility hours	**131**	231	-43%

Responsible Business
continued



ENVIRONMENTAL STEWARDSHIP

Ferrexpo's operations cover over 5,000 hectares and are closely linked to the environment through the air, water, land use and biodiversity around the Group's operations. This section focuses primarily on greenhouse gas emissions reporting and climate change, but additional environment-related disclosures and commentaries are available in the Company's Responsible Business Reports ("RBR"), which are available on the Company's website.

Greenhouse gas emissions

During 2020, Ferrexpo's management increased its efforts to reduce the Group's carbon footprint[1], and in doing so delivering an 8% reduction in the Group's Scope 1 CO_2e emissions footprint per tonne and a 21% reduction in Scope 2 CO_2e footprint per tonne, as shown in the table opposite. Ferrexpo's Scope 1 CO_2e emissions, which relate to the Group's controlled operations, are primarily driven by diesel consumption in the mining fleet and natural gas consumption in the pelletiser. Ferrexpo has a competitive advantage over its pellet producing peers in that Ferrexpo uses natural gas for pelletisation, whereas the Group's peers commonly use more carbon-intensive sources of energy, such as coal and heavy fuel oil.

Ferrexpo's improved Scope 1 CO_2e performance relates to a number of productivity gains throughout the business, including a 5% reduction in diesel volumes used in the Group's mining activities, despite a 1% increase in the total tonnage mined. Furthermore, Scope 1 emissions were reduced through an increase in sunflower husk usage, which represented 25% of the input energy in the pelletiser, an increase from 22% in 2019, which acts as a substitute for natural gas. Ukraine was the largest producer of sunflower oil in the world in the 2019-2020 crop season[2], and, therefore, the Group is well placed to take advantage of this by-product as a biofuel in its processing operations.

The greatest area of improvement in the Group's carbon footprint however has been in its Scope 2 CO_2e emissions, which have benefitted from the Group now being able to selectively buy low- to zero-carbon forms of electricity in Ukraine thanks to recent deregulation of the local electricity market. Through these purchases, which began in July 2020, the Group has managed to purchase up to 49% of its electricity from either hydroelectric or nuclear power sources in any given month, and in doing so has reduced the full year Scope 2 CO_2e carbon footprint per tonne by 21%. This proportion of greener electricity purchases is expected to grow as Ukraine's electricity market matures over time.

With a full year ahead of greener electricity purchases, as well as productivity improvements and efficiency savings across the Group's operations, the Group is confident of delivering a similar level of improvement in 2021.

Ferrexpo is also committed to its role in the low carbon future of the global economy, and is investigating low carbon solutions throughout its business. Projects to achieve these goals include near-term projects, such as continued purchasing of greener forms of electricity and the proposed installation of a pantograph network in the Group's mines (see pages 24 to 25), through to longer-term projects such as the development of solar power at the Group's mines and trials of using green hydrogen in the Group's pelletisers. To further help deliver the Group's carbon targets, future large scale investment decisions at Ferrexpo's operations will now include a carbon price in the

[1] Note Ferrexpo's reported on the basis of carbon-equivalent emissions, and include the impact of other greenhouse gases (CH_4 and N_2O).
[2] Source: https://www.statista.com/

Autumn view of River Dnieper, located adjacent to Ferrexpo's operations.

GHG emissions and energy consumption	2020	2019	% Change
CO_2e emissions (tonnes)	**1,262,614**	1,404,878	-10%
– Scope 1 (direct, tonnes)	**565,552**	579,415	-2%
– Scope 2 (indirect, tonnes)	**697,062**	825,462	-16%
Pellets produced (tonnes, 000s)	**11,218**	10,519	+7%
Intensity ratio (kg per tonne pellets)	**113**	134	-16%
– of which Scope 1	**50**	55	-8%
– of which Scope 2	**62**	78	-21%
Emissions from biofuels (tonnes)	**125,360**	104,313	+20%
Energy consumption (kWh)	**5,203,263,593**	5,036,590,365	+3%

Note table above shows carbon-equivalent emissions, with the following gases included in calculations: CO_2, CH_4 and N_2O. During 2020, the Group consulted with external consultants regarding its carbon footprint in 2020 and as a result the Group has updated the carbon emissions factor from emissions factors estimated by the EBRD in 2010 to the latest factors published by the IEA (published September 2020). Scope 2 emissions are therefore restated for 2019. Ferrexpo uses coefficients provided by the Greenhouse Gas Protocol to calculate its emissions.

Hydroelectric dam near the local city of Kremenchuk, located 35km from the Group's operations.

CASE STUDY

WHAT IS GREEN STEEL AND WHY IS IT RELEVANT?

A huge shift is under way in the steel industry, with steel producers under significant pressure to reduce their carbon footprint and produce steel without any carbon emissions (known as Green Steel). Whilst Ferrexpo's pellets are not directly related to the emissions of steelmakers, Ferrexpo's pellets contribute to a steelmaker's Scope 3 emissions, and the Group understands the need for its pellets to have a reduced carbon footprint. This movement presents a significant opportunity for both Ferrexpo and iron ore pellets in general, as the process to produce steel without carbon emissions is through the path of Direct Reduced Iron ("DRI"), whereby high quality DR pellets are processed using carbon-free electricity to create high end steels. Since this process requires iron ore pellets, rather than the more common sinter fines, the Group expects demand for DR pellets to grow significantly in the medium term. The Company began trial shipments of DR pellets in 2020 and additional trial shipments are planned for 2021.

Further to the Group's move towards Scope 3 emissions reporting and DR pellet production, Ferrexpo has also joined the ResponsibleSteel initiative, which aims to maximise steel's contribution to a sustainable society. ResponsibleSteel provides a platform for a multi-stakeholder approach to sustainability, to establish an independent certification standard and programme for steel production.

Responsible Business
ENVIRONMENTAL STEWARDSHIP
continued

Dragon boats used for racing on Dnieper River, Horishni Plavni.

associated financial modelling. The first such example will be in assessing the long term replacement options for the Group's mining fleet, modelling for which is being considered in 2021 and will include a carbon price of US$17 per tonne, which reflects the five year trailing average price of carbon in the EU.

The Group has also now become a full member of the ResponsibleSteel initiative, which is the steel industry's first global multi-stakeholder standard and certification initiative, which aims to maximise steel's contribution to a sustainable society. This initiative aims to develop a certification standard for participants throughout the steel supply chain. Ferrexpo has now begun consultations regarding independent certification of its carbon emissions reporting and reduction targets.

Further reading

Further information regarding climate change scenario planning is available in the Company's latest Responsible Business Report (www.ferrexpo.com).

In addition, the Group successfully implemented a number of ISO certificates at its operations in Ukraine in 2020. The accreditation of Ferrexpo's energy management system at FPM (ISO 50001:2018) was achieved in December 2020, along with the Group's continuing certificate for its environmental management system (ISO 14001:2015). Finally, the Group's barging subsidiary First-DDSG completed its certification process for its quality management system (ISO 9001:2015) in January 2020.

Scope 3 emissions

As well as reducing the Company's footprint per tonne in terms of its Scope 1 and Scope 2 CO_2e emissions, the Company is also committed to increasing its disclosures around its Scope 3 emissions, which relate to the upstream and downstream activities beyond the production of iron ore pellets. In 2019, Ferrexpo started reporting its Scope 3 emissions in relation to the conversion of iron ore pellets to steel by steelmakers, on the basis that this represents the majority of Ferrexpo's Scope 3 emissions. This year, Ferrexpo is proud to report that it has worked with external consultants to establish a calculation for Scope 3 emissions that includes a range of upstream and downstream activities, such as employee commuting, tyre usage and third party distribution of pellets via rail and oceangoing freight. On this basis, the Group's Scope 3 emissions in 2020 were 12.1 million tonnes of CO_2, or 1,082 kilogrammes of CO_2 per tonne of product produced (2019: 1,020 kg/t, using updated Scope 3 calculation). The conversion of the Group's iron ore products into steel accounted for 94% of the Group's Scope 3 emissions in 2020 (2019: 92%).

Energy consumption

Ferrexpo's energy consumption in 2020 was 5,203,263,593kWh (2019: 5,036,590,365kWh), representing the equivalent of 464kWh per tonne of pellets produced (2019: 479kWh per tonne). Energy consumption data is presented here in kilowatt-hours on the basis of new regulatory requirements for London-listed entities. For continuity with last year's energy reporting, the Group confirms its energy consumption was the equivalent of 18.7PJ in 2020 (2019: 18.1PJ).

Task Force on Climate-Related Financial Disclosures ("TCFD")

The following sections of this report are aimed at addressing the various requirements for reporting under TCFD.

- Board oversight of climate change risks and opportunities: pages 30 to 33 and Principal Risks section 48 to 60.
- Management's role in assessing climate change related risks and opportunities: pages 30 to 33 and Principal Risks section 48 to 60.
- Organisational processes to identify, assess and manage climate change related risk: pages 30 to 33 and 2019 Responsible Business Report (www.ferrexpo.com/responsibility).
- TCFD-specific metrics and targets: pages 30 to 33.

Climate change: risks and opportunities

Climate change presents a number of risks and opportunities for Ferrexpo and its operations in Ukraine and logistics business beyond Ukraine. These are presented in detail in the Company's latest Responsible Business Report (available at www.ferrexpo.com), which was released in August 2020, with the main factors summarised as follows:

- Climate change related risk (policy) – carbon pricing. Ukraine currently operates a carbon tax of UAH15 per tonne CO_2, escalating by UAH5 per year until 2024. This is significantly below the CO_2 price per tonne for companies operating under the EU's Emissions Trading System. The Company is looking to address this risk by reducing its carbon footprint – please see pages 30-33.

- Climate change related risk (technology) – many of the world's steelmakers are currently focused on reducing their Scope 1 and 2 carbon footprints, including a number of Ferrexpo's customers, with steelmakers targeting a switch to Green Steel as a result. Ferrexpo is likely to have to switch production of its pellets to direct reduction pellets over blast furnace pellets in the long term to satisfy this change in demand, and the Group is currently in the process of forging customer relationships with DR pellet customers to further future proof the business – see pages 26-27, 30-33 and 40-43 for more information.
- Climate change related opportunity (technology/customer behaviour) – iron ore pellets represent a product that steelmakers can utilise to lower their carbon footprint by up to 40% for every tonne of pellets used instead of the more commonly used sinter fines[1]. This presents an opportunity for the business as steelmakers look to increase pellet usage in blast furnaces, particularly in China, where pellet usage is currently only 10-15%[1] of the burden mix in blast furnaces. For more information on the opportunities around increasing pellet usage, please see Market Overview, pages 10 to 11.

A more extensive listing of the climate change related risks and opportunities facing the business is provided on pages 61-64 of the Company's 2019 Responsible Business Report (available at www.ferrexpo.com). Further details on the Principal Risks facing the Group are also provided on pages 48 to 60.

Climate change: scenario modelling

Ferrexpo has considered two climate change scenarios in its review of the future impact of climate change on its business:

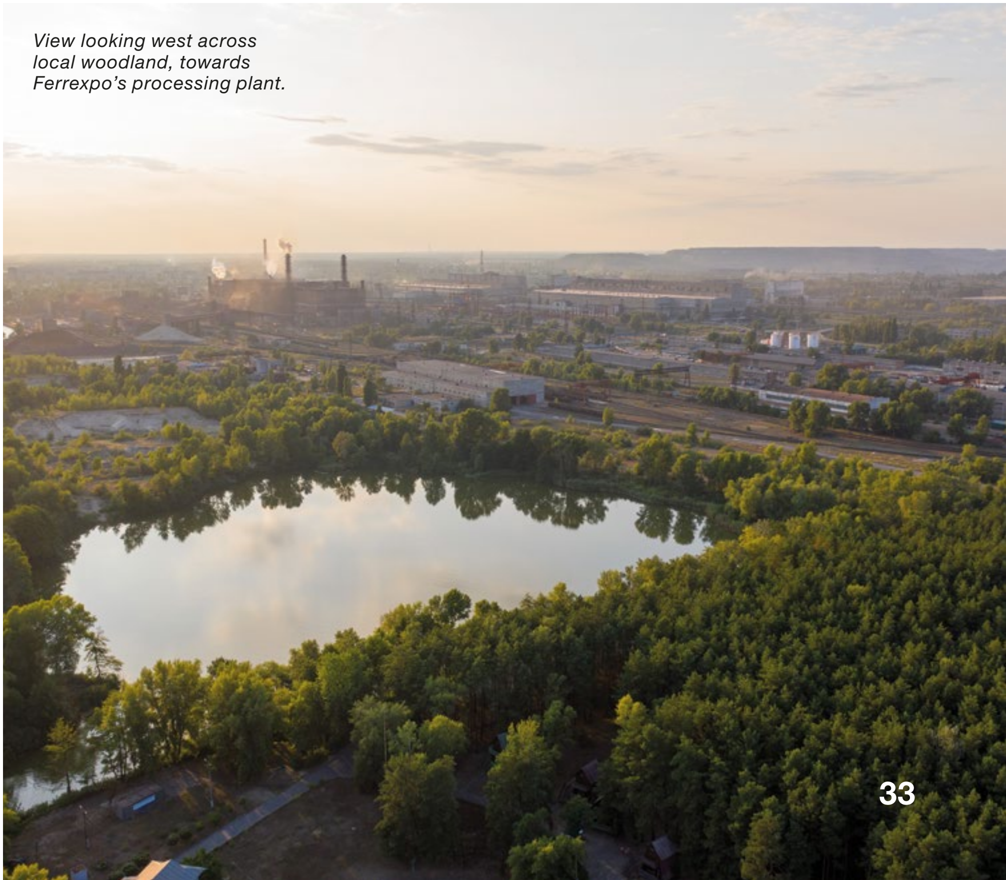
- A 2°C scenario, as envisaged by the Paris Agreement, with an associated increase in government regulation compared to today.
- A +3°C scenario, whereby governments do not address climate change, and the business faces increased physical effects as a result of climate change.

Details of these two scenarios are provided in the table above.

[1] Source: CRU.

Climate Change: Scenario Modelling and Impacts

	Characteristics	Impacts
2°C scenario	Increased government regulation to curb the potential impacts of climate change in the medium to long term.	Carbon pricing: application of the same level of carbon pricing in Ukraine as currently envisaged as required under the Paris Agreement (US$50-100 per tonne CO_2) would equate to an additional cost of US$3 to US$5 per tonne of pellet production. Electricity pricing: phase out in Ukraine of thermal power plants and increased demand for low-carbon forms of electricity is likely to increase overall electricity prices in Ukraine in the short term, before additional supply of low-carbon electricity is brought online in the medium term.
+3°C scenario	Increased physical effects of climate change in the medium to long term.	Water stress: US Aid projections for Eastern Europe forecast prolonged periods of drought in the event of a +3°C scenario, which would potentially limit the Group's ability to source and utilise water in its operations. Water is currently used in processing to remove waste material, such as silica, and increase the iron content of the Group's ores, as well as in mining operations to limit dust emissions. Any restriction on the availability of water usage could have an adverse effect on the Group's ability to mine and process its ores to the same extent as it does today.



View looking west across local woodland, towards Ferrexpo's processing plant.

Responsible Business
continued

SOCIAL ENGAGEMENT

Working with local communities through the Ferrexpo Charity Fund to develop local initiatives and provide support where it is needed.

Local communities play an integral role in Ferrexpo's social licence to operate, and the Group understands the need to play a constructive and proactive role in the communities located close to the Group's operations. Ferrexpo coordinates its community activities through its own Charity Fund, which was established in 2011, and through direct sponsorship of projects by Ferrexpo's operating entities FYM and FBM. The primary focus areas of the Group's work in local communities are as follows:

(1) Social partnership projects (for example, the refurbishment of hospitals and schools);

(2) Local community development (for example, supporting the local Palace of Culture);

(3) Direct aid for local individuals (funding medical procedures for example); and

(4) Administrative support for local council budgets (road repairs and safety bollards for example).

Ferrexpo's Charity Fund and local operating entities FYM and FBM focus their efforts on supporting communities immediately surrounding each of the Group's three mines, in order to develop close ties with each community, working with community leaders to ensure work carried out is both relevant and targeted. Total community support expenditures in 2020, including funds dedicated to the COVID-19 Response Fund (see section below), amounted to UAH158 million (equivalent of approximately US$5.9 million). This figure represents an 11% increase of such expenditures, which reflects the increased level of support for Ferrexpo's local communities affected by the global pandemic. Further details of the Company's response to COVID-19 are provided below, as well as on page 9.

COVID-19 Response Fund

2020 has been an extraordinary year, with communities around the world affected by the global COVID-19 pandemic. In March 2020, the Group responded to rising concerns with a standalone fund for assisting local hospitals and schools to acquire necessary medical equipment and PPE to respond to the pandemic, with an initial US$2.5 million of funding approved for this dedicated fund to assist local hospitals. In light of the continuing pandemic in early 2021 and in recognition of the continuing need for community support, the Group has approved a further US$1.0 million of support through the COVID-19 Response Fund. Through discussions with hospital management, funds have been utilised in a range of areas, including the provision of PPE and specialist medical equipment, such as respirators, that would be necessary to assist treatment of COVID-19 patients.

Specific donations have included the following:

– Remote monitoring equipment and lighting for intensive care patients, Kremenchug hospital;
– Ventilators for hospitals in Horishni Plavni, Kremenchug and Poltava City;
– Ambulance purchase for Horishni Plavni hospital; and
– Numerous purchases of PPE equipment for local schools and hospitals.

Further details of the Group's response to COVID-19 are provided on page 9.

Art installation, Ferrexpo Square, Horishni Plavni, October 2020.

Nova Galeschina school refurbishment, September 2020.

CASE STUDY

REFURBISHING HOSPITALS AND SCHOOLS

Ferrexpo's Charity Fund not only moved to acquire essential medical equipment in response to the global COVID-19 pandemic in 2020, but the fund has also a long-standing initiative to refurbish and modernise local schools and hospitals. In 2020, these efforts continued with work carried out on hospitals in Horishni Plavni and Nova Galeschina, along with refurbishment work at schools in Solonitsa and Nova Galeschina (pictured here).

Online

Please see the Ferrexpo website for five years of dedicated Responsible Business Reports.

Further reading

www.ferrexpo.com/responsibility

Responsible Business
continued

GOVERNANCE

Strong corporate governance is a requirement for modern businesses to succeed and maintain a sustainable business model. Corporate governance enables companies to operate effectively, with transparency in decision-making and fairness for all stakeholders. Whilst Ferrexpo's Board of Directors is responsible for setting the Group's overall governance strategy and framework, governance is applied as a culture throughout the workforce.

Board structure

Ferrexpo's Board of Directors (the "Board") is comprised of a Chair and six Directors, four of whom are Independent Non-executive Directors. Ferrexpo's Board. The Board understands the need for high standards of corporate governance and the direct impact this can have on the Group for all stakeholders. The Board announced an additional appointment of Ann-Christin Andersen as an Independent Non-executive Director in March 2021 and is seeking to appoint an additional Independent Non-executive Director.

Shareholder engagement

The Group's Annual General Meeting ("AGM"), which is typically held in May of each year, is an opportunity for the Board to receive shareholder feedback on a number of subject areas, including corporate governance. Following the 2020 AGM, the Board conducted a shareholder feedback process to establish the reasons behind shareholder voting at the 2020 AGM. This process resulted in feedback from a number of the Group's largest shareholders, and the Group is currently seeking to implement measures in response to this feedback.

Related party matters

The Group has a controlling shareholder that also has a number of different businesses with which the Group has a commercial relationship.

In order to maintain strong levels of corporate governance, to ensure that these business relationships are conducted on an arm's length basis, the Group has both the Committee of Independent Directors at the Board level and the Executive Related Party Matters Committee at the management level.

As disclosed in the Group's 2019 Annual Report and Accounts and 2020 Interim Results, the Board acting through the Committee of Independent Directors ("CID") has been conducting a review into its sponsorship arrangements with FC Vorskla, with specific reference to payments totalling c.US$17 million made by FC Vorskla to Collaton Limited, an entity controlled by Kostyantin Zhevago, in connection with the renovation and construction of certain FC Vorskla stadiums and training grounds in Ukraine (the "Loan"). The CID, with assistance from third party advisers, has now concluded its review and arrangements have been made for the Loan to be repaid in full. As disclosed in the 2020 Interim Results, the CID had been informed that the Loan is expected to be repaid via the sale and leaseback of certain capital projects of FC Vorskla in Ukraine, although with the ongoing COVID-19 pandemic and general market conditions in Ukraine, the CID has since been informed that this may not be possible in the near term. Therefore additional arrangements have been put in place by Kostyantin Zhevago and his associated entities for full repayment of the Loan to take place by 31 July 2022. These arrangements have been reviewed by the CID, and having put in place appropriate monitoring controls, the CID is satisfied with the arrangements.

Separator Operator Kira Abaza in Ferrexpo's beneficiation plant, June 2020.

The current sponsorship agreement with FC Vorskla Ukraine, as agreed in 1Q 2021, includes enhanced reporting requirements by the football club to the Group and additional provisions around the use of sponsorship funds. Further details are provided in the Audit Committee report on page 76, in addition to Notes 30 and 34 to the Consolidated Financial Statements.

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 2019 available on the Company's website and the report for 2020 expected to be released in 3Q 2021.

Reporting requirements	Policies and standards	Additional information	Risks
Environmental	– Tailings Management	Greenhouse Gas emissions (pages 30-33) Energy consumption (page 32) www.ferrexpo.com/responsibility/environment	Principal risks, pages 52-60
Employees	– Ethics and Responsible Business Policy – Code of Conduct – Health and Safety Policy	Health and safety (pages 28-29) Learning and development (pages 38-39) Diversity (pages 38-39) www.ferrexpo.com/responsibility/people www.ferrexpo.com/responsibility/health-and-safety	Principal risks, pages 52-60
Human Rights	– Human Rights Policy statement – Data Privacy Policy – Anti-Slavery and Trafficking Statement – Information and Cyber Security Policy	Health and safety (pages 28-29) Diversity (pages 38-39) www.ferrexpo.com/responsibility Ferrexpo Code of Conduct (www.ferrexpo.com)	Principal risks, pages 52-60
Social Matters	– Donations Policy – Community Policy	Chair's Statement (page 4) Social Engagement (pages 34-35) www.ferrexpo.com/responsibility/community www.ferrexpo.com/responsibility/stakeholder-engagement	Principal risks, pages 52-60
Anti-corruption and Anti-Bribery	– Anti-bribery Policy – Anti-money Laundering and Counter Terrorist Financing Policy – Fraud Risk Management – Policy Whistleblowing	Chair's Statement (page 4) Governance (pages 36-37) www.ferrexpo.com/responsibility/governance www.ferrexpo.com/whistleblowing	Principal risks, pages 52-60
Principal Risks and impact on business activities		Business Model (pages 16-17) Risk Management (pages 46-47) Viability Statement (page 61) Going Concern Statement (page 111)	Principal risks, pages 52-60
Non-Financial KPIs		Key Performance Indicators (pages 14-15)	

CASE STUDY

COMPLIANCE EFFORTS IN 2020

Online

Ferrexpo's Code of Conduct is available online: www.ferrexpo.com/responsibility/governance

Compliance is a key element to a company's corporate governance, ensuring that the business is effective and balanced in its day-to-day operations. Best practice in compliance is achieved through a variety of work streams, including (a) dedicated compliance training courses, both in-person and online, (b) compliance events to raise awareness, and (c) Ferrexpo's Integrity Line, which is used to report compliance-related concerns that anyone in the business may report anonymously.

Dedicated training

The Group launched an online training course in February 2020 focused on reinforcing knowledge of existing compliance-related topics, with 632 participants during the month. Additional compliance-related events were held in the form of a Compliance Championship, knowledge days and a Compliance Forum, whereby external speakers presented to senior leaders on recent developments in compliance.

Code of Conduct

Ferrexpo's Code of Conduct and Code of Conduct for Business Partners are the main documents by which the Group engages with its workforce and suppliers respectively. As of 2020, a total of 1,955 contracts were signed with compliance clauses included in them, representing 87% of the total number of contracts signed by Ferrexpo's operating entities.

Integrity Line

Ferrexpo's Integrity Line is available at www.ferrexpo.com/IntegrityLine. Users can anonymously report compliance concerns regarding the business by telephone or email, with this function an important safeguard for ensuring that best practice industry standards are maintained throughout the Ferrexpo business. In 2020, a total of 16 concerns were raised via the Integrity Line, compared to 26 in 2019. The main areas of concern were employee relations and conflicts of interest.

Compliance Week

To raise awareness around compliance-related topics, Ferrexpo hosts its annual Compliance Week, bringing together various groups within the business for training courses in compliance and ethical leadership. The third such iteration of this event, which was a virtual conference held in May 2020, was attended by 616 employees, and had speakers from a number of external organisations covering topics such as Ferrexpo's values, ethical leadership, modern slavery, anti-corruption and creating a speak-up culture.

Responsible Business
continued

WORKFORCE AND WORKFORCE ENGAGEMENT

Investing in the Group's workforce

Workforce engagement

Ferrexpo has a global workforce of nearly 11,000 employees and contractors, all of whom contribute to the success of the Ferrexpo business. In 2020, the Company held its third Workforce Engagement Survey, which has provided an important mechanism for employees to provide feedback. With the disruption experienced in relation to the global pandemic, it has been harder to reach out to the number of employees for participation in the 2020 survey, but the Group still managed to receive responses from 1,660 employees in 4Q 2020, across all three operating entities and the Group corporate and marketing functions. Following a review of the responses received, results of the survey will be communicated back to Ferrexpo's employees throughout 2021 via town hall meetings, sharing and discussion of results by line managers, briefings for individual work groups and employee conferences.

Ferrexpo also engages with its workforce in Ukraine, representing 93% of the Group's people, through several printed media publications and newsletters, which give Ferrexpo's management team the ability to reach operators that would not normally use a computer in their day-to-day activities. Ferrexpo also has its social media channels on Facebook, LinkedIn and Instagram, which are used to issue regular updates on its business in both Ukrainian and English.

Diversity

Gender balance in each department of Ferrexpo is important, as this leads to diversity of thought leadership and a more balanced decision-making process. At its operations, Ferrexpo has historically had a more balanced workforce in its administrative functions, compared to production and maintenance roles. The Group is attempting to address this by several new initiatives to promote the role of women in these departments through training programmes. An example of this work can be seen in the Group's project to promote future female leaders of the business, "Fe_munity", which is an initiative commenced in 2020 that involves bringing together 70 women identified as future leaders, to create a high performance community, who will all receive leadership training and mentoring to help advance their careers.

In 2020, women represented 29.2% of Ferrexpo's employees (2019: 29.3%), with women in management positions representing 18.2% of the total (2019: 17.5%). The Group is targeting a figure of at least 25% of managerial roles to be held by women by 2030.

Training

Ferrexpo takes every step to ensure a high level of training is provided to its workforce through its own training and development centre, as well as external courses that are facilitated to help invest in the future of the Group's workforce. The Group's workforce completed over 6,800 training courses at its operations in Ukraine in 2020, despite a sharp reduction in the number of individuals at site due to social distancing and training largely switching to online formats. In line with 2019, the majority of this training was safety related, as the Group continues to embed a safety first culture.

Social media

Ferrexpo uses LinkedIn, Facebook and Instagram to communicate with stakeholders – please see links below for more regular updates on Ferrexpo.

www.linkedin.com/company/ferrexpo-plc/

www.facebook.com/Ferrexpoplc/

www.instagram.com/ferrexpo/

1,660

1,660 employees provided their views as part of 2020 the Employee Engagement Survey.

25%

Targeting an increase to 25% of management roles held by women by 2030 (2020: 18.2%).

6,800

Over 6,800 training courses completed at the Group's operations in Ukraine in 2020.

FERREXPO'S PIONEERS OF 1970

Ferrexpo has a rich history of operating as an iron ore pellet producer since 1970, and in recognition of this history, throughout 2020 the Group released over 30 interviews through its social media channels documenting the memories of the pioneers who helped build the original mine and processing facilities, as well as key members of the management team past and present. Ferrexpo would like to extend its thanks to all those involved in the creation of this series, which has served as an important record of the Group's heritage.

Night time view over western waste dump at Ferrexpo Poltava Mine.

CASE STUDY

EMPLOYEE ENGAGEMENT SURVEY 2020

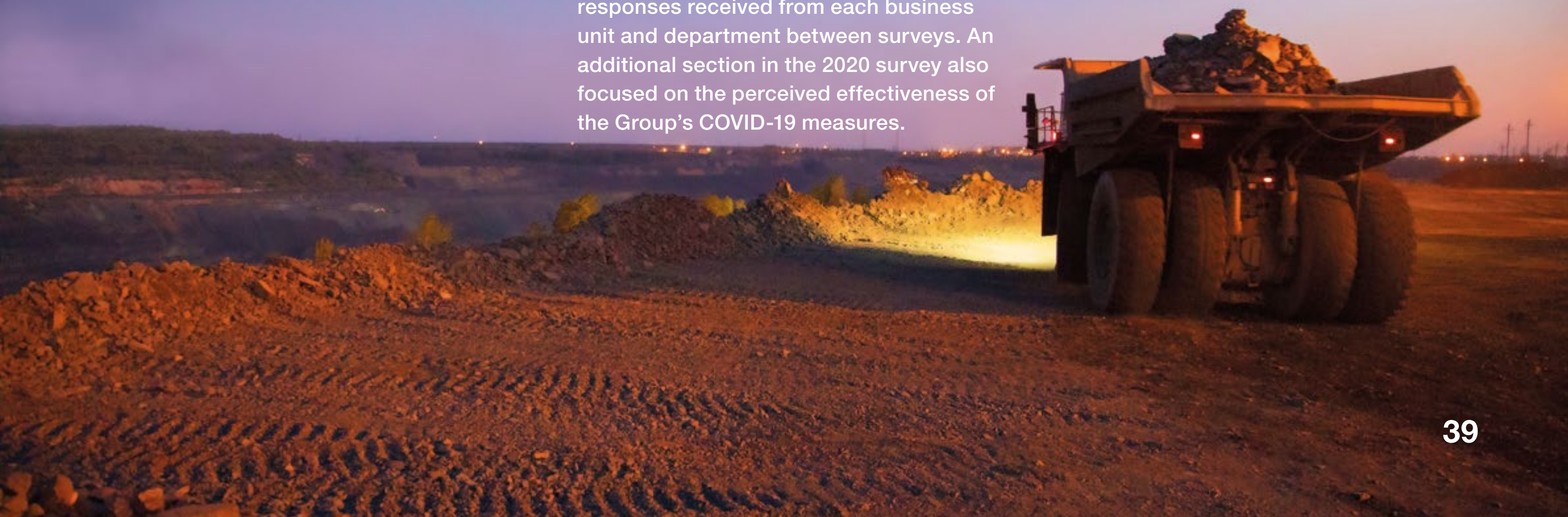
In 4Q 2020, Ferrexpo completed its third Employee Engagement Survey, having conducted previous surveys in 2017 and 2019. Despite the global pandemic limiting workforce numbers at site, the Group managed to receive feedback from 1,660 employees, representing 20% of the employees at the subsidiaries surveyed.

Ferrexpo's Employee Engagement Surveys focus on each respondent's views on broad topics such as alignment with corporate goals, leadership, teamwork, accountability and performance, and reward and recognition, with a number of questions within each section. The survey uses the same questions and enables Ferrexpo's Human Resources department to assess positive and negative trends in the responses received from each business unit and department between surveys. An additional section in the 2020 survey also focused on the perceived effectiveness of the Group's COVID-19 measures.

Responses received in the 2020 survey highlighted that the level of the Group's response to COVID-19 has received high levels of approval from its workforce, with employees averaging an approval rate of 94% for the questions asked in this section. Other sections to receive high levels of approval in the 2020 survey were in the teamwork and accountability sections. Sections whereby feedback suggests further consideration is required were: (a) reward and recognition, and (b) development.

Online

https://www.ferrexpo.com/responsibility/people



Review of Stakeholder Engagement Activities

Engaging with all stakeholder groups for an effective, successful business.

Employees and contractors

Engagement activity in 2020

- 2020 Employee Engagement Survey.
- Annual performance and development reviews.
- Compliance efforts and Integrity Line for raising concerns.

Reasons behind engagement

- To understand issues that are important to the workforce, to address concerns and build future relationships.
- To enhance the relationship between the individual and the business through training and development.

What matters most

- Strong health and safety standards.
- Training and development opportunities.
- Collective bargaining.
- Workforce development.

The Company's response

- LTIFR of 0.79, ahead of iron ore producing peers in Australia.
- 6,863 individual training courses undertaken in 2020 (2019: 15,586).
- Latest collective bargaining agreement agreed in February 2020.

How quality of engagement is assessed

- Safety metrics either in line with or ahead of peers.
- Good working relationship with unions at operations in Ukraine.

Plans for engaging in 2021

- Employee Engagement Survey and feedback sessions in 2021.
- Continued workforce development programme.

Customers

Engagement activity in 2020

- Relationship management.
- Feedback provided following each shipment.
- Contract negotiations for long-term contracts.

Reasons behind engagement

- To develop mutually beneficial business relationships.
- To promote sustainability throughout the value chain.

What matters most

- Product quality.
- Consistent pellet supply.
- Ensuring sustainability throughout the value chain.

The Company's response

- Regular briefings between marketing and operations, providing customer feedback.
- Work to improve consistency of pellet production, such as pellet line refurbishment process, completed in 2019.

How quality of engagement is assessed

- Longevity of customer relationships.
- Multiple long term contracts in place for over ten years.

Plans for engaging in 2021

- Further engagement on pellet quality and pricing.
- Additional focus on Responsible Business activities, specifically carbon emissions within the value chain.

Suppliers

Engagement activity in 2020

- Relationship management.
- Regular feedback.
- Contract negotiations.

Reasons behind engagement

- To develop mutually beneficial business relationships.
- To promote sustainability throughout the value chain.

What matters most

- Quality of supply.
- Effective and timely supply of materials.
- Promote good business and employment in local communities.
- Ensuring sustainability throughout the value chain.

The Company's response

- Where possible, goods and services are sourced from local suppliers.
- As of 2020, 87% of contacts signed by operations included reference to Ferrexpo's Code of Conduct for Suppliers (94% of contracts with value in excess of UAH 500,000).

How quality of engagement is assessed

- Adoption of, and adherence with, Ferrexpo's Code of Conduct for Suppliers.
- Longevity of supplier relationships.

Plans for engaging in 2021

- Further adoption of Ferrexpo's Code of Conduct for Suppliers.

Communities

Engagement activity in 2020

- Regular initiatives through its Charity Fund, active since 2011.
- COVID-19 Response Fund.

Reasons behind engagement

- Communities grant Ferrexpo's operations a social licence to operate and, specifically for 2020, the health of local communities is directly linked to the future success of the business.

What matters most

- Projects relevant to individual communities, established through consistent and effective community engagement.

The Company's response

- Medical donations via COVID-19 Response Fund, with US$2.5 million funding approved March 2020, and further US$1 million approved early 2021.
- Ferrexpo Charity Fund working to refurbish hospitals and schools in local towns and villages.

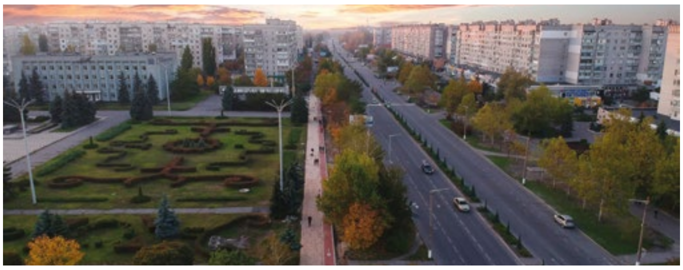
How quality of engagement is assessed

- Direct feedback through community support officers.
- Quarterly town hall meetings with General Directors.

Plans for engaging in 2021

- Charity Fund budget of UAH 87 million in 2021, excluding COVID-19 Response Fund. This figure represents a level in line with 2020 (2020: UAH 92 million).
- Main projects in 2021 will be focused on refurbishment of local hospitals, schools and sports facilities, representing 40% of the budget for 2021.

Review of Stakeholder Engagement Activities
continued



Environment

Engagement activity in 2020

- Greenhouse gas reductions.
- Enhanced emissions monitoring equipment.
- Biodiversity.

Reasons behind engagement

- Local environmental conditions, whether directly or indirectly affected by Ferrexpo's operations, are key to the Group's social licence to operate.

What matters most

- Key focus on climate change across domestic and international stakeholder groups.
- Trend within Ukraine for benchmarking air and water quality between industrial towns.

The Company's response

- 8% reduction in Scope 1 CO_2e emissions footprint per tonne and 21% reduction in absolute Scope 2 CO_2e emissions per tonne.
- Biodiversity projects include river restocking project.

How quality of engagement is assessed

- Dialogue with stakeholder groups, both domestic and international regarding carbon footprint.
- ESG-related research and appraisal of Group's activities.
- Regular community engagement activities.

Plans for engaging in 2021

- Further reporting around greenhouse gases and emissions targets.
- Green projects, including electricity purchasing and generation (solar farm).
- Responsible Business Reports.

Government

Engagement activity in 2020

- Meetings, calls and emails with government officials across jurisdictions in which the Group operates.

Reasons behind engagement

- Governments are central to operating a successful business, for example, through providing operating licences, whilst also providing a platform for effective community engagement.

What matters most

- Companies operating within a consistent and understood financial and legal framework.
- Regular payment of taxes and royalties, in line with licence terms.
- Companies providing employment and support to local communities, as well as export revenues.

The Company's response

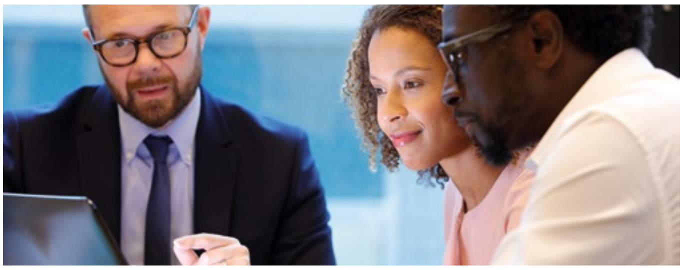
- Taxes and royalties of US$100 million paid in 2020 (2019: US$114 million).
- Total taxes and royalties over US$1.0 billion since IPO.
- Workforce of 10,911 in 2020 (2019: 11,476).

How quality of engagement is assessed

- Continued government support at local and national level in Ukraine.
- Continued government support in all corporate and marketing office locations for the Group.

Plans for engaging in 2021

- Working with local government to ensure health and wellbeing of local communities during COVID-19 pandemic.
- Continued investments in operations, workforce and communities in 2021.



Investors

Engagement activity in 2020

- Annual Report, investor meetings, calls, conferences, and email communications.
- Online (press releases, website updates and social media channels).
- Direct communications with analysts.
- Post-AGM engagement with shareholders.

Reasons behind engagement

- To report activities in a clear and orderly manner, to deliver value to all shareholders.
- Compliance with stock exchange listing regulations.

What matters most

- Clear, consistent and transparent reporting of Group's operations, financial results and Responsible Business activities.
- Providing information that is directly comparable to peer group reporting.
- Long term value creation.

The Company's response

- 24 press releases and four presentations on Group's website in 2020, and issued to the London Stock Exchange.
- Annual Report and Accounts (issued April 2020).
- Responsible Business Report (issued August 2020).
- Appointed broker and financial adviser (Liberum).

How quality of engagement is assessed

- Shareholder feedback.
- Analyst research.
- Market valuation of the Company relative to its peer group.

Plans for engaging in 2021

- Continued dialogue with investor community, including regular company updates.
- Broadening analyst coverage.
- Increasing social media channels and topics/content covered.

Capital providers

Engagement activity in 2020

- Regular dialogue with banks, ratings agencies and other lenders.
- Provision of information, including both internal updates and market updates such as analyst research on Company and commodities.

Reasons behind engagement

- To maintain a successful working relationship for existing and future debt facilities, and other sources of capital.
- To enable future investment in the business.

What matters most

- Clear, consistent and transparent reporting of Group's operations, financial results and Responsible Business activities.
- Providing information that is directly comparable to peer group reporting.

The Company's response

- Meetings and calls with each of the banks syndicated within Group's Pre-Export Finance ("PXF") facility.
- Provision of market research and credit ratings research on the Group, commodity research and country research.

How quality of engagement is assessed

- Successful repayment of US$148 million in debt in 2020 (2019: US$224 million).
- Continuation of existing relationships with domestic and international banks.
- Availability and future provision of additional debt facilities (if required).

Plans for engaging in 2021

- Continued dialogue with capital provider space.
- Continued repayment of existing debt facilities.

Section 172 Statement

CONSIDERING STAKEHOLDERS IN DECISION-MAKING

The Board of Directors acts to promote the long-term success of the Company for the benefit of shareholders as a whole, and in doing so recognises the importance of having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006, being:

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

The Board receives regular training on directors' duties, including refresher training on the duty under section 172 during the year, and new directors appointed to the Board receive tailored, individual briefings on their duties.

How considering stakeholders in decision-making works in practice

The Group engages regularly with its stakeholders. This engagement is largely conducted by the Group's management team, as part of the day-to-day management of the Group delegated by the Board to the management team, although the Board will also engage directly with stakeholders as appropriate. Where stakeholder engagement has been conducted by management, the stakeholder issues are considered at Board level through regular updates from the Acting CEO and senior management. This will include presentations by members of the senior management team to the Board on particular stakeholder considerations, and the Board will discuss feedback received from stakeholders directly with the management team. Considerations relating to stakeholder matters are also included in management papers prepared for the Board, as appropriate.

As part of its discussions and decision-making process, the Board will take into account relevant stakeholder considerations and the potential impacts of their decisions on such stakeholders and the environment. This will include considering the impact of competing stakeholder interests, and the Board is cognisant of the fact that some of its decisions may have an adverse impact on certain stakeholders or affect different stakeholder groups in different ways.

The stakeholder groups which the Board has identified as being fundamental for an effective, successful business, together with the engagement activities carried out by the Group in 2020, are outlined on pages 40 to 43.

In addition to these stakeholder groups, the Board considers the likely consequences of decisions in the long term, the impact of the Group's operations on the community and the environment and the importance of maintaining a reputation for high standards of business conduct. The Board will also be guided in its decision-making by the Group's purpose and values and its strategic framework as outlined on pages 16 to 17 and 12 to 13, respectively.

Further details on the Group's approach to the matters outlined in section 172 can be found in the following sections of this report:

Section 172 factor	Key examples	Page
Workforce	– Case Study: Autonomous large scale haul trucks	p.8
	– Case Study: Ferrexpo's response to COVID-19	p.9
	– HSEC Committee Chair's Review	pp.26-27
	– Responsible Business: Health and Safety	p.28
	– Case Study: First-DDSG – Safety across the Ferrexpo Group	p.29
	– Responsible Business: Workforce and Workforce Engagement	p.38
	– Case Study: Employee Engagement Survey 2020	p.39
Suppliers and customers	– Case Study: Utilising technology to adapt to a pandemic	p.23
	– Case Study: Compliance efforts in 2020	p.37
Community	– Responsible Business: Social Engagement	p.34
	– Case Study: Refurbishing hospitals and schools	p.35
Environment	– HSEC Committee Chair's Review	pp.26-27
	– Responsible Business: Environmental Stewardship	p.30
	– Case Study: What is Green Steel and why is it relevant?	p.31
High standards of conduct	– Responsible Business: Governance	p.36
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Investors	– Shareholder returns	p.5
	– Shareholder engagement	p.36

Key decisions made in 2020

The Board and its Committees took a broad range of factors and stakeholder considerations into account when making decisions in the year. Details on how the Board and its Committees operate and the way in which they reach decisions, including the matters discussed and debated during the year, can be found in the Corporate Governance Report on pages 68 to 75.

The following are some examples of how the Directors have had regard to the matters set out in section 172(1) (a) to (f), and the need to foster the Company's business relationship with customers, suppliers and other stakeholders, when making principal decisions and the effect of that on certain of the decisions taken by them.

CASE STUDY

FERREXPO MINING CONSOLIDATION PLAN

Our Mining Consolidation Plan is a key operational development milestone for the Group. It is a new mining system, which is part of the One Ferrexpo Strategy to consolidate functions and accountabilities across the Group's three mines into centralised single units, for example, 'One electrical service', 'One dewatering service' and 'One drilling service'. The new mining system is in the long-term interests of the Group, as it will create operational efficiency through the optimisation of resources, elimination of duplicitous functions and accountabilities, and promote more efficient ways of working through the re-allocation and transferability of resources to where they are needed the most.

The decisions taken to implement the Mining Consolidation Plan spanned many of the section 172 factors. Management and the Board identified the key stakeholders as the employees, contractors, service providers and local community. A stakeholder consultation exercise was undertaken by the management team, with the aim of enhancing the understanding of the impact of the new mining system on the stakeholders. The findings were reported back to the Board through presentations and discussions between the management team and the Board.

The process identified a number of benefits for stakeholders. These included the ability to create multifunctional roles among the workforce, thereby creating development opportunities, facilitating the move to in-sourced labour, centralised services covering all three mines, and safety benefits through the use of autonomous vehicles and operational efficiencies. It was also acknowledged that there would be adverse impacts for some stakeholders, including redundancies and reducing the need for outsourced contractors and some service providers. These factors were carefully considered by the management team with the Board exercising full oversight and challenge, with particular regard to the long-term consequences of the decisions.

A key outcome of the consultation process and stakeholder considerations was the need to embed a change in cultural mind-set, to operate and think as 'One business' with aligned leadership and effective decision-making. This is being progressed by the management team, which will report to the Board in due course.

CASE STUDY

COVID-19 PANDEMIC RESPONSE

When COVID-19 emerged as a global pandemic, the management team together with the Board took immediate steps to protect our employees, contractors and the local communities. Safety was our number one priority. Action was also taken to safeguard the business through the implementation of our business continuity plans. In addition to regular engagement with the workforce, management engaged with a broad range of stakeholders to understand the impacts that COVID-19 was having on them, including our customers, suppliers and other local stakeholders.

Following engagement with local stakeholders, in March 2020, the Board approved a US$2.5 million dedicated COVID-19 Response Fund, to be used for medical equipment to support local hospitals and communities. A further US$1 million was approved by the Board in February 2021. Supporting the local community is important to the Company as this aligns with our strategy to maintain a social licence to operate, and also our desire to positively contribute to the economy in all countries in which we operate. Supporting the local community through the COVID-19 Response Fund is also important for protecting the Group's workforce, and therefore is in the long-term interests of the Company, as many members of the workforce are part of the local community in Poltava region.

Another key impact of the COVID-19 response has been regular engagement with the Group's customers. The Group's marketing team initially contacted customers to understand the impacts that COVID-19 was having on their business and operational practices, and also to provide details of the actions which the Group was taking to protect its own business. In many countries it was not possible to conduct face-to-face meetings with customers and therefore the Group had to adapt its way of working and moved to virtual meetings with its existing and new customers. The Chief Marketing Officer met all customers virtually and maintains regular contact with them. Key learnings from this engagement are reported regularly to the Board through presentations from the Chief Marketing Officer.

CASE STUDY

DIVIDEND PAYMENTS

Following the onset of the coronavirus pandemic, and given the general market uncertainty caused by the spread of COVID-19, at the time of publication of the 2019 annual results in March 2020 the Board decided to defer consideration of a potential final ordinary and/or special dividend. This deferral was to allow the Board more time to assess the effect of the COVID-19 pandemic on the Group's workforce, customers and suppliers.

The Board continued to carefully monitor developments relating to COVID-19 in relation to the Group's business, and that of its customers and impacts on other stakeholders. Actions taken by the Group to protect its business, together with the trading position of the Group and strong balance sheet, gave the Board confidence to declare a final special and ordinary dividend for 2019 on 21 April 2020. The Board was also able to declare further dividends throughout 2020.

Prior to each decision to declare a dividend, the Board took various factors into account with particular focus on the impacts of the COVID-19 pandemic. Other factors considered included the Group's cash balance, the cash flow impact payment would have on capital investment projects and payments to employees, suppliers and governments (taxes and royalties). Payments to lenders and covenants under loan agreements were also considered, and during the year the Board made a voluntary prepayment of US$10 million under its pre-export finance facility to further reduce its debt position. The Board also considered the expectations of investors in light of the Group's existing regular dividends and any longer-term implications on growth projects.

Overall, the Board determined that the dividend payments were in the best interests of all shareholders. The interests of employees, customers, suppliers and other stakeholders were also considered, and the decision to pay the dividends was not thought to adversely impact their interests.

Risk Management

ASSESSING AND MANAGING RISK

The Group has developed a system for identifying risks, with a focus on risk management and mitigation to protect the Ferrexpo business. Risk management is a process overseen by the Ferrexpo Board of Directors.

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, Risk Management and Compliance Committee ("FRMC"), 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 Board of Ferrexpo is ultimately responsible for defining the Group's attitude to risk and ensuring that appropriate systems of risk management and internal controls 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 FRMCC oversees the centralised financial risk management structures and monitors compliance risks, while the HSEC Committee monitors safety, environment and community risks. These two 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 oversight by the Executive Committee, Audit Committee and Board.

2020 risk assessment

The risks set out in the matrix were assessed by the FRMCC and Audit Committee, as appropriate, and the risks identified as posing the biggest threat to the Group'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 Group over both the short and long term. For more information, please see the Viability Statement on page 61.

RISK MANAGEMENT PROCESS

Ferrexpo Board
- Takes 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 Group-wide risk.
- Monitors internal controls.

HSEC Committee
- Oversees corporate social responsibility-related matters and performance.
- Has specific focus on safety and climate change related risks.

FRMCC
- Monitors centralised financial risk management structures.
- Monitors Group compliance.

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

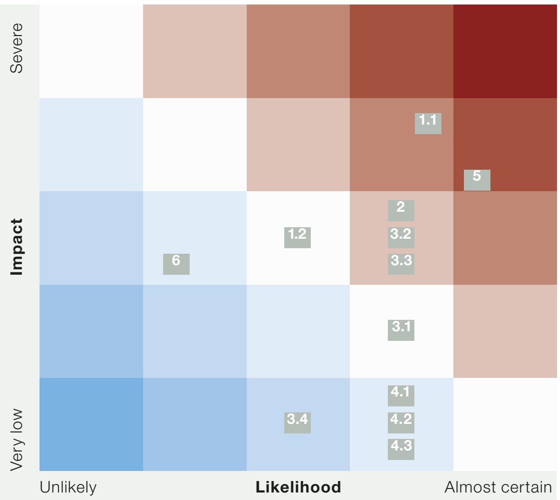
Operational level
- Risk management processes and internal controls embedded across all Ferrexpo operations.

RISK MATRIX HEAT MAP

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

Please see pages 48 to 60 of this report for a full summary of principal risks.

Key
- **1.1** Ukraine country risk (external risk)
- **1.2** Counterparty risk (external risk)
- **2** Global demand for steel
- **3.1** Changes 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 related to mining, processing, pelletising and logistics (Company-specific risks)
- **4.2** Operating risks related to health and safety (Company-specific risk)
- **4.3** Operating risks related to operating costs (external and Company risk)
- **5.** Operating risks related to climate change
- **6.** Risks related to COVID-19



Principal Risks

The principal risks and uncertainties facing Ferrexpo's business as assessed by the Board of Ferrexpo are shown in this section.

A number of the risks described in this section have the ability to directly affect the Group's strategy, which for reference is as follows:

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 2021

Decrease in expected risk in 2021

Risk balance for 2021

Further reading

For more information on the Group's strategy, please see pages 12-13

Risk assessment and risk mitigation

Principal risks are defined as factors that may negatively affect the Group's ability to operate in its normal course of business, and may be internal, in the form of risks derived through the Group's own operations and activities, or external, such as political risks, market risks or climate change related risks. Principal risks include, but are not necessarily limited to, those that could result in events or circumstances that might threaten the Group's business model, future performance, solvency or liquidity and reputation.

Risks are inherently unpredictable and can be uncontrollable, and, therefore, the risks outlined in this report are considered the main risks facing the Group. New risks may emerge during the course of the coming year, and existing risks may also increase or decrease in severity and/or likelihood, and this is why it is important to conduct regular reviews of the Group's risk register throughout the year. The Group maintains a more extensive list of risks, covering over 30 different risk areas at the Group level, with additional risks considered in local risk registers at each operating entity. The Group risk register is reviewed on a monthly basis for completeness and relevance by the Group's Finance, Risk Management and Compliance Committee ("FRMCC"), which ultimately reports into the Company's Board of Directors for further review and approval of the risk register. The Group's risk register is also reviewed by the Audit Committee at least four times a year. The members of the Executive Committee manage risk within the business on a day to day basis, which is a committee that includes the Acting Chief Executive Officer, Acting Chief Financial Officer and Chief Marketing Officer.

Newly encountered risks that were specific to 2020 were principally related to the global COVID-19 pandemic. In addition, the Group faced similar risks that have faced the business in previous years, including risks associated with operating in an emerging market, and market risk related to commodity pricing.

The Group has updated its principal risks as shown on pages 48 to 60 of this report, in accordance with the known risks facing the business. Further updates to the Group's Principal Risks will be provided in the Group's Interim Results statement, which is due for publication in August 2021. Where the Group has identified a principal risk, details of the Group's efforts to mitigate each risk are also provided. It should be noted that the Group's Audit Committee has reviewed the risks associated with the exit of the United Kingdom from the European Union ("Brexit"), and whilst significant uncertainty exists in relation to this event and the future trading relationship between the UK and the EU post-Brexit, the Audit Committee has determined that this is not a principal risk on the basis of the Group's reduced exposure to the UK market.

1. COUNTRY RISK

1.1 UKRAINE COUNTRY RISK (EXTERNAL RISK)

Risk overview

Transparency International e.V. has published an annual Corruption Perceptions Index since 1995 and is a leading global indicator of public sector corruption. Ukraine is currently placed 117th out of 180 countries on the Corruption Perceptions Index[1], up from 126th position in the 2019 iteration of the same survey. Whilst Ukraine is continuing to reform, most recently under the guidance of the International Monetary Fund, its position on the Corruption Perceptions Index has only marginally improved over the past five years from being ranked 130th.[2] There continues to be a number of principal risks relating to the Group's operating assets being located in Ukraine and exposure to Ukraine's geopolitical environment, judicial system and macro-economic conditions. These factors, either individually or in combination, have the ability to adversely impact the Group's ability to operate its pellet production facilities, ability to export its iron ore products, ability to repay existing debt or gain access to new debt facilities, ability to reinvest in the Group's asset base, either in the form of sustaining capex to maintain production or expansion capex for future growth, as well as the Group's ability to pay dividends.

The independence of the judicial system, and its immunity from economic and political influences in Ukraine, remains questionable, and the stability of existing legal frameworks may weaken further with future political changes in Ukraine. Because Ukraine is a civil law jurisdiction, judicial decisions generally have no precedential effect on subsequent decisions, and courts are generally not bound by earlier decisions taken under the same or similar circumstances, which can result in the inconsistent application of Ukrainian legislation to resolve the same or similar disputes. In addition, court claims are often used in the furtherance of political aims. The Group may be subject to such claims and may not be able to receive a fair hearing.

In January 2020, the Company advised that it had lodged an appeal against a court order in Ukraine, whereby a district court had placed a restriction on the transfer on 50.3% of the shares in Ferrexpo Poltava Mining ("FPM"), which are held through Ferrexpo AG, the Company's Swiss subsidiary. Ferrexpo AG was subsequently successful in this appeal and the Company announced that this restriction had been removed on 3 June 2020. On 19 June 2020, the Company announced that a similar restriction was placed on the same shareholding by a district court in Kyiv. An appeal was also lodged against this restriction, and whilst it was similar to the first restriction, which was successfully appealed, the appeal against this second restriction was not successful. In November 2020, Ferrexpo AG was however successful in a motion to dismiss this restriction, as announced on 30 November 2020. The Group understands that the new ruling of the court to cancel the restriction on 50.3% of the shares in FPM cannot be appealed. The Group cannot however rule out similar cases being raised against the Group in the future.

In October 2019, Kostyantin Zhevago stepped down as CEO of the Group in order to focus on resolving certain matters in Ukraine relating to one of the businesses he owned until 2015 (Bank Finance & Credit). The Company understands that these matters remain unresolved. Given Mr Zhevago's connection to Ferrexpo, and Ferrexpo's previous commercial relationship with Bank Finance & Credit, there is a risk that these matters may affect the Group, including adverse media attention and reputational damage for the Group and a reluctance on the part of some customers, suppliers or other stakeholders to deal with the Group whilst such matters concerning Mr Zhevago remain unresolved. The Group understands that the restriction on 50.3% of the shares in FPM which was cancelled in November 2020 was in connection with

Responsibility

Board of Directors and Chief Executive Officer

Risk appetite

Medium

Link to strategy

1, 2, 3, 4 and 5

[1] https://www.transparency.org/en/countries/ukraine#
[2] https://www.transparency.org/en/cpi/2015/results/ukr

Principal Risks
continued

1. COUNTRY RISK *CONTINUED*

1.1 UKRAINE COUNTRY RISK (EXTERNAL RISK)

Risk overview continued

ongoing matters in Ukraine involving Kostyantin Zhevago and Bank Finance & Credit. There is a risk that assets owned or controlled (or alleged to be owned or controlled) by Kostyantin Zhevago may be subject to restrictions in connection with such unresolved ongoing matters, in Ukraine or elsewhere, or that the Group may be impacted by or become involved in further legal proceedings relating to these matters in Ukraine or elsewhere.

In January 2021, Ferrexpo AG received a claim in relation to previous litigation regarding the shares in FPM. In 2005, a former shareholder in FPM brought proceedings in the Ukrainian courts seeking to invalidate the share sale and purchase agreement pursuant to which a 40.19% stake in FPM was sold to nominee companies that were previously ultimately controlled by Kostyantin Zhevago, amongst other parties. These claims were fully dismissed in 2015. According to recent claims made in the Ukrainian courts, four claimants seek to invalidate the share sale and purchase agreement concluded in 2002 pursuant to which a 40.19% stake in FPM was sold.

Responsibility

Board of Directors and Chief Executive Officer

Risk appetite

Medium

Link to strategy

1, 2, 3, 4 and 5

Change

Risk 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. The Company maintains a premium listing on the London Stock Exchange and as a result is subject to high standards, including the UK Corporate Governance Code and Market Abuse Regulation. Ferrexpo has a relationship agreement in place with Kostyantin Zhevago, which stipulates that the majority of the Board of Directors must be independent of Mr Zhevago and his associates. For all related party transactions, appropriate procedures, systems and controls are in place. Ferrexpo prioritises a strong internal control framework including high standards of compliance and ethics. The Group operates a centralised compliance structure that is 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 Ukraine. 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. Ferrexpo's Board of 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 high international standards.

1.2 COUNTERPARTY RISK (EXTERNAL RISK)

Risk overview

Ferrexpo is exposed to counterparty risk through its interactions with government agencies, customers, suppliers, contractors and external parties that the Group interacts with, including through its CSR programmes. Risks relating to government agencies both in Ukraine and other jurisdictions in which the Group operates throughout the globe include levels or taxation, the repayment of VAT, and licences required for Ferrexpo's operations to operate. In Ukraine, a number of monopolies exist, including the supply of natural gas that is required for the pelletisation of the Group's products, and this presents the Group with a risk should these monopoly companies fail to function correctly. The Group is also exposed to counterparty risk through its business interactions with customers, suppliers of goods and services, and any charitable donations to third parties, as these interactions may result in financial loss for the Group if the counterparty in question fails to fulfil its duties correctly.

The advent of the global COVID-19 pandemic in 2020 also introduced additional risk to Ferrexpo in the form of heightened risk of counterparty failure, as third parties struggled to adapt to the effects of the pandemic. This is a risk facing the Group in terms of timely payment and/or delivery of goods and services.

Responsibility

Ferrexpo Board of Directors

Risk appetite

Low

Link to strategy

4

Change

Risk mitigation

Ferrexpo sells its iron ore products to 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 2020, in line with previous years, Ferrexpo screened and monitored third party entities for sanctions and other risks, with suppliers that pass accreditation able to participate in tenders.

For entities deemed to be "high risk", additional checks and further monitoring are required by the Group's compliance function. All supplier contracts must contain the defined set of compliance clauses (related to anti-bribery, sanctions, tax compliance, modern slavery, etc). These requirements were consolidated into the Business Partners' Code of Conduct in 2019, which is referenced in 87% of contracts signed in 2020. The Finance, Risk Management and Compliance Committee ("FRMCC"), an executive sub-committee of the Board, met ten times in 2020, and is charged with ensuring that systems and procedures are in place for the Group to comply with laws, regulations and ethical standards. The FRMCC 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 FRMCC is given prior warning of regulatory changes and their implications for the Group. The FRMCC 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).

The Group aims to minimise risk around the timely provision of goods and services through maintaining sufficient cash reserves and liquidity, as well as maintaining alternative suppliers should one counterparty fail. The Board's current policy regarding charitable donations is not to donate on a nationwide basis, and the Group does not have any plans to conduct any such activity in the future. However, 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.

Principal Risks
continued

2. GLOBAL DEMAND FOR STEEL

Risk overview

Ferrexpo operates within the global steel industry as a raw material to feed steel mills, and therefore the global demand for the Group's products is directly correlated to global demand for steel. Demand for steel can affect both the underlying price for iron ore, as well as the premium paid for high grade iron ore, whereby steel mills deliberately reduce the productivity of blast furnaces during times of reduced profitability by purchasing lower grade iron ore products. Scrap steel prices also have an impact on iron ore pricing as this material can be substituted for iron ore in certain types of steelmaking. There is also a trend in the global steel industry towards the production of Green Steel, which involves the production of steel without carbon emissions, and the risks presented to the Ferrexpo business by this factor are covered in a separate risk on page 59.

Global steel production in 2020 was significantly impacted by the global COVID-19 pandemic, with a significant decrease in steel production seen across the globe. The impact of the pandemic on the steel sector was more severe and longer lasting in Europe and Far Asia (Japan, Korea and Taiwan), which are all important regional destinations for iron ore pellets, compared to the steel industry in China, which recovered to produce above 2019 levels sooner than other regions. The impact of this shifting dynamic in the industry resulted in significant inflows of iron ore pellets into China during the middle of 2020 and a material decrease in the Chinese pellet premium, which dropped from US$25 per tonne in early January 2020 to less than US$5 per tonne in August 2020. This decrease in pellet premiums affected the Group's financial performance, with over 50% of the Group's sales in 2020 going to China. In addition, the Company faced increased risk around the transport of increased volumes of products to Asia by oceangoing vessel, compared to the Group's train shipments to Europe. The global steel industry is recovering, however, back to 2019 levels, according to data from the World Steel Association, which shows steel production in China in December 2020 above the level seen a year earlier. Ferrexpo remains vigilant, however, to further effects from the global COVID-19 pandemic and any potential impacts on global steel output in 2021 as a result.

Responsibility

n/a (Ferrexpo is not large enough to influence global market dynamics)

Risk appetite

Medium

Link to strategy

3 and 5

Further reading

For further information on the global market for steel demand in 2020, please see the Market Review section on **P10-11**

Change

Risk mitigation

Ferrexpo is a low cost producer relative to the majority of its peers, positioned on the lowest quartile of the pellet cost curve, which is provided in the Market Review section on pages 10 and 11. 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 Ukrainian 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 CHANGES IN PRICING METHODOLOGY

Risk overview

Pricing formulas for iron ore pellets are governed by a number of factors, including the iron ore fines price, a premium for additional ferrum content (if applicable), pellet premiums, freight rates and additional quality premiums and discounts depending on the type of iron ore pellet or concentrate supplied and its chemistry. Industry-wide factors, which are outside of the Group's control, can influence the methodology for pricing iron ore products, in addition to the various premiums and discounts that are applied by individual customers and individual regions. Premiums or discounts paid for specific characteristics may change and adversely impact the Group's ability to market specific products.

Responsibility

Chief Executive Officer and Chief Marketing Officer

Risk appetite

Medium

Link to strategy

1, 3 and 5

Change

Risk mitigation

Ferrexpo endeavours to achieve the prevailing market price at all times, and is a low cost producer that aims to be cash flow positive throughout the commodities cycle. For more information on its position on the cost curve, please see Operational Review section on pages 22 to 23. The Group also has the logistics capability to divert sales to other markets to offset any regional weakness, as was seen during 2020 when the Group was able to redirect additional tonnages to Asia to meet increased relative demand for pellets in China.

3.2 LOWER IRON ORE PRICES

Risk overview

Ferrexpo's iron ore products are priced using the iron ore fines index, and as such, lower iron ore fines pricing would negatively impact the Group's ability to generate cash, potentially affecting shareholder returns, the Group's ability to repay existing debt facilities and capital investment plans for future production. In 2020, the high grade iron ore fines price (65% Fe), which is the most applicable index for Ferrexpo's iron ore products, averaged US$122 per tonne, compared to an average of US$104 per tonne in 2019. The price for medium grade iron ore fines (62% Fe) as of 1 March 2021 was US$174 per tonne, whereas the analyst consensus, as of early March 2021, for iron ore fines (62% Fe) pricing in 2021 was US$131 per tonne and the forward curve for delivery of 62% Fe iron ore fines material in December 2021 was US$135 per tonne, with both, therefore, indicating an expected decline in pricing in the year ahead. For further information on the iron ore market in 2020, please see the Market Review section on pages 10 to 11.

Responsibility

n/a (Ferrexpo not large enough to influence global iron ore pricing)

Risk appetite

Medium

Link to strategy

1, 3 and 5

Change

Risk mitigation

Ferrexpo is a low cost producer relative to the majority of its peers, positioned on the lowest quartile 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, but the Group's cost base also tends to decline as a result of local currency devaluation. The Ukrainian 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. Ferrexpo regularly reviews options to hedge the price of its output; however, its current strategy is not to enter into hedging agreements. Ferrexpo has maintained positive profit and cash generation throughout the iron ore price cycle.

Principal Risks
continued

3.3 PELLET PREMIUMS AND PELLET SUPPLY

Risk overview

Iron ore pellets are utilised by steel mills to improve productivity through their inherent characteristics as a pellet and the higher grade nature of Ferrexpo's iron ore pellets. At times of lower steel mill profitability, steel producers are known to reduce demand for higher cost inputs such as iron ore pellets, in order to reduce the cost of steel production and to protect steel margins. This has the potential to negatively affect the pellet premium, and by extension, the profitability of Ferrexpo, since the majority of Ferrexpo's profit margin has come from its ability to receive the pellet premium. Risks to the pellet premium also exist in replacement of pellets in the blast furnaces operated by Ferrexpo's customers with alternatives, such as lump ores, and a significant increase in this substitution would have the potential to reduce pellet premiums. Further supply of pellets into the global export market would also have the potential to reduce pellet premiums and a pellet producer in Brazil, which was offline since 2015, returned to production in late 2020. Recent trends in the global steel industry have led steel producers towards targeting lower carbon emissions, and iron ore pellets are a method for achieving such a reduction, since iron ore pellets do not require sintering prior to conversion into steel. If, however, this trend towards an environmentally friendlier method of steel production were to reverse in the future, this could also negatively affect demand for iron ore pellets, and by extension, lower pellet premiums. Lower pellet premiums 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).

Responsibility

Chief Executive Officer and Chief Marketing Officer

Risk appetite

Medium

Link to strategy

1, 3 and 5

Change

Risk mitigation

Ferrexpo primarily sells high quality pellets, which underpin 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. Ferrexpo also has the ability to produce iron ore concentrate should market conditions make this product more economically viable.

Ferrexpo's pelletising costs in 2020 were approximately US$11 per tonne and, therefore, lower than the pellet premium seen in 2020 in both the Atlantic and China spot markets. Please see the Market Review section on pages 10-11 for more details. Should, however, the pellet premium fall below the cost of pelletising material, the Group has the option to halt pelletising operations and produce concentrate instead for a period of time.

Further reading

For further information on the global market for steel demand in 2020, please see the Market Review section on **P10-11**

3.4 SEABORNE FREIGHT RATES

Risk overview

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 the C3 freight index, are published by the Baltic Exchange. The C3 freight index 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 index. In 2020, the C3 freight index fell to an average of US$15 per tonne, down from US$19 per tonne in 2019, with this decrease coming as a result of the global COVID-19 pandemic and lower global demand for oil as a result. Freight rates are largely influenced by the price of oil and demand for oceangoing 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 previous 3.5% limit. Subject to supply and demand dynamics, including steel mill profitability, the introduction of IMO 2020 could have the potential to increase freight costs in future, 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 and Group Freight Manager

Risk appetite

Medium

Link to strategy

2, 3 and 5

Change

Risk 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 RELATED TO MINING, PROCESSING, PELLETISING AND LOGISTICS

Risk overview

Ferrexpo operates three open pit mining operations, a large scale beneficiation plant and four pelletising lines, which all involve the processing of significant volumes of material, and, therefore, have inherent significant associated risks due to their size and complexity of operations. In mining, there are inherent risks associated with open pit mining, including geotechnical risks, risks related to groundwater and surface water ingress, risks surrounding mine planning decisions, and risks related to critical equipment failure. In the Company's beneficiation and pelletising operations, there are risks associated with critical equipment failure, as well as risks specific to the potential failure of the Group's tailings dam facilities.

Logistics risks relate to the business's reliance on the ease of transport of its iron ore products to customers, in addition to the consistent supply to the Group's operations of key consumables such as fuel for mining and natural gas for pelletising. 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 its 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.

Responsibility

Chief Executive Officer, Chief Marketing Officer and Chief Operating Officer

Risk appetite

Medium

Link to strategy

2, 3 and 5

Change

Risk mitigation

The Group aims to continually reinvest its profits into its business to simultaneously sustain and expand its production and logistics capabilities. Extensive monitoring by in-house planning departments, in addition to external certification by third party consultants, help to mitigate risks around the Group's mining, processing, pelletising and logistics operations, including the Group's tailings dam. To mitigate risk in relation to the Group's logistics business and delivery of iron ore products to customers, the Group strives to operate its own equipment and facilities where possible, and as a result the Group owns a fleet of 2,850 railcars within Ukraine, a fleet of 154 barges on the River Danube, and has a 49.9% interest in a berth at the port of Pivdennyi (formerly known as Yuzhny). The Group also 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 Committee and the Board.

4.2 OPERATING RISKS RELATED TO HEALTH AND SAFETY

Risk overview

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 had one fatality in 2020 (2019: zero fatalities) and the Group's lost time injury frequency rate ("LTIFR") was 0.79 (2019: 0.58). Whilst the LTIFR result for 2020 represents an increase on the prior year, it should be noted that this figure is 22% below the Group's five-year trailing average LTIFR and is also significantly ahead of a number of the world's largest iron ore miners, located in the Pilbara region of Western Australia, which collectively achieved a LTIFR result of 1.6 in the most recently published data (2019-20), as published by the government of Western Australia[1].

COVID-19 has presented the Group with an additional group of risks in 2020 that have otherwise not been experienced previously. Ferrexpo has a workforce of nearly 11,000 employees and contractors, the majority of whom work in close proximity with other individuals, and transmission of the COVID-19 virus in the workplace represents a significant risk to the health and wellbeing of Ferrexpo's workforce.

Responsibility

Chief Executive Officer,
Chief Marketing Officer and
Chief Operating Officer

Risk appetite

Low

Link to strategy

1, 2, 3, 4 and 5

Change

Risk mitigation

The Group seeks to address the risks around the overall health and safety of its operations through a number of leading and lagging indicators. Leading indicators focus on measuring progress on efforts to reduce the incidence of safety-related events and these include health and safety training programmes, health and safety-specific audits of working areas and working practices, hazard reports and the number of high visibility safety tours by senior managers. Lagging indicators measure progress made through a reduction in the number of safety events that occur at the Group's operations, including the number of fatalities in a reporting period, the number and frequency of lost time injuries, near miss events and road traffic accidents. It is the Group's intention to instil a safety first ethic within its workforce, and as a result promote a culture of safety reporting incidents, regardless of whether an injury was incurred. As a result, it is the goal of the Group's management to increase the volume of reporting of leading indicators (for example, safety training courses and the number of emergency drills), as well as increase the number of lagging indicators, such as near miss events, in order to learn from these events and avoid any reoccurrences happening. A portion of all employees' total remuneration, especially the bonus structure, is also linked to team and individual safety performance. Further details of the Group's safety performance are provided in the Responsible Business section of this report; please see pages 26 to 39.

In relation to the specific risks posed by COVID-19, the Group has taken significant steps to reduce the risk of transmission in Ferrexpo workplaces, from demobilising up to a third of the Group's employees to work remotely, through to the provision of training and materials to raise awareness on the virus for those who cannot work remotely, as well as enhanced cleaning protocols in Ferrexpo work areas.

Further details of the Group's efforts to stem the risk of transmission of the COVID-19 virus are detailed on page 9 as well as an overview on page 60 of the risks posed by COVID-19 and risk mitigations that the Group has taken.

[1] Latest available period: 12 months to June 2020. http://www.dmp.wa.gov.au/Documents/Safety/MSH_Stats_Reports_SafetyPerfWA_2019-20.pdf

Principal Risks
continued

4.3 OPERATING RISKS RELATED TO OPERATING COSTS

Risk overview

Ferrexpo's overall ability to generate cash is predicated on its ability to maintain a low cash cost of production across its business, including the Group's mining, processing, pelletising and logistics businesses. A number of factors affect the Group's ability to remain cost effective relative to its iron ore producing peers, including the component of the Group's cost base that relates to global commodity prices, such as fuel, gas, explosives, tyres and steel grinding media.

The commodity-linked component of the Group's cost base has historically represented approximately 50% of the total C1 cash costs[A]. 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. A second important driver of C1 cash costs[A] is local currency, the Ukrainian Hryvnia, and this has historically directly affected approximately 50% of the Group's total C1 cash costs[A]. The Ukrainian 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.

In 2020, the Group's C1 cash costs[A] of production decreased by 13% to US$41.5 per tonne from US$47.8 per tonne. See the Financial Review section of this report (pages 18 to 21) for a description of the factors impacting operating costs.

Responsibility

Chief Financial Officer and Chief Operating Officer

Risk appetite

Low

Link to strategy

2 & 5

Change

Risk mitigation

Ferrexpo sits in the bottom half of the pellet cost curve, and as such maintains a degree of competitiveness over its pellet producing peers in countries such as Brazil, Canada and Sweden. Many of the Group's costs which relate to commodity prices will also impact Ferrexpo's peers to a similar extent, and as such, in times of higher commodity prices, the Group should be able to maintain its cost competitiveness relative to its competitors. In 2021, Ferrexpo expects to increase production volumes, which will aid production costs through the dilution of fixed costs, and will potentially enable the Group to offset (to some extent) external cost inflation.

A number of the Group's peer group have in the past switched between production of iron ore pellets and iron ore concentrate, according to pellet premiums and the profitability of producing pellets. Ferrexpo's pelletising costs in 2020 were approximately US$11 per tonne and therefore lower than both the pellet premium seen in 2020 in both the Atlantic and China spot markets (please see the Market Review section on pages 10 to 11 for more details). However, should the pellet premium fall below the cost of pelletising material, the Group has the option to halt pelletising operations and produce concentrate instead for a period of time.

The Group also 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 to ensure cost effective supplies of all key consumables.

5. OPERATING RISKS RELATED TO CLIMATE CHANGE

Risk overview

Climate change poses potential risk to Ferrexpo in both the near term and long term, through a variety of factors that range from physical risks of climate change that have the potential to directly affect operations, market risks related to the transition towards iron ore products that enable a pathway to a carbon free future of steel production, financial risks in the form of lenders preferentially lending to projects and assets that are considered to be environmentally friendly, and reputational risks related to stakeholder perceptions of the Group. Physical risks include the potential scarcity of water for mining operations (dust suppression) and processing activities, for example the water in the Group's flotation tanks that is used to remove silica from the Group's products. Additional risks relating to climate change are the potential for an increase in the frequency and severity of storm events that may impact the Group's ability to access sections of its open pit mines, or the potential to interrupt logistics networks. Market risks relate to trends that are evident today in the global steel industry whereby steel producers are targeting carbon free steel production in the long term (typically by 2050), in line with targets set by national governments. Such a switch in steel production would necessitate a move away from the blast furnace method of steel production, which utilises coal to fuel the steelmaking process, to the direct reduced iron ("DRI") pathway of producing steel, which typically utilises either electricity or natural gas as its source of energy. This change in the global steel industry will potentially reduce demand for the Company's main pellet type – the blast furnace pellet, and as a result poses a risk to pellet premiums paid for blast furnace pellets. Conversely, this will increase demand for direct reduction ("DR") pellets that are used in the DRI steelmaking process and will therefore potentially increase pellet premiums for DR pellets instead. Reputational risks that relate to climate change are whereby stakeholders view the Group as having an excessive carbon footprint, or as engaging in activities that are not sufficiently beneficial to the environment, and could lead to the Group losing its social licence to operate, creating difficulties in accessing sources of external funding, a decrease in the Group's share price relative to its peers, or limiting the Group's ability to attract top managers to work for its business.

Responsibility

Ferrexpo Board of Directors and Chief Executive Officer

Risk appetite

Low

Link to strategy

1, 2, 3, 4 and 5

Change

Risk mitigation

The Company aims to be proactive and transparent in its activities, to inform stakeholders of its carbon footprint and to provide details of the work carried out to reduce the Group's carbon footprint in the short-, medium- and long-term. Initiatives in 2020 have included the planning of a 5MW solar power plant, to be installed at the Group's main operating facility, FPM, as a pilot plant. The Group has also commenced a project to purchase electricity generated by low-carbon (nuclear) or carbon-free (hydroelectric) sources, so as to reduce the Company's Scope 2 emissions footprint, and to simultaneously promote the use of these power sources locally in Ukraine. Ferrexpo also utilises sunflower husks as a substitute for natural gas in its pelletiser, which increased in 2020 to 25% of the total energy consumed in the Group's pelletiser (2019: 22%). Through improved efficiencies throughout its operations, and increased biofuel substitution of natural gas, the Group reduced its Scope 1 footprint per tonne by 8% in 2020. Through purchasing greener forms of electricity, the Company reduced its Scope 2 carbon footprint per tonne by 21% in 2020. Through a full year of greener energy purchases, further productivity gains and an expected increase in production, the Group expects to deliver a further reduction in its overall carbon footprint on a per tonne basis in 2021.

Principal Risks
continued

6. RISKS RELATED TO COVID-19

Risk overview

The global COVID-19 pandemic had a significant impact on the world in 2020, affecting economies, communities, governments, businesses and individuals on an unprecedented scale. Examples of the effect of COVID-19 on a global level include an increase in mortality rates worldwide, a halt to international travel, distorted trade patterns, and a significant strain put on both national governments and health care systems around the world. On a local level, COVID-19 has isolated communities, reduced the ability of workers to attend their places of work and for businesses to function, and has therefore put individuals under increased physiological, psychological, emotional and financial strain as a result. The limiting nature of the global pandemic, which has resulted in the erection of significant barriers to day to day life in 2020, has both heightened existing risks facing the Group as well as introduced new risks that the business has not encountered previously.

Risks posed to the Group as a result of COVID-19 can broadly be categorised into the effect of COVID-19 on the iron ore market, the Group's ability to produce and its impact on the health and wellbeing of its workforce. Please see commentary in this section around the iron ore market (page 10 to 11) and the Group's operations (page 22 to 23) for additional information. Examples of specific risks relating to the health and wellbeing of the Group's workforce include the health implications of individuals contracting the COVID-19 virus, and the subsequent risk on the business of their absence and potential onward transmission to others, the inability of the Group's workforce to attend their place of work and/or travel to Ferrexpo offices and the subsequent impact of this on the Group's ability to produce and distribute its pellets, and a heightened risk of a deterioration in existing business relationships as a result of contact with both customers and providers of finance being limited.

Responsibility

Ferrexpo Board of Directors and Chief Executive Officer

Risk appetite

Low

Link to strategy

1, 2, 3, 4 and 5

Change

Risk mitigation

Risk mitigation activities to ensure iron ore pellet production was not affected by, and continues to be unaffected by, COVID-19 include the measures implemented to protect individuals in the Group's workforce, as detailed below, in addition to contingency planning around potential business interruptions, including events that may affect either the supplies of key consumables or key aspects of the Group's logistics used to supply customers with pellets. The Group is confident that the measures undertaken to insulate operations against the effects of COVID-19 in 2020 were effective, as shown by the 7% increase in production seen during the year, and the Group continues to implement these measures as the pandemic continues into 2021.

In relation to mitigating risks posed by COVID-19 to the iron ore export market, the Group maintains a global network of marketing offices and an established logistics network, enabling it to redirect sales to markets according to global demand. In 2020, COVID-19 resulted in a significant adjustment of demand towards China, and the Group reacted by shipping significantly greater volumes of pellets to China as a result. This was achieved through an increase in the number of capesize vessels shipped from the Group's berth at the port of Pivdennyi (formerly Yuzhny) from 28 in 2019 to 47 in 2020. The Group has additional flexibility in its rail and barge operations to adapt to further movements in global pellet demand should they arise. Initial indications have shown an acceleration in pellet buying from steel mills in Europe in the fourth quarter of 2020, resulting in a normalisation of the pellet market in this region as of the end of 2020. Global demand for pellets remains strong, with other geographic regions seeing a resumption in buying activity in early 2021.

In relation to protecting its workforce and local communities, the Group has taken extensive measures throughout its business in 2020. Steps taken to protect the Group's workforce include remote working measures for those who can conduct their activities remotely and measures at workplaces for those who are unable to work remotely, such as social distancing of operating teams, staggered shift patterns, the distribution of canteen food to places of work, the provision of sanitiser for handwashing and COVID-19 specific training and awareness initiatives. The Group also regularly tests its workforce and conducts contact tracing activities to limit the potential spread of the COVID-19 virus in Ferrexpo's places of work. Further details of the efforts made to protect the Group's workforce are provided on page 9. In addition, the Group has made extensive efforts to protect the local communities that surround the Group's operations in Ukraine, through a dedicated COVID-19 Response Fund, which has approved funding of US$2.5 million to be used in supporting local hospitals in acquiring medical equipment and supplies, in addition to a further US$1 million of available funding approved in early 2021. Further details of Ferrexpo's efforts to support local communities during the global pandemic are provided on pages 34 to 35.

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 robust assessment of the principal and emerging risks facing the Group, their potential impact and the mitigating strategies in place, as described on pages 46 to 60.

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 2021 expected production volumes of 12.2 million tonnes, and 13.1 million tonnes for years 2022 to 2024, a US$5.0 per tonne fall in the Group's received price would, if not mitigated, reduce the Group's underlying EBITDA[A] by US$5.0 per tonne. Modelling indicates that a general production cost increase of 10% would decrease Group underlying EBITDA[A] by US$3.7 per tonne, whilst a 10% decrease in production volumes, and an associated 5% increase in production costs, would decrease underlying EBITDA by US$8.8 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$870 million and it currently has a strong financial profile.

Although the Group navigated successfully through the unprecedented period of the COVID-19 pandemic in 2020, reverse stress tests have been performed in order to understand the impact of more significant changes in circumstances in terms of the resilience of the Group's business model and its cash balance. The reverse stress test addressed significant adverse changes of sales prices, production costs and volumes.

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 and emerging 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 Directors also note the resilience shown during the global COVID-19 pandemic in 2020, whereby production volumes increased by 7%, despite significant measures implemented to mitigate the impact of the COVID-19 virus on operations. Furthermore, the Group showed adaptability in light of the global COVID-19 pandemic, which shifted global pellet demand away from traditional pellet export markets in Europe, and increased pellet demand in China. The Group was able to quickly respond to this shift, increasing shipments via the Group's berth at the port of Pivdennyi (formerly Yuzhny) and increasing the number of capesize vessels from 28 in 2019 to 45 in 2020. The Directors also note the potential impacts of climate change on the Group, including environmental and social factors related to climate change, as well as the recent shift towards Green Steel (carbon free steel). Ferrexpo is well positioned in this regard through its production of iron ore pellets, which are currently the main identified pathway to producing Green Steel, via direct reduction pellets. As such, the Group commenced production of direct reduction pellets in 2020, with further trial cargoes planned for 2021.

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

Lucio Genovese
Chair

Corporate Governance Report
Chair's Introduction

Lucio Genovese
Chair

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Improving Board diversity

Dear Shareholder

I am delighted to present my first Corporate Governance Report since my appointment as Chair, 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 fully committed to maintaining good corporate governance practices throughout the Group. 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 evolving best practice. This report also explains how we have applied the principles of the 2018 Corporate Governance Code during the year.

As I reflect on the challenges, achievements and developments over the last year, it is clear that the COVID-19 pandemic presented unprecedented circumstances. The pandemic tested every aspect of the business, the resilience of our people and our system of governance and internal control.

The Board's role includes managing the risks facing the business. This includes taking into account the risks associated with the country of operation, counterparties, operational and financial risks including health, safety, environmental and climate change risks, together with market volatility, pricing, financing and refinancing exposures. As new risks emerge our approach to evaluating risk appetite is reassessed.

COVID-19 response and governance framework

As a responsible Board, our priority over the past year has been the safety and wellbeing of our employees globally. We responded and adapted quickly to the challenges which COVID-19 presented to ensure business continuity and safeguard our operations, whilst maintaining good corporate governance practices and our system of internal control. Our prompt response to implement effective measures meant that, despite the global disruption, the Board and its Committees continued to function effectively and without disruption. With the exception of meetings held earlier in the year, all scheduled Board and Board Committee meetings were held virtually.

Adapting to new ways of working during the pandemic, the Board and its Committees regularly met via video conferencing due to the stay at home measures and social distancing requirements. This was an effective way of maintaining good corporate governance, the corporate agenda, the flow of information across the Group and delivery of the Group's strategy.

Despite the challenges of remote working we continued to enhance our shareholder and stakeholder engagement and place their interests at the centre of our considerations for key decisions. Our section 172 Statement set out on pages 44 to 45 provides further details on how the Board complied throughout the year.

Supporting local communities during COVID-19

In 2020, in addition to our continued support for communities locally, COVID-19 special funding in the amount of US$2.5 million was provided to support the local community in Horishni Plavni for the purchase of Personal Protective Equipment and equipment for local hospitals (see Responsible Business section of the Strategic Report on pages 26 to 39). 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 Health, Safety, Environment and Community ("HSEC") Committee, which oversees and directs these activities and receives reports detailing the spend.

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

Board changes

There were a number of key Board changes during the year. Steve Lucas, former Chair, announced his intention to retire for personal reasons after the 2020 AGM once an orderly succession process had been put in place. Following an extensive search and benchmarking process led by the Nominations Committee together with external consultants, on 24 August 2020, the Board appointed me as Chair of the Company. On 28 May 2020, Jim North was appointed as Acting CEO in place of Chris

Mawe who returned to his role as CFO and, it was subsequently announced that Mr Mawe would leave his position as CFO once an orderly transition process had been established. On 30 July 2020, Roman Palyvoda was appointed as Acting CFO. On 5 July 2020, Jim North was appointed an Executive Director of the Company.

Throughout the year, the Board continued its search for Independent Non-executive Director candidates led by the Nominations Committee and supported by external consultants. I am pleased that Ann-Christin Andersen has recently agreed to join the Company as an Independent Non-executive Director. The Board is committed to appointing another independent Non-executive Director to further strengthen the Board and its Committees. This process is being led by the Nominations Committee supported by international search consultants.

FC Vorskla

As previously disclosed, the Committee of Independent Directors ("CID") has been conducting a review into FC Vorskla sponsorship arrangements. Significant progress has been made and the review has now been completed. See page 78 for further details.

Key highlights in 2020:

- proactive response to COVID-19;
- focus on climate change;
- enhance procedures and internal controls improving the Corporate Governance framework;
- third Employee Engagement Survey;
- appointment of Chair;
- appointment of Executive Director;
- appointment of Acting CEO;
- appointment of Acting CFO;
- focus on shareholder and key stakeholder engagement; and
- Remuneration Policy review.

Key priorities for 2021:

- continued management of COVID-19;
- Health & Safety and employee wellbeing;
- climate change;
- appointment of an independent Non-executive Director;
- Board diversity;
- succession planning at Board and management level; and
- cyber security.

Diversity in action: in 2017, Soviet-era legislation that banned women from working in specific professions was abolished in Ukraine, enabling Ferrexpo to hire women as truck drivers at its latest mine – Belanovo.

Post AGM engagement

During the year, we consulted with shareholders on a number of important corporate governance issues, four of which following significant votes against Resolutions 2, 9, 10 and 12 at the 2020 AGM (approval of Directors' Remuneration Report, re-election of Vitalii Lisovenko, Steve Lucas and Kostyantin Zhevago) and one following significant votes against Resolution 1 at the 2020 General Meeting (re-election of Vitalii Lisovenko). Based on the feedback received, the Board understands that the votes against arose as a result of concerns over corporate governance. Actions taken in response included:

- the appointment of Lucio Genovese as Chair;
- alignment of all Non-executive Director fees;
- enhanced procedures and internal controls as part of the process of improving the overall corporate governance framework; and
- enhanced shareholder engagement.

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

Lucio Genovese
Chair
16 March 2021

Board of Directors
A refreshed Board with the right mix of skills and experience

Raffaele (Lucio) Genovese
Non-executive Chair

Date of appointment
24 August 2020 as Chair

13 February 2019 as Non-independent Non-executive Director

Current external appointments
Currently, he serves as chief executive officer of Nage Capital Management AG, a Swiss based investment and advisory firm, since 2004; non-executive director of Mantos Copper SA since September 2015; and Nevada Copper Inc since 2016.

Previous appointments
Previously, he was chair of Firestone Diamonds Plc, 2012-2020; an Independent Non-executive Director of Ferrexpo plc, 2007–2014; independent non-executive director of Ferrous Resources Limited, 2014–2019; senior executive officer, Copper Division, Glencore International, 1996–1999 and chief executive officer, CIS Operations, Glencore International, 1992–1998.

Skills, expertise and contribution
Lucio contributes to Ferrexpo plc over 30 years' of commercial experience in the metals and mining industry. He worked at Glencore International AG where he held several senior positions including the CEO of the CIS region.

Lucio brings a deep knowledge across the Ferrous and Non-Ferrous Mining 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 Company at a Board level.

Committee membership
Lucio is the Chair of the Nominations Committee.

Vitalii Lisovenko
Senior Independent Non-executive Director

Date of appointment
28 November 2016

Current external appointments
Currently, he serves as a non-executive adviser to the Minister of Finance of Ukraine, having previously served as an executive counsellor to the Minister of Finance. He also serves as a non-executive director of the Supervisory Board of National Depositary of Ukraine and a non-executive alternate director, Black Sea Trade and Development Bank (Greece) since 2014.

Previous appointments
Previously, he was an executive director of Ukreximbank (Ukraine), 2006–2010; an executive director of Alfa Bank Ukraine, 2010–2014; a non-executive director of Amsterdam Trade Bank, 2013–2014; and since 1994 held various positions in the Finance Ministry of Ukraine. He also was an Associate Professor of Finance at the Kyiv State Economic University.

Skills, expertise and contribution
Vitalii contributes to Ferrexpo plc over 20 years' experience in government finance. In 2005, he served as the head of the Trade and Economic Mission at the Ukrainian Embassy in London. He was an Associate Professor of Finance at the Kyiv State Economic University.

Vitalii brings extensive experience in the field of Ukrainian government finance together with a deep understanding of geopolitical developments in Ukraine which is valuable to the Group.

Committee membership
Vitalii is the Chair of the Committee of Independent Directors and a member of the Audit, Nominations and Remuneration Committees.

Non-executive Director designate for workforce engagement

Jim North
Acting Chief Executive Officer and Executive Director

Date of appointment
5 July 2020 Executive Director

28 May 2020 as Acting Chief Executive Officer

1 November 2014 as Chief Operating Officer

Current external appointments
None.

Previous appointments
Previously, he was Chief Operating Officer of London Mining PLC, where he was accountable for setting the company's operational and investment strategy around the world. 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, expertise and contribution
Jim joined the Company in November 2014 and since then he has successfully managed our operations, enhancing operating efficiency by introducing world-class operating practices. Over the past five years, Jim has developed the strategic organic growth programme to expand and increase production through incremental brownfield expansions to FPM processing facilities significantly reducing the capital intensity required.

Jim is a capable Executive Director. He brings multiple commodity experience across the resources value chain and extensive experience to bear managing the Company.

Committee membership
Jim is a member of the HSEC Committee (formerly CSR Committee).

Fiona MacAulay
Independent Non-executive Director

Date of appointment
12 August 2019

Current external appointments
Currently, she serves as non-executive director of Chemring Group plc since 2020; and non-executive director of AIM listed Coro Energy since 2017; and non-executive director of AIM listed Independent Oil & Gas plc since 2018 where she serves as chair.

Previous appointments
Previously, she was chief executive officer of Echo Energy plc 2017–2018 and a non-executive director 2018–2019 and chief operating officer of Rockhopper Exploration plc, 2013–2017.

Skills, expertise and contribution
Fiona contributes to Ferrexpo plc over 35 years' experience in the upstream oil and gas sector including key roles in a number of leading oil and gas firms across the large, mid and small cap space including Mobil, BG Group, Amerada Hess, Echo Energy and Rockhopper.

Fiona brings a strong focus on health, safety, climate change and culture with a deep understanding of the factors influencing the management for safe, efficient and commercial operations which is crucial to her role as Chair of the HSEC Committee. Fiona brings extensive operational experience in emerging energy which enables her to bring positive insight on a broad range of issues to Board and Committee discussions.

Committee membership
Fiona is the Chair of the Remuneration Committee and a member of the Audit and Nominations Committee and Committee of Independent Directors. Fiona was appointed the Chair of the HSEC Committee formerly CSR Committee) on 13 February 2020.

Graeme Dacomb
Independent
Non-executive Director

Date of appointment
10 June 2019

Current external appointments
Currently, he serves as non-executive director of Anglo Pacific Plc since 2019.

Previous appointments
Previously, he was a Member of the Financial Reporting Review Panel from 2011–2018 and an audit partner of Ernst & Young LLP for 26 years.

Skills, expertise and contribution
Graeme contributes to Ferrexpo plc over 42 years' experience of which he was a partner at Ernst & Young ("E&Y") 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 for his clients on corporate governance structures, risk management, acquisitions, disposals and financial systems and controls.

Graeme brings extensive knowledge of the extractive industry and his financial expertise gained as lead audit partner provides a solid foundation for his role as Chair of the Audit Committee. He also brings an invaluable perspective and insights from his extensive international career.

Committee membership
Graeme is the Chair of the Audit Committee, where he acts as its Financial Expert and a member of the Remuneration Committee and the Committee of Independent Directors.

Kostyantin Zhevago
Non-independent
Non-executive Director

Date of appointment
14 June 2007 as Non-executive Director

1 November 2008–25 October 2019 as Chief Executive Officer

25 October 2019 as Non-independent Non-executive Director

Current external appointments
None.

Previous appointments
Kostyantin has substantial management and investment experience gained over a 30-year business career in Ukraine.

Skills, expertise and contribution
Kostyantin contributes to Ferrexpo plc over 30 years' substantial management and investment experience gained during his business career in Ukraine.

Kostyantin brings significant experience in areas such as mining operations, sales and marketing and government relations, and has a detailed understanding of the Ukrainian business, economic and political landscape, which is very valuable to the Group. He has a deep working knowledge of the Group, having previously acted as Chief Executive Officer for 11 years, which he is able to contribute to Board decision-making. Kostyantin also has strong relationships with a number of key stakeholders of the Group, developed during his time at Ferrexpo.

Committee membership
Kostyantin was a member of the HSEC Committee (formerly CSR Committee) until 13 February 2020.

Ann-Christin Andersen
Independent
Non-executive Director

Date of appointment
1 March 2021

Current external appointments
Since 2020, Ann-Christin has served as chair of the board of Glitre Energi AS, having been appointed as a director in 2015. She is a non-executive director of Maersk Drilling since 2020 and has been a non-executive director of Rotork Plc since 2018.

Previous appointments
Previously, she has combined her executive career in the oil and gas industry with several board assignments, e.g. non-executive director for Veidekke ASA.

Skills, expertise and contribution
Ann-Christin is an engineer with more than 30 years' experience in the oil and gas industry.

Ann-Christin brings wealth of resource based industrial experience in both mature and emerging markets together with real life experience on how to orchestrate business transformation. In addition to experience on how to implement a culture of safety in a high-risk industry, she brings knowledge of stepping-up automation to become smarter, better, faster whilst driving digital transformation for business value.

Committee membership
Ann-Christin was appointed a member of the Nominations Committee, Remuneration Committee, Committee of Independent Directors and HSEC Committee (formerly CSR Committee) with effect from May 2021.

Executive Committee

Jim North
Acting Chief Executive Officer and Chief Operating Officer – combined role

For more information see page 64 for details.

Brett Salt
Chief Marketing Officer

On 1 July 2020, Brett joined Ferrexpo from Rio Tinto where, over a 23-year career, he held a variety of senior leadership roles in Asia, North America, Europe, the Middle East, Africa and the former Soviet Union. His commercial experience covers sales and marketing, mergers and acquisitions, corporate development, finance, shipping and logistics across multiple commodities to include iron ore, coal, copper and freight.

Skills and experience
He holds a Bachelor of Commerce, majoring in Economics and Commercial Law from Curtin University of Technology and a diploma in Investment and Risk Management in Shipping from the IMD Business School.

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 until 28 May 2020 and reappointed on 30 July 2020. 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

As a premium listed company on the London Stock Exchange, the Company is subject to the 2018 Corporate Governance Code. This section explains how we applied the principles of the 2018 Corporate Governance Code. 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 2020 with all the provisions of the 2018 Corporate Governance Code except as set out below:

- **Provision 9:** The Chair was not independent on appointment.
- **Provision 17:** From 1 January 2020 to 15 January 2020, the Nominations Committee was not comprised of a majority of independent Non-executive Directors. This was remedied on 15 January 2020 when Fiona MacAulay joined the Nominations Committee.
- **Provision 19:** The Chair has remained in post for more than nine years since his first appointment to the Board in June 2007. Mr Genovese's tenure ran from 12 June 2007 to 1 August 2014, and he rejoined the Board on 13 February 2019. Therefore, whilst the total tenure exceeds nine years there was a significant break in Mr Genovese's tenure between 2014 and 2019.

Explanations for not complying with provisions 9 and 19 of the Corporate Governance Code as the Chair was not independent on appointment and his tenure exceeds the recommended nine-year are provided in the Nominations Committee report on page 82.

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 44, Chair's Statement page 4, Skills Matrix page 71
	Principle B:	Chair's Statement, Purpose, Values and Strategy pages 12 to 13 and pages 16 to 17
	Principle C:	Audit Committee Report page 76
	Principle D:	Our Stakeholders page 40
	Principle E:	Employee Engagement page 38, Non-Financial Information Statement page 37, 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 84
	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 80, Internal Audit page 80
	Principle N:	Audit Committee Report page 76
	Principle O:	Internal Control and Risk Management page 79, Risk Management page 46, Principal Risks page 48
Remuneration	**Principle P:**	Remuneration policy page 91
	Principle Q:	Procedure for developing policy on remuneration, page 86
	Principle R:	Directors should exercise independent judgement when authorising remuneration outcomes page 98

Disclosure Guidance and Transparency Rules

By virtue of the information included in this Corporate 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 86

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.
- Specific focus on safety and climate change impacts.

FOR MORE INFORMATION: RESPONSIBLE BUSINESS SECTION SEE PAGE 26

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 Finance, Risk Management and Compliance Committee, Investment 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 2020.
- 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 2020.
- 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 2020.

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 Corporate Governance Code. The terms of reference for each of the Audit Committee, Nominations Committee, Remuneration Committee and HSEC 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 2020, the Board (excluding the Chair) comprised one Executive Director, one Non-independent Non-executive Director, 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 2020 is presented in the table below:

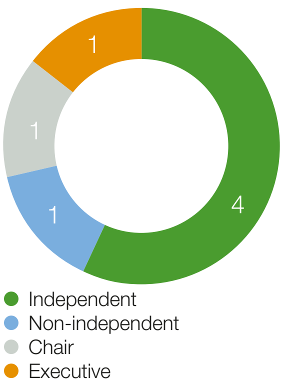
Board member	Role	Audit	Remuneration	Nominations	CID	HSEC[1]
R L Genovese	Non-executive Chair			••		
V Lisovenko	Senior Independent Non-executive Director	•	•	•	••	
J North	Acting Chief Executive Officer					•
G Dacomb	Independent Non-executive Director	••	•		•	
F MacAulay	Independent Non-executive Director	•	••	•	•	••
K Zhevago	Non-independent Non-executive Director					

1 The HSEC Committee also includes some members of senior management.
• Committee member.
•• Committee Chair.

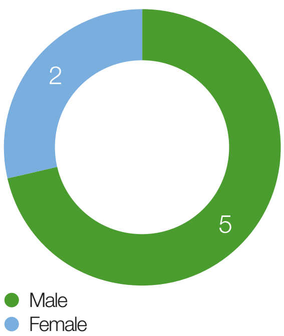
The Board considers that it is of a sufficient size to ensure that the requirements of the business are met without placing undue reliance on any one Director.

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

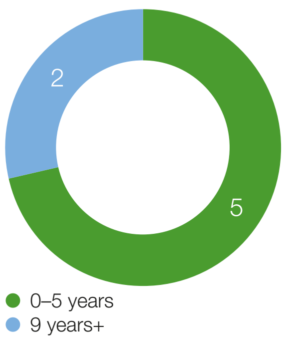
Board balance



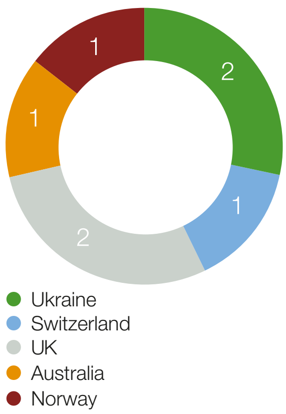
Gender diversity



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
A Andersen		✔	✔	✔	NP[1]	✔	✔	✔	✔	✔
G Dacomb	✔	✔	✔	✔	NP[1]	✔				✔
R L Genovese	✔	✔	✔	✔	✔	✔	✔	✔		
V Lisovenko	✔	✔	✔	✔	✔	✔	✔	✔		
F MacAulay		✔	✔	✔	NP[1]	✔	✔	✔	✔	✔
J North	✔	✔	✔	✔	✔	✔	✔	✔	✔	
K Zhevago	✔		✔	✔	✔	✔	✔	✔	✔	

[1] Not previously.

Time commitment

It is expected that a Non-executive Director of the Company will normally spend at least two and a half days a month, on average, on Ferrexpo's affairs. The expected time commitment for the Senior Independent Director, the Committee Chairs and, in particular, the Chair 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 2020.

All of the 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 2020 is shown in the table below.

During 2020, Fiona MacAulay was appointed as a Non-executive Director of Chemring Group plc and Vitalii Lisovenko was appointed as a Non-executive Director of the Supervisory Board of National Depositary of Ukraine. These appointments were considered a significant appointment for Ms MacAulay and Mr Lisovenko for the purposes of the Corporate Governance Code, and in advance of the appointment both Ms MacAulay and Mr Lisovenko sought the prior approval of the Board. As part of approving these additional appointments the Board considered a range of factors, including the existing appointments of Ms MacAulay and Mr Lisovenko, the time commitment expected in the role as a Ferrexpo director, attendance records at Ferrexpo Board and committee meetings, institutional investor guidance on number of board roles in respect of overboarding and the additional time commitments from the new roles. The Board was satisfied having regard to these matters that the additional roles would not adversely impact the ability of Ms MacAulay or Mr Lisovenko to perform their existing roles on the Ferrexpo Board and its committees.

Board and Committee meeting attendance in 2020

	Attended/Eligible to attend							
	Board		Audit	Remuneration	Nominations	CID		HSEC
Director	Scheduled	Ad hoc	Scheduled	Scheduled	Scheduled	Scheduled	Ad hoc	Scheduled
G Dacomb	5/5	12/12	5/5	4/4		5/5	8/9	
R L Genovese	5/5	12/12			1/1			
V Lisovenko	5/5	12/12	5/5	4/4	5/5	5/5	9/9	
S Lucas (until 24 August 2020)	4/4	10/10			4/4	4/4	5/6	
F MacAulay	5/5	12/12	5/5	4/4	5/5	5/5	9/9	4/4
C Mawe (until 5 July 2020)	3/3	8/9						
J North (from 5 July 2020)[1]	2/2	2/2						4/4
K Zhevago	5/5	11/12						

[1] Mr North was a member of HSEC Committee prior to being appointed to the Board.

During the year, there were a number of ad hoc Board meetings which dealt with COVID-19 response, Board appointments and the declaration of dividends.

Corporate Governance Report
continued

Role descriptions

The division of responsibilities between the Chair and the CEO has been clearly established in writing and is agreed by the Board. A summary of the roles of the Chair, 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 HSEC Committee in the Strategic Report on page 26, and the role of the Remuneration Committee in the Remuneration Report on page 91.

Role	Description
Chair	The Chair 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 Chair also ensures that there is a constructive relationship between the Executive and Non-executive Directors. At least once annually the Chair holds meetings with the Non-executive Directors without the Executive Director present. Mr Genovese's 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 to 28 May 2020 had no other directorships of quoted companies. Mr North as Acting CEO has no other directorships of quoted companies.
Senior Independent Director	Vitalii Lisovenko is the Senior Independent Director. In conjunction with the other Independent Non-executive Directors, the Senior Independent Director assists in communications and meetings with shareholders and other stakeholders 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 Chair present, to evaluate the Chair's performance. The Senior Independent Director is also available to discuss with shareholders any issues that the Chair 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 86); 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 Chair, 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, and three 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 situations which give rise to an actual or potential conflict of interest for any member of the Board in accordance with the Companies Act 2006. The CID keeps under review the authorisation and approval process relating to related party transactions (which are also reviewed in detail by the Executive Related Party Matters Committee ("ERPMC")) and satisfies itself that, as required under the Relationship Agreement, related party transactions are conducted on an arm's length basis on normal commercial terms.

Mr Zhevago and his role

Given the expected time commitment of Mr Zhevago's role, which continues to be broader than that of other Non-executive Directors, the Company has entered into a consultancy arrangement with Mr Zhevago. Further details can be found in the Remuneration Report on pages 104.

BOARD LEADERSHIP

Board activity in 2020

Five scheduled Board meetings were held in 2020 (supplemented by other ad hoc meetings, telephone conferences 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;
- oral reports from the Chair 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 COVID-19 and the position in Ukraine;
- Chief Financial Officer's report including status vs. budget, forecasts, cash flow position, and funding update;
- related party matters (including Directors' interests/conflicts);
- investor relations report (including shareholder feedback);
- strategy, business plan and budget;
- formal risk review;
- compliance matters;
- HSEC Committee (formerly CSR Committee) matters, including health and safety, and community spending; and
- Board refreshment, succession planning, Director independence and Committee composition.

Matters reviewed as required included:

- the Group's response to COVID-19 pandemic and actions taken to protect the Group and its workforce;
- review of half-year or annual results, going concern and viability, dividend policy and recommendations, investor presentation;
- evaluation of the performance of the Board, Chair 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 terms of reference of the HSEC Committee (formerly CSR Committee);
- annual review of the Treasury Policy;
- approval of the Related Party Transaction Policy and Procedures;
- approval of the Insider Dealing Policy and procedures;
- approval of the Share Dealing Policy and procedures;
- approval of a new Director Conflicts Policy;
- approval of the Code of Conduct;
- carbon reduction strategy;
- delegated authorities;
- growth projects; and
- the CSR budget.

In 2020, 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 2021.

Board virtual site visit and Strategy Day

Due to travel restrictions imposed by COVID-19, the Board was unable to conduct the planned visit of the Group's operations in Horishni Plavni (formerly known as Komsomolsk), Ukraine. The alternative arrangement was a Board virtual site visit and Strategy Day. The General Managers FPM, FYM and FBM used drones to record video footage for each mine including footage inside the processing plant. The Board received presentations from executive management on operations, safety and strategy. Matters discussed included health, safety and environment, COVID-19, technology and innovation, market strategy, growth projects and licence to operate covering carbon reduction, people development, productivity and culture.

The Board virtual site visit and Strategy Day was preceded by a Carbon Reduction Strategy discussion including data collection, validation and benchmarking and the carbon reduction journey.

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.

BOARD EVALUATION

Performance evaluation

The annual performance evaluation of the Board and its Committees was carried out internally in 2020 by the Chair of these bodies. The evaluation process involved the completion of questionnaires by Board and Committee members, with responses collated anonymously and analysed by the Chair together with the Company Secretary. The Chair of the Board then held meetings with each of the Directors individually to discuss the feedback from the questionnaires, and the comments made, before relaying the conclusions to the Board.

The 2020 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 very well to constructive challenge. Contentious issues are discussed and debated and the CEO and Chair encourage full and frank discussion. The process identified further development areas for focus in 2021:

Board/Committee	Development areas and focus
Board constitution and Committee	Improve Board diversity
Board leadership	Improve frequency of site visits to better understand operations
Efficiency of Board processes	Allocate additional time for Growth projects
Board’s role	Reviewing past performance and influencing future performance
Stakeholders	Chair and Senior Independent Director to bolster shareholder engagement
Remuneration Committee	More time to be allocated

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

BOARD TRAINING AND DEVELOPMENT

Training and professional development

The Chair 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 December 2020, the Board had a training session with its legal advisers Herbert Smith Freehills. This training covered key areas such as directors' duties, market announcements, director share dealing procedures, related party transactions and developments in corporate governance best practice.

Usually, 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. Due to COVID-19 the physical Board site visit was cancelled and replaced with a Board virtual site visit as set out on page 73. 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 Chair.

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 includes 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.

Audit Committee Report

Graeme Dacomb
Chair of the
Audit Committee

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Maintaining accountability through the COVID-19 pandemic

Membership and attendance

	Meetings	
Committee member	Eligible to attend	Attended
Graeme Dacomb	5	5
Vitalii Lisovenko	5	5
Fiona MacAulay	5	5

Dear Shareholder

I am pleased to present to you the Report of the Audit Committee for 2020.

This report sets out the following information:

- The composition of the Committee.
- The Committee's activities in 2020.
- Key issues and judgements considered by the Committee.
- Ferrexpo's system of internal control 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 of the Annual Report and Accounts.

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

During the year, the Committee had five scheduled meetings (see page 71).

The COVID-19 related travel restrictions and quarantine regimes in the United Kingdom, Switzerland and Ukraine had to be taken into consideration in the course of the auditors' review of Ferrexpo's 2020 interim accounts. Through using appropriate technology by both the auditors and Ferrexpo, the review procedures in July 2020 were successfully performed remotely. As the COVID-19 situation did not improve towards the year end, remote audit procedures for the preliminary and final audits were considered and planned early in the process to ensure efficient and effective audits at the Group's different locations for the audit of the consolidated accounts. The experience gained during the review of Ferrexpo's 2020 interim accounts provided comfort to MHA and Ferrexpo that the preliminary audits in November and the final audits in February and March 2021 could be successfully completed within the planned timeline.

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

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 48 to 60 of the Strategic Report. Throughout the year, the Committee has robustly assessed the principal risks and emerging risks facing the business.

Activity during 2020

Key activities of the Audit Committee during 2020 are set out below.

February

- Reviewed a presentation on the ongoing tax cases in Ukraine.
- Reviewed the FRC's letter to all Chairs of audit committees and their recommended areas of focus.
- Considered assumptions used for going concern and the long-term viability assessment and impairment test.
- Received an update on the progress of the 2019 audit and analysed further work required.
- Considered the draft Annual Report and Accounts for 2019.
- Considered business continuity plans and related internal controls for FPM.
- Reviewed the questionnaire to be used to assess the external auditor's performance.
- Reviewed compliance report including whistleblowing cases.
- Reviewed the risk matrix and register.
- Reviewed an update on the Directors' Interests list and transactions with Related Parties.

March

- 2019 year-end review.
- Reviewed significant risks disclosed in the Annual Report and Accounts for 2019.
- Assessed FRC's recommended areas of focus.
- Reviewed and discussed the status of key areas of focus and audit matters and disclosure provisions.
- Reviewed auditor's responsibilities statement.
- Reviewed auditor's independence statement.
- Considered the draft of the auditor's opinion.
- Final review of the Annual Report and Accounts for 2019.
- Reviewed the Viability Statement.
- Reviewed the disclosures around FC Vorskla matters.
- Reviewed the Audit Committee Report.
- Reviewed draft Letters of Representation.
- Held private meeting with the auditors.

The significant issues and judgements considered by the Committee in respect of the 2020 Annual Report are set out on page 78. 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 critical estimates and judgements had to be made is given in Note 4 to the Consolidated Financial Statements from page 134. 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 estimates and judgements used as disclosed in Note 4 to the Consolidated Financial Statements on page 134.

The Board also asked the 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.

Graeme Dacomb
Chair of the Audit Committee
16 March 2021

Membership and meetings

As at the year end, the Committee comprised three Independent Non-executive Directors:

- Graeme Dacomb (Chair of the Committee);
- Vitalii Lisovenko; and
- Fiona MacAulay.

All members of the 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 Committee met five times for scheduled meetings during 2020. 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 Chair of the Board, may be invited to attend meetings of the Committee at the request of the Committee Chair. Regular attendees at meetings include the Acting CFO, Group Financial Controller, Company Secretary and the external auditor MHA MacIntyre Hudson. The Committee has an opportunity to meet with the external auditors at the end of its scheduled meetings, without the Executive Director or management present.

May

- Received an update on FC Vorskla related matters.
- Reviewed auditors 2019 performance (Statutory Audit Service Order) – analysis of scores.
- Reviewed 2020 audit planning, key dates, preliminary audit plan and FRC guidance on COVID-19 disclosures.
- Reviewed an update on 2019 recommendations from Internal Audit.
- Reviewed the Internal Audit plan for 2020.
- Reviewed Internal Audit quality survey results.
- Reviewed a compliance report including whistleblowing cases.
- Reviewed the risk matrix and register.
- Reviewed an update on Directors' Interests list and transactions with Related Parties.

July

- Presentation of half-year accounts.
- Going concern assessment, including COVID-19 reporting and considerations.
- Auditor's Review Report to the Audit Committee.
- Reviewed a compliance report, including whistleblowing cases.
- Reviewed the risk matrix and register.
- Reviewed the Directors' Interests list and transactions with Related Parties.

December

- Received a report on the outcome of the 2019 Internal Audit plan and progress update on 2020.
- Reviewed the preliminary Internal Audit plan for 2021.
- Considered a risk analysis of the Internal Audit plan.
- Considered a report from the external auditors on progress of the preliminary audit for 2020.
- Considered the work plan for the 2020 year end.
- Reviewed an external audit planning report.
- Received an update on the planned process for the viability and going concern assessment, COVID-19 impact on audit fieldwork and the impairment test at year end.
- Reviewed a compliance report including whistleblowing cases.
- Reviewed the Directors' Interests list and transactions with Related Parties.
- Reviewed the risk matrix and register.

Audit Committee Report
continued

Significant issues and judgements

The significant issues and judgements considered by the Committee in respect of the 2020 Annual Report are set out below:

Issues	Judgements/actions taken
COVID-19 related considerations for the Group's going concern and viability assessment	The global COVID-19 pandemic had a significant impact on the world in 2020, affecting economies, communities, governments, businesses and individuals on an unprecedented scale. The Group implemented measures at its main operations in Ukraine to ensure iron ore pellet production was not affected by, and continues to be unaffected by, the COVID-19 pandemic. The Group also successfully managed to redirect its iron ore pellet sales from Europe and North East Asia to the Chinese spot market. The Group benefitted from high demand for its products on the Chinese market and high prices. As a result, the Group was highly cash generative in 2020 and closed the year in a net cash[A] position of US$4 million, after debt repayments totalling US$148 million and dividend payments totalling US$195 million. As the Group successfully navigated through the COVID-19 pandemic in 2020, there are no specific COVID-19 related critical judgements and estimates to be considered in assessing the Group's going concern and viability statements and the Group expects to be able to rely on the experience gained (e.g. redirection of sales to other markets) and to be able to react again to any adverse changes on the global pellet market. COVID-19 related disclosures have been made in the Group's Principal Risks section on page 60 providing further information on key actions that management has taken.
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. The court hearings and tax audits commenced earlier in 2020 were put on hold due to a COVID-19 related quarantine imposed in Ukraine but these are expected to resume once the court system in Ukraine returns to normality.
Inventories: lean and weathered ore (Note 17 to the Consolidated Financial Statements)	The processing of the stockpiled ore in the past has been dependent on the availability of additional processing capabilities and it was the Group's intention to ramp up the processing of the stockpiled ore during the financial year 2021. While the additional processing capacities are fully operational and some volumes of the stockpiled ore were processed in the second half of the financial year 2020, the Committee notes that management has now decided to postpone further processing of the lean ore until 2022 in order to maximise the financial benefits in the current high price environment for iron ore pellets. This has had no impact on the carrying value of the stockpiled ore.
Commitments, contingencies and legal disputes (Note 30 to the Consolidated Financial Statements) **Loan relationship between related parties of the Group (Note 34 to the Consolidated Financial Statements)**	As disclosed in the 2019 Annual Report & Accounts, the Board, acting through the Committee of Independent Directors (the "CID"), has been conducting a review into its sponsorship arrangements with FC Vorskla. Following careful consideration of the information received from FC Vorskla, and the work of the CID's third party advisers, the CID has now concluded its enquiries. As detailed in the Group's 2020 half-year report, the CID has received written confirmations from FC Vorskla and Kostyantin Zhevago, who also controls FC Vorskla, confirming the use of the funds under a related party loan made by a FC Vorskla entity in connection with the construction and renovation of certain FC Vorskla stadiums and training grounds in Ukraine. Based on the unaudited management accounts of FC Vorskla Cyprus Limited for the financial year 2019, the loan to Collaton Limited was US$16,978 thousand. FC Vorskla is considered to be a related party of the Group as Kostyantin Zhevago also controls FC Vorskla. As the loan does not involve any of the Group's subsidiaries, the loan is not a transaction between the Group (or any of its subsidiaries) and a related party and therefore does not fall under Chapter 11 of the Listing Rules. As disclosed in the 2020 half-year report, the CID had been informed that it was intended that the related party loan would be fully repaid using the proceeds of a sale and leaseback of certain capital projects of FC Vorskla in Ukraine. The CID has since been informed that it is possible that the sale and leaseback may not occur in the near term given the COVID-19 pandemic and current market conditions in Ukraine. Kostyantin Zhevago and his associated entities have therefore now put in place additional arrangements for the related party loan to be fully repaid by 31 July 2022. These arrangements have been reviewed by the CID, and having put in place the appropriate monitoring controls, the CID is satisfied with the arrangements which it considers will ensure that the related party loan will be repaid in full. The Group has put in place a new sponsorship agreement with FC Vorskla Ukraine. The new sponsorship agreement includes enhanced reporting requirements by FC Vorskla Ukraine to the Group and additional provisions around the use of sponsorship funds.

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.

In July 2020, the Board approved a reorganisation of the management committees. The Compliance matters addressed at the Executive Compliance Committee ("ECC") were transferred to the Finance and Risk Management Committee ("FRMC") which was renamed the Finance, Risk Management and Compliance Committee ("FRMCC") and the ECC was disbanded.

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, FRMCC, HSEC Committee and Audit Committee. On behalf of the Board, the Executive Committee and FRMCC have established a process for identifying, evaluating and managing the significant risks faced by the Company. This process was followed throughout 2020 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.
- Prior to the transfer of Compliance matters to FRMCC, the ECC met six times in 2020, after which the FRMCC met four times. The FRMCC, an executive sub-committee, is charged, on behalf of the Executive Committee or Audit Committee, as appropriate, with ensuring that, inter alia, systems and procedures are in place to comply with laws, regulations and ethical standards. The Group Compliance Officer attends the FRMCC meetings, and, as necessary, local compliance officers from the operations, attend and present regular reports to ensure that the FRMCC is given prior warning of regulatory changes and their implications. The FRMCC 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). The FRMCC also reviews financial information, management accounts, taxation, cash management, risk including counterparty risk, risk register and third party risks.
- 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 Matters 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.

Audit Committee Report
continued

- 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.
- Clearly defined treasury policy (details of which are given in Note 27 to the Consolidated Financial Statements on pages 163 to 171), which is 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 our in-house audit team based in Ukraine (see below) which monitors, tests and improves internal controls operating within the Group at all levels and reports directly to the Chair 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 pages 172 to 174 and received regular update reports and presentations from legal counsel.

Full details of the Group's policy on risk and uncertainties are set out in Note 27 to the Consolidated Financial Statements on pages 163 to 171. See also the Principal Risks section of the Strategic Report from page 48.

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 Chair 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 2020 assessment, with the rigour of the internal audits and with management's response to the audit findings and recommendations. An Internal Audit plan for 2021 was approved by the Audit Committee in December 2020.

The Internal Audit plan for 2020, approved by the Audit Committee, focused on the operational risks relating to sales and marketing, FYM Procurement process, FPM Inventory management, Group Compliance audit, DP-Ferrotrans and Health & Safety risk register review. 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. This review takes the form of a survey (using a questionnaire) of the auditor's performance under various headings: the robustness of the audit, the quality of delivery, the calibre of the audit team and value added advice. The results of the survey indicated that, overall, the external auditor's performance was considered very good by the respondees. Areas for improvement were noted but none impacted on the effectiveness of the audit and were mostly a consequence of 2019 being MHA MacIntyre Hudson's first year. The outcome of the 2020 review in respect of the 2019 Annual Report and Accounts were discussed with the relevant partners of MHA MacIntyre Hudson.

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 concluded that the auditors are providing the required quality in relation to the audit and that they have constructively challenged management where appropriate.

Taking into account the review of independence and performance of the external auditor, the Audit Committee has recommended to the Board the reappointment of MHA MacIntyre Hudson. Resolutions reappointing MHA MacIntyre as external auditor and authorising the Directors to set the Auditor's remuneration will be proposed at the 2021 AGM.
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 2020.

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 applicable guidance and the 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 Chair (who are routinely notified of all non-audit services).

Fees for audit-related and non-audit related services performed by the external auditors during 2020 are shown in Note 7 to the Consolidated Financial Statements on page 137. For 2020, 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 2020 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 2020 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 111 and Note 2 to the Consolidated Financial Statements on page 132.

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
Chair of the Audit Committee
16 March 2021

Nominations Committee Report

Lucio Genovese
Chair of the Nominations Committee

"

Renewed focus on refreshing the Board

Membership and attendance

Committee member	Meetings Eligible to attend	Attended
Lucio Genovese[1]	1	1
Vitalii Lisovenko	5	5
Fiona MacAulay[2]	5	5
Steve Lucas[3]	4	4

The Chief Executive Officer and the Chief Human Resources Officer also attend meetings by invitation of the Committee.

1 Appointed on 3 December 2020.
2 Appointed on 15 January 2020.
3 Retired on 24 August 2020.

Dear Shareholder

I am pleased to present the Nominations Committee Report for 2020, and the first following my appointment as Board Chair and Chair of the Nominations Committee following Steve Lucas's retirement from the Board in August 2020. I would like to thank Steve and the rest of the Committee for their work during the year.

In 2020, the Committee was formally convened five times (2019: three). Informal meetings also occurred. At the formal meetings of the Committee, it considered:

- the composition and refreshment of the Board;
- reviewing and making recommendations as to the composition of the Board and its Committees in order to maintain a diverse Board with the appropriate mix of skills, experience, independence and knowledge;
- 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 appointment of Brett Salt as Chief Marketing Officer, Lucio Genovese as Board Chair, Jim North as Acting CEO and Executive Director, and Roman Palyvoda as Acting CFO;
- approving actions to be taken in 2020 in support of the achievement the Group's diversity and inclusion goals;
- reviewing the results of the Group's annual talent review and succession plans for business-critical roles; and
- the time commitment expected from each of the Non-executive Directors to meet the expectations of their role.

The Committee also agreed to undertake an internally facilitated Board performance evaluation for the year to 31 December 2020 (for further information see Performance Evaluation on page 74). The Company will conduct an external Board evaluation in 2021.

During the year, members of the Committee (and the Board as a whole) were very active in supporting a number of management changes relating to Group leadership, provide for Board diversity and strengthen the overall governance agenda of the Board. These included the appointment of Brett Salt as Chief Marketing Officer following the departure of Jason Keys, the appointment of Jim North as Acting CEO and the subsequent appointment of Mr North as an Executive Director and the appointment of Roman Palyvoda as Acting CFO. The Committee also led search processes to appoint a new Board Chair following Steve Lucas's decision to retire from the Board, announced following the AGM in May 2020, which resulted in the appointment of myself as Chair in August 2020.

The search for an additional independent Non-executive Director to improve the balance between independent and non-independent Directors on the Board as well as to advance diversity on the Board, taking into account the targets of the Hampton-Alexander and Parker reviews, was also continued. This work continued into 2021 and resulted in the appointment of Ann-Christin Andersen who joined the Board on 1 March 2021. Ms. Andersen's appointment means that the Board is now comprised of four independent Non-executive Directors, which exceeds the requirement of the UK Corporate Governance Code to ensure that at least half of the Board (excluding the Chair) are independent Non-executive Directors.

The Board remains committed to promoting behaviours that support an inclusive and diverse workplace, and which reflects the Company's values. This commitment is set out in Ferrexpo's Equality, Diversity and Inclusion policy, approved by the Board in 2019, which aims to address gender diversity imbalances in the workforce, while also delivering sustainable talent pipelines for succession to senior leadership roles. In 2020, women represented 29.2% of Ferrexpo's employees (2019: 29.3%), with women in management positions representing 18.2% of the total (2019: 17.5%). The Company is targeting a figure of at least 25% of managerial roles to be held by women by 2030. To achieve this target, 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. In the course of the year, the Committee approved plans which focus on achieving the diversity targets set by the Board in 2019 for the period to 2030. Fiona

MacAulay also attended and presented at a women in leadership event for senior female managers held at the close of a two-month leadership development programme held at the Group's operations.

As of 31 December 2020, the Nominations Committee was composed of Vitalii Lisovenko, the Senior Independent Director, and Fiona MacAulay, an Independent Non-executive Director who joined the Committee in January 2020. I joined and took over the chairmanship of the Committee in December 2020, following my appointment as Board Chair in August 2020. At the date of this report, the Committee is continuing to progress recruitment to make a further appointment of a suitable independent Non-executive Director to strengthen the Board and allow for the appointment of a second Executive Director. As part of its recruitment process, the Committee will be focusing, in particular, on identifying diverse candidates with knowledge and experience of the Ukrainian business environment.

Lucio Genovese
Chair of the Nominations Committee
16 March 2021

Membership and meetings

The Nominations Committee is chaired by Lucio Genovese and its other members are Vitalii Lisovenko and Fiona MacAulay. Steve Lucas served as Chair of the Committee until he retired in July 2020, following which the Committee remained quorate with two members up until the appointment of Mr Genovese as Chair of the Committee on 3 December 2020.

The Nominations Committee meets at least once a year, as required by its terms of reference, and met on five scheduled occasions in 2020. Other informal meetings also occurred to consider management changes, Board Chair succession and to progress the recruitment of an additional independent Non-executive Director to advance diversity on the Board.

Appointment process and succession planning

Succession planning and Board transition were a priority for the Committee in 2020, and will continue to be in 2021. During the year, the Committee discussed and interviewed candidates for various positions on the Board. Following Steve Lucas's announcement of his intended retirement from the Board following the 2020 AGM, Savannah Group was retained to conduct a market benchmarking exercise to find a new Board Chair. Based on a role specification approved by the Committee, Savannah Group shortlisted a number of high calibre candidates with the relevant skills and leadership qualities requisite for the role of Chair. In accordance with a skills and leadership matrix, the candidates were then ranked by Savannah Group and the Group's Chief Human Resources Officer, and such rankings were reviewed and discussed by the Committee. Mr Genovese ranked the highest and most suitable candidate based on this assessment. The Committee also carefully considered the dynamics of the Board. The members of the Committee were confident with the process conducted and their recommendation to the Board to appoint Mr Genovese as Board Chair. This appointment was confirmed by the Board on 24 August 2020.

It was carefully considered at the time that Mr Genovese would not be independent on appointment as Board Chair, and that his tenure had exceeded nine years from the date of his first appointment to the Board. This meant that his appointment as Board Chair would not be in compliance with the Corporate Governance Code. Notwithstanding this, the Committee and the Board considered he was the best candidate given his experience, leadership qualities and detailed knowledge of the Group.

The appointment process for a new Board Chair was initially led by members of the Committee, other than Steve Lucas who recused himself from discussions during meetings in respect of his successor. The Committee did, however, seek input from Steve Lucas where appropriate.

Following a tender process involving three search firms, Caldwell and Partners was selected by the Committee to assist with the search for a new independent Non-Executive Director. The firm is accredited under the UK Government's Enhanced Code of Conduct for Executive Search Firms and the Voluntary Code of Conduct on diversity best practice. Caldwell and Partners has no other connection with the Company.

Prior to the search commencing, the Nominations Committee agreed the skills and experience it considered necessary for the role and the skills mix required to enhance the balance of skills on the Board. Lists of potential candidates were then identified by Caldwell and Partners 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 members of the Board before being formally recommended to the Board for consideration and appointment as a Director.

Following the above processes, the Nominations Committee recommended the appointment of Ann-Christin Andersen, who joined the Board on 1 March 2021.

The Nominations Committee and the Board also progressed a number of management changes during the year, including the appointment of Brett Salt as Group Chief Marketing Officer replacing Jason Keys and Jim North as Acting CEO, replacing Chris Mawe. Mr North was subsequently appointed an Executive Director to the Board following Mr Mawe vacating his position as a Director in July 2020, after which Roman Palyvoda was appointed Acting CFO.

Nominations Committee Report
continued

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

Independence and tenure of the Board Chair

The Nominations Committee and the Board were conscious of and carefully considered that Mr Genovese would not be considered independent on appointment as Board Chair and his tenure had exceeded nine years, which is not in compliance with the Corporate Governance Code. Notwithstanding this, as further detailed above he was considered the best candidate to fulfil the role of Board Chair and to lead the Board during the next stage of the Group's development. The Board is satisfied that he is fully independent from all the Company's shareholders and has been during his entire tenure as a Non-executive Director. Additionally, the members of the Committee were comfortable based on their own experiences that Mr Genovese conducts himself with professional and personal integrity with an independent mindset and brings valuable challenge to the Board based on his in-depth understanding of the key drivers and challenges faced by the Group. The Board is satisfied that Mr Genovese's continuance as Board Chair adds considerable value to the business.

Election and re-election

Jim North who was appointed an Executive Director in 2020 and Ann-Christin Andersen who joined the Board in March 2021 will stand for election by shareholders at the Company's AGM in May 2021. 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 as noted above it is seeking to appoint a further independent Non-executive Director and as part of this process will be focused on identifying diverse candidates.

Board diversity policy update

Board objective	Progress in 2020
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.	– Operational human resources policies reviewed to identify, eliminate or mitigate any disadvantage or actual or potential discrimination to under-represented groups. – Operational facilities audit conducted to ensure accommodation of people with disabilities. – Women in leadership programme held to foster the advancement of women into senior leadership roles. – Integrated mining operating model developed and in execution. – Skills matrices developed to enhance the assessment of workforce technical skills and training by the FPM Training Centre to ensure workforce capability supports business requirements.
Increase Board gender diversity and women in management below the Board.	– Board skills matrix reviewed, including diversity requirements and communicated to recruitment partners; only firms adhering to the Voluntary Code of Conduct on diversity best practice used. – The Committee's search for a Non-executive Director during the year resulted in the appointment of Ann-Christin Andersen to the Board on 1 March 2021. This increased the Board's gender diversity to 29%. – Initiatives in progress to enhance gender diversity across the Group, from 18.2% women in management in December 2020 (2019: 17.5%) to a target of 18.4% by end 2021. – Total female representation as percentage of the workforce currently at 29.2% (2019: 29.3%). – Board review conducted of the Group'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 2021.
Monitor diversity programme outcomes and make adjustments to ensure overall objectives are met	– Plans developed in 2019 are in execution over the next five years. These include 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; roll-out of flexible and remote working policy for mothers of small children; and "bring a daughter to work" days.

Following approval in 2019 of an Equality, Diversity and Inclusion policy ("Diversity Policy"), the Committee reviewed and approved plans in support of the Company's diversity targets. The Diversity Policy seeks to ensure that a broad range of 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 candidate for the role is 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. The Board is committed to promoting behaviours that support an inclusive and diverse workplace, and which reflect the Company's values. This commitment is set out in the Diversity Policy, which recognises the important leadership role the Board needs to play in creating an environment in which all contributions are valued, different perspectives are embraced, and biases are acknowledged and mitigated. The Diversity Policy 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 Diversity Policy and progress updates are 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. In the course of 2020, the Committee approved plans and Ms MacAulay personally participated in a women in leadership programme aimed at supporting the career progression of senior women managers at the Group's operations.

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, 29.2% of the workforce is female of which 18.2% hold management positions and the aim of the Board is to increase this figure to 25% by 2030. The percentage of women in management has increased from 2019 (17.5%) but progress was lower than planned due to an overall moratorium on recruitment as part of a broad range of measures taken to manage the global COVID-19 pandemic in respect of the Group's workforce, particularly at operations. Diversity targets in respect of 2021 have been included in the Company's strategic business scorecard for the first time to provide for additional focus and attention on the achievement of this strategic imperative. The target set for 2021 at 18.4% represents the appointment of an additional five women in leadership positions by the end of the year.

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 in 2021 specifically targeting women pursuing STEM studies, sponsorship of local science expositions and robotics competitions, as well as continued 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 Committee notes that the Group'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 is 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:

- a graduate bursary scheme to encourage female applicants to specific sectors;
- 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;
- expanding the awareness of school programmes detailing the opportunities open to females of STEM careers in mining;
- female support/mentorship scheme for career development; and
- 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 16 March 2021.

Lucio Genovese
Chair of the Nominations Committee
16 March 2021

Remuneration Report

Fiona MacAulay
Chair of the Remuneration Committee

The Committee is chaired by Fiona MacAulay. The Committee consists of three independent Non-executive Directors as required by the Code and is also attended by the Chair of the Board and, by invitation, the Acting Group Chief Executive Officer and the Group Chief Human Resources Officer.

Main objective

To establish and maintain on behalf of the Board a policy on executive remuneration to deliver the Company's strategy and value for shareholders; to agree, monitor and report on the remuneration of Directors and senior executives and to review wider workforce remuneration and other policies in accordance with the 2018 Code. 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.

Membership and attendance

	Meetings	
Committee member	**Eligible to attend**	**Attended**
Fiona MacAulay	4	4
Graeme Dacomb	4	4
Vitalii Lisovenko	4	4

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

As Chair of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2020.

In line with the regulations requiring a vote at least every three years, the Directors' remuneration policy was presented to shareholders at the 2020 AGM and was approved by 89% of our shareholders.

The policy brought to the AGM was, however, substantially unchanged from the 2017 policy due primarily to the timings of both my appointment to the Board and the Committee taking place in the second half of 2019 in addition to other Board changes during the year. The approval sought in 2019 was therefore for a period of 12 months. During the course of 2020, the Committee has worked with both internal and external stakeholders to develop a policy that reflects our evolving strategy and the views of our major shareholders and of course reflects developments in institutional investor expectations for approval at the 2021 AGM.

This report is split into the following sections:

1. the **Statement from the Chair of the Remuneration Committee** – summarising the decisions taken by the Committee;
2. an **"At a glance"** overview of remuneration;
3. the **Directors' remuneration policy**, to be approved by shareholders at the 2021 AGM;
4. the **Annual Report on Remuneration**, setting out how we have paid Directors in 2020 and how we intend to operate the new policy in 2021.

Our approach to remuneration

It is the policy of the Board to align executive and shareholder interests by linking a substantial 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.

[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 2008 (as amended in 2013, 2018 and 2019) and the UK Corporate Governance Code. The elements subject to audit are highlighted throughout.

Key activities of the Committee in 2020

The Committee's key activities during the 2020 financial year were:

February

- Determining the 2019 bonus outturn.
- Determining vesting of the 2017 long-term incentive awards.
- Setting 2020 annual bonus targets.

March

- Determining the size of 2020 long-term incentive awards and the performance targets.
- Approving awards under the Company's share plans.
- Signing off the 2019 Remuneration Report.

Remuneration Policy

Over the past year, the Committee has reviewed the Directors' Remuneration Policy to ensure it supports our evolving strategy, is aligned with shareholders and takes into account the latest views on corporate governance. Whilst we considered alternative pay models and recognised their merits, we ultimately concluded that the executives should continue to be paid through the operation of our current pay model that includes a salary, annual bonus and a long-term incentive. The Committee has, however, agreed the following changes with respect to how these elements of pay operate:

Pension: The overall pension maximum in our policy will be reduced to 10% of salary from 15% of salary unless there is a higher local statutory requirement in the location in which the executive is based. None of our executives currently receive a pension in excess of 10% of salary and this, additionally, is the maximum rate for all employees across our workforce through pension or alternative statutory schemes. The Committee considered it appropriate to realign our policy with current market practice. Our Acting Chief Executive does not currently receive a pension benefit per se but is eligible for an equivalent statutory gratuity benefit payable post-employment that accrues at a rate of approximately 8.33% per annum in his location of employment, Dubai. Any new Executive Director appointments will be eligible to receive a pension (or equivalent) benefit in line with the workforce in the relevant location that they are employed within the Company.

Short-Term Incentive Plan ("STIP"): No change is being made to the current maximum bonus opportunity at 150% of salary. Part deferral of the annual bonus into shares will be introduced for the first time from 2021 financial year. 25% of any bonus earned will be the deferral amount which, at the discretion of the Committee, may be awarded as a right to receive the shares in two years' time or the after tax amount will need to be used to acquire and hold the shares for the two-year deferral period. This approach ensures immediate alignment between the executive and shareholders. These deferred shares will count towards the executive's in employment shareholding requirements (on an after tax basis).

Additionally, the target bonus is to be reduced from its current 67% of maximum to 50% of maximum in line with current market practice expectations.

Long-Term Incentive Plan ("LTIP"): No change is being made to the current maximum annual award limit (which is 200% of salary and 300% of salary in exceptional circumstances). In practice, however, awards are limited to a substantially lower face value and for 2021 the Committee intends to grant an award over 87,800 shares (which, based on a share price of c.340 pence, would result in an award value at grant to the Acting Chief Executive of c.43% of salary).

There will be a continuation of the current three-year performance monitoring and vesting and an additional two-year holding period on vested shares. We have clarified that whilst performance will primarily be measured against relative TSR, other performance metrics will also be introduced to support delivery against our long-term strategy and, specifically, ESG aspirations.

Share ownership guidelines: The 200% of salary 'in service' share ownership guideline (introduced at the 2020 AGM) will be retained with the expectation being that all shares deferred under the annual bonus (from 2022 onwards on an after tax basis) and all shares which vest under existing and future LTIP awards (after tax) must be retained towards satisfying the guideline.

In addition, a post-employment share ownership guideline will also be introduced under which departing Executive Directors will be expected to retain the lower of their share ownership at cessation of employment and 200% of salary for a minimum period of two years.

July

- Engaging with shareholders and advisory bodies in relation to the operation of the remuneration policy.
- Considering AGM feedback.

December

- Reviewing the remuneration policy.
- Determining the remuneration of the Acting Chief Executive and Company Chair.
- Reviewing 2021 annual bonus targets.

Key activities of the Committee in 2021

The Committee's anticipated key activities in 2021 are to:

- consider AGM feedback;
- implement the revised remuneration policy (subject to shareholder approval at the 2021 AGM);
- consider the evolution of performance conditions in line with the business strategy within the context of the COVID-19 pandemic;
- monitor senior management remuneration in line with the Code.

Remuneration Report
continued

As with the 'in service' share ownership guideline, the guideline relates to shares that are deferred under the annual bonus from payments under the 2021 bonus onwards and shares which vest under existing and future LTIP awards (after tax).

Board changes

During 2020, there were changes to both the Executive and Non-executive members of the Board.

Jim North was appointed as Acting CEO on 28 May and an Executive Director with effect from 5 July 2020. In connection with his appointment, and in recognition of his additional responsibilities above those of his role as Chief Operating Officer, his base salary was increased by US$100,000 to US$959,050. As Mr North is employed out of the Dubai office, in line with local practice, he does not receive any pension benefit from the Company. However, under local legislation he is entitled to a lump-sum gratuity payment on leaving employment equivalent to c.8.33% of salary per year of his service. Should his employment be relocated elsewhere within the Company he would be eligible to participate in the pension arrangements in the relevant location in line with the workforce. He will also be eligible to participate in the annual bonus plan and long-term incentive plan as detailed above under the new policy. Full details of how we intend to operate the policy in 2021 are set out on pages 91 to 97. As an expatriate employee, Mr North is also eligible for housing and schooling allowances (which would be capped at a maximum of US$200,000), but he has not used these allowances during 2020.

Chris Mawe, who held the position of Acting CEO until 28 May 2020, and then returned to his previous role as CFO and proceeded on notice on 4 July 2020, stepping down from the Board with immediate effect. Mr Mawe commenced a period of gardening leave on 29 July 2020 and, under his contract of employment, is expected to cease employment with the Group on 31 July 2021. Mr Mawe continues to receive his basic pay and benefits during this period and any other payments made in connection with his termination will be disclosed by the Company in due course.

As detailed in last year's Directors' Remuneration Report, Kostyantin Zhevago stepped down as CEO in October 2019 and was appointed a Non-independent Non-executive Director, in accordance with the terms of his Relationship Agreement with the Company. Given that his base salary as CEO had historically been set significantly below the market in light of his level of share ownership in the Company (being greater than 50% of the issued share capital) he continued to receive the same rate of remuneration during the period he was a Non-executive Director in 2019 (US$240,000 plus benefits).

From engagement with the Company's major institutional shareholders following the 2020 AGM, it was understood that the reason for the less than 80% vote in favour of the Directors' Remuneration Report at the 2020 AGM was due to Mr Zhevago receiving remuneration at the same rate following his change in role to reflect his broader responsibilities and time spent in providing ongoing support to the Acting CEO as compared to the other Non-executive Directors. In response to this feedback, the remuneration arrangements for Mr Zhevago have been revised and with effect from 1 December 2020 he receives the same remuneration as other Non-executive Directors of US$135,000, in addition to a limited consultancy fee set at US$90,000 per year. This additional consultancy fee reflects the expected time commitment of his role, which continues to be broader than that of the other Non-executive Directors given the important role he plays in stakeholder engagement in Ukraine, providing support to the Chief Marketing Officer in relation to the Company's marketing strategy and sales portfolio and providing guidance to the Acting CEO in respect of the Company's organic growth plans. The need for this consultancy fee, and the rate at which it is set, will be kept under review. He will not receive any wider Company benefits in connection with his role and Mr Zhevago has no executive responsibilities as part of this consultancy arrangement.

Steve Lucas, having announced his decision to retire from the Board at the 2020 AGM, stepped down from the Board following a detailed independent search for a successor and was succeeded by Lucio Genovese as Board Chair with effect from 24 August 2020, who was evaluated against a number of external candidates as having the most relevant skill sets despite not fulfilling the criteria for independence (given his previous tenure on the Board from June 2007 until August 2014). In recognition of the expected time commitment of the role as Board Chair, his fee was set at a rate of US$500,000 for services to the Company. The fee reflects the fact that the role significantly exceeds the one and a half to two days per week of a typical FTSE 250 Board resulting from (i) the jurisdictions in which the Company operates (ii) the need to engage proactively with the broad range of Company stakeholders and (iii) the objective of enhancing the governance structures within the Company.

During 2020, the Board (excluding the Non-executive Directors) reviewed the Non-executive Directors' fees and determined that all Non-executive Directors should receive a consistent base fee of US$135,000 (replacing the existing practice of some Non-executive Directors receiving US$135,000 and others US$100,000, depending on the timing of appointment). Given the significant time commitment involved, the Board (excluding the Non-executive Directors) was comfortable this was an appropriate base fee for all Non-executive Directors.

Performance and reward in 2020

As detailed in the Strategic Report, 2020 was a year of progress with strong operational and financial performance delivered against the challenging backdrop of the COVID-19 pandemic. The Board, Executive Committee and all employees responded quickly to the impact of COVID-19 implementing controls to keep our people safe and well, maintain safe and reliable operations, and support our communities. The early response to protect the Company's financial position, including reprioritising capital expenditure, maintaining control of operating costs and optimising production enabled the Group to deliver strong operating results and ensure that the business remained resilient while facing a period of economic uncertainty. Responding to the impact on the market environment in the first half of 2020, sales to China were increased where demand remained robust and the Group also benefitted from the successful ramp up of the Group's concentrator and pellet line expansion projects which resulted in a 7% year-on-year growth in iron ore pellet production, an increase in the proportion of our production that is of the highest grade quality at 65% Fe and 67% Fe (from 96% to 99%) and total full-year sales volume increased by 17%.

Ferrexpo has also not applied for or received a government-funded wage subsidy programme in any jurisdiction in which the Group operates, nor have there been any redundancies as a result of the COVID-19 pandemic.

This robust performance resulted in a 2020 annual bonus under the STIP payable at 67% of maximum for Jim North. Full details of the financial targets and actual performance against them are set out on page 101 along with details of the non-financial targets and the level of performance achieved.

In determining the 2020 STIP outcome for Jim North, the Committee applied downward discretion to scorecard outcomes achieved in the year to reflect the higher than expected iron ore prices and lower than budgeted input costs. Bonus payments were also made to the broader workforce using similar principles.

With regard to the 2018 LTIP, as in prior years, our three-year total shareholder return performance was measured relative to the performance of a bespoke Index of comparable Iron Ore and Composite Miners. Since we under-performed the Index by an average of 19.6% p.a. over the three-year period, 0% of the award is eligible to vest.

The Committee considered the remuneration earned in relation to 2020 financial year to be appropriate in the context of strong Company performance in the year and continued progress against our medium-term strategy of expanding production in a cost effective manner.

Applying the remuneration policy in 2021

In addition to the policy changes noted above, the Committee has agreed a number of modifications to how it applied policy in 2020 financial year to further align the Directors' pay arrangements with Company strategy from 2021 financial year. The key points to note include:

- The annual bonus performance targets will continue to be assessed against a balanced scorecard of financial, operational and personal targets set with reference to the Company's financial plans and the individual's responsibilities. Minor changes are to be made to the current scorecard with the inclusion of additional ESG targets to improve our gender balance at leadership levels and to reduce carbon emissions in production. The choice of metrics reflects Ferrexpo's portfolio of financial, operational, health and safety, personal and strategic targets. Full retrospective disclosure will continue to be provided in relation to performance against targets in the Remuneration Report each year.
- In line with historic practice, long-term performance in respect of the LTIP will primarily (75%) be based on Ferrexpo's relative total shareholder return performance measured against an Index comprising of Iron Ore and Composite Miners. However, for the first time in 2021 financial year, 12.5% of the award will also be subject to three-year production targets that directly align with our core strategic objective of improving our product mix to higher grade iron ore pellets. We are targeting increased production in pellets above 65% Fe (i.e. DR pellets) of between 3% and 7% over the period to the end of 2023 financial year. This grade of pellet improves the productivity of blast furnaces and reduces their carbon footprint by 40% for every tonne of sinter fines replaced (Source: CRU). In addition to driving production in greener steel, a separate target, which also contributes 12.5% of the total, is also to be introduced to align with our long-term objective of reducing carbon emissions. This will also operate for the first time in 2021 financial year with the target set to align executives with reduced carbon emissions of between 3% and 5% p.a. across the period to 2023 financial year. Any shares vesting under this award will be subject to a two-year post vesting holding period. Full details are set out on page 104.

Consideration of shareholders and employees

We consulted with shareholders in 2020 in relation to the one-year rollover of our existing remuneration policy and received over 89% support for that resolution and are bringing to the AGM this year a suite of fully considered amendments to the remuneration policy which brings the Company in line with market practice. In relation to the 2019 Directors' Remuneration Report, we received just over 76% support. As noted above, the key reason we understood that votes were cast against the resolution related to Kostyantin Zhevago's remuneration which has subsequently been reduced and restructured during the year under review. Full details of his revised arrangements are set out on page 104.

The Committee also noted feedback from employees, elicited through the Company-wide annual Employee Engagement Survey. The survey tested a range of employee engagement elements including the effectiveness of remuneration and benefits policies.

While policies are understood and are generally considered to be working effectively, further work to align remuneration with individual performance outcomes is needed, particularly within some of our operations. This will be an area of key focus in 2021 for the Chief Human Resources Officer to review the policies and address the concerns raised, overseen by the Senior Independent Director, who has been designated by the Board to lead workforce engagement.

Fiona MacAulay
Chair of the Remuneration Committee
16 March 2021

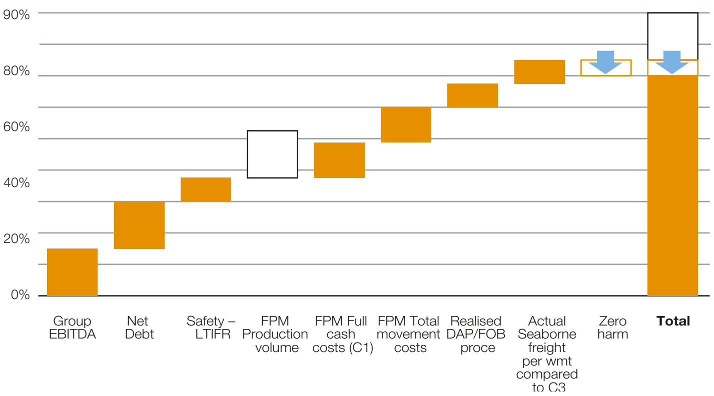
Remuneration Report
continued

AT A GLANCE (NOT SUBJECT TO AUDIT)

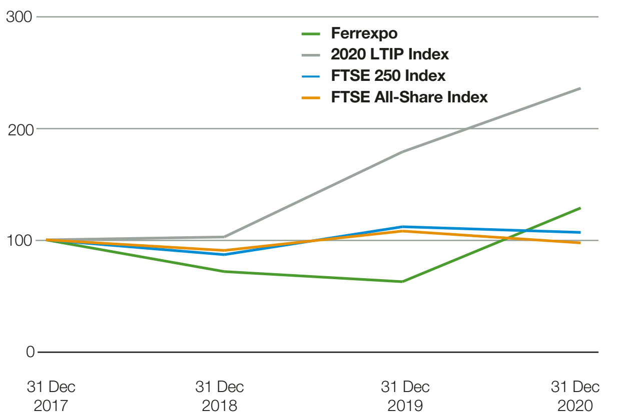
payment/ accrual — performance period — holding period

Element	Operation	Time-horizon 2021 2022 2023 2024 2025
Salary: To attract and retain talent by ensuring base salaries are competitive in the market in which the individual is employed	– Annual review by Committee – Increases typically in line with wider workforce	
Pension & benefits: To provide market competitive benefits	– Aligned with pension and benefits offered to local workforce	
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	– Maximum opportunity of 150% of salary – Target opportunity of 75% of salary – Performance measures based on a scorecard of financial, operational and personal objectives – Safety underpin – 25% of bonus deferred into shares for two years	
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	– Policy maximum of 200% of salary – Performance based primarily on relative TSR (75% weighting) in conjunction with production (12.5% weighting) and carbon emissions (12.5% weighting) – Performance measured over three years with two-year post vesting holding period	
Share ownership guideline: To provide alignment of interests between Executive Directors and shareholders	– Executive Directors required to build and maintain a shareholding of 200% of salary – Applies for two years post-cessation of employment	200% of salary

Business scorecard



Total Shareholder Return



PART A: POLICY SECTION (NOT SUBJECT TO AUDIT)

As detailed in the Statement to Shareholders from the Chair of the Remuneration Committee, having rolled over the policy at the 2020 AGM in light of the changing make-up of the Board, the Committee has undertaken a full review over the past year and has set out a revised remuneration policy that takes account of our evolving strategy and acknowledges recent changes to the governance landscape.

Overview of changes to the policy

The changes to the policy are summarised below:

Pension	Confirming alignment of pension rates in line with the local workforce, and reducing the maximum rate to 10% of salary (unless there is a higher local statutory rate).
STIP	In line with investor expectation, the target STIP payout has been reduced from 67% of maximum to 50% of maximum (delivering 75% of salary). A requirement to defer 25% of any STIP payment into shares for two years has also been included to provide further alignment with shareholders.
LTIP	No significant changes although clarified that additional metrics may be used in conjunction with relative TSR.
SOGs	Formalised the requirement for a shareholding of 200% of salary to be built and maintained by Executive Directors and introduced a requirement for the shareholding requirement to apply for two years post-cessation of employment also at 200% of salary (or the shareholding on cessation, if lower). Newly acquired shares count towards this guideline.
NED & Chair	No change.
Service contracts and leaver provisions	No change.

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 Chair 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 an appropriate 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 undertaken, 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.

Remuneration Report
continued

Key principles of the remuneration policy continued

- **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 plan which employs a blend of financial, operational and non-financial metrics; (ii) the use of equity in our long-term incentive plan (together with shareholding requirements); 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 95 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.

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 2021 AGM subject to shareholder approval. 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. For information, pension for UK-based employees is currently set at 5% of salary with pension for Swiss-based employees set at 10% of salary. Whilst pension in Dubai is not typically provided a statutory lump sum gratuity is accrued each year and will be payable on termination in line with the relevant legislation.	Executive Directors will receive a pension that is aligned with the typical (i.e. most common) practice for employees in the location that the executive is based. The employer contribution will normally be limited to a percentage of base salary. Associated benefits and variable pay will only be included where there is a statutory requirement to do so. The employer contribution will be limited to 10% of salary or higher subject to compliance with local statutory requirements to reflect actual practice in the Company.	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, accommodation allowances, travel, enhanced sick pay, relocation/expatriate relocation benefits, tax 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 or amount of bonus payable, taking into account such factors as it determines to be relevant, including factors outside of management control or where it believes the outcome is not truly reflective of individual performance or in line with overall Company performance. Normally paid as a mixture of cash and deferred shares with the cash portion paid following the publication of the audited results. The deferred share portion will normally be a minimum of 25% of the total bonus (with after tax bonus used to acquire shares or the deferral taking place through a deferred share award) with the shares eligible for release after a period of two years. Dividend equivalents may accrue on deferred bonus 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 50% 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. Vesting of LTIP awards is subject to performance measured over a period of at least three years. In addition, for any shares to vest, the Committee must be satisfied that the outcome is a fair reflection of Ferrexpo's underlying business performance. For LTIP awards from 2018 onwards a two-year holding period applies to shares vesting under the LTIP. 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.	The Committee reviews the LTIP performance conditions, in advance of granting each LTIP cycle. Relative TSR will be the primary performance measure. Other performance measures may, however, be used in combination with relative TSR.

Remuneration Report
continued

Key principles of the remuneration policy continued

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Share ownership guideline To provide alignment of interests between Executive Directors and shareholders.	The Company operates a shareholding requirement which is subject to periodic review. As a minimum, Executive Directors are expected to retain all of the post-tax shares vesting under the LTIP and shares deferred under the annual bonus (from 2022 on an after tax basis) until the shareholding requirement is met. Following cessation of employment, Executive Directors are expected to hold the lower of 200% of salary and the value of shares held on cessation for two years. The Committee maintains discretion to disapply the policy as it considers appropriate in exceptional circumstances (e.g. death). The guideline will apply to shares deferred under the annual bonus (from 2022 on an after tax basis) and shares which vest under existing and future LTIP awards (after tax).	Executive Directors are required to build and maintain a shareholding to the value of at least 200% of salary. The lower of 200% of salary and the value of shares held on cessation must be held for two years post cessation.	Not performance related.

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 are 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. Part of the LTIP will normally also include other performance metrics (e.g. production or sustainability metrics) for a minority of the award to ensure that the long-term targets are appropriately balanced in light of the Company’s strategic objectives.

Remuneration of senior executives below the Board

The policy and practice with regard to the remuneration of senior executives below the Board is broadly aligned 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

Executive Directors are 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 Chair. Annual base fee for Non-executive Directors. Additional fees are paid to the Senior Independent Director and the Chairs 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 Chair 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). 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.

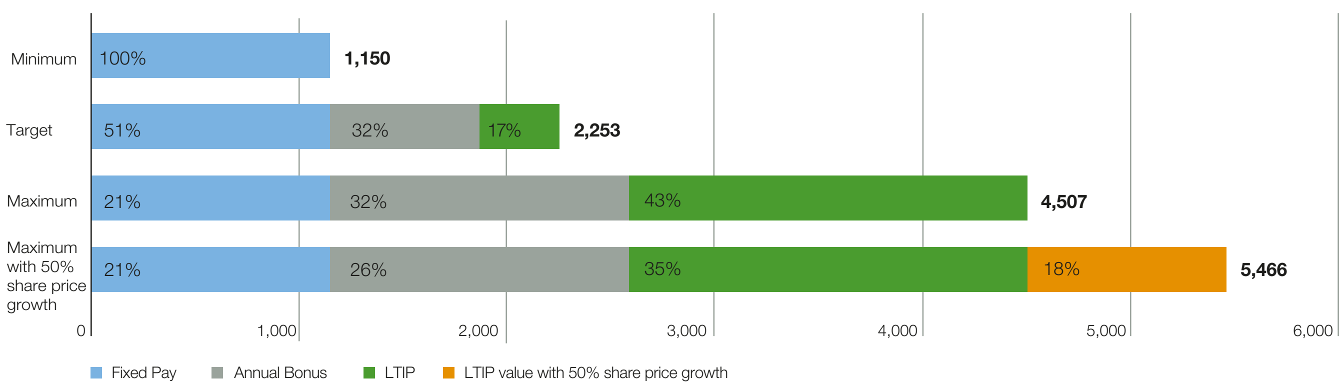
Pay-for-performance: scenario analysis

For the Acting CEO, who is currently the sole 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", "On-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 99. In illustrating potential reward opportunities, the following assumptions have been made:

Scenario	Fixed pay	STIP	LTIP
Below threshold		No STIP (0% of salary)	No LTIP vesting (0% of maximum)
On-target		On-target STIP (75% of salary)	On-target vesting of LTIP (40% of maximum)
Maximum	Base salary, pension and benefits as applicable for 2021 financial year[1]	Maximum STIP (150% of salary)	Full vesting of LTIP (100% of maximum) – assumed normal policy maximum of 200% of salary although in practice awards to Executive Directors are significantly lower
Maximum, assuming 50% share price growth		Maximum STIP (150% of salary)	As for Maximum, but modelling the impact of a 50% increase to share price

[1] Benefits have been included at c.US$190,000 based on the annualised historic benefit provision to Executive Directors.

Acting CEO US$ ('000)



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 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 Director is employed under a contract of employment with Ferrexpo Middle East FZE, a Group company (the "employer"). The Committee sets notice periods for the Executive Directors at six months, which reduces the likelihood of having to pay excessive compensation in the event of poor performance.

The principal terms of the Executive Director's service contract (which has no fixed term) not otherwise set out in this report is as follows: save in circumstances justifying summary termination, Mr North's service contract with the employer is terminable on not less than six months' notice to be given by the employer or not less than six months' notice to be given by Mr North and has no special provisions in the event of a change of control.

			Notice period	
Executive Director	Position	Date of contract	From employer	From employee
J North	Acting CEO	30 September 2015	6 months	6 months

Under his service contract, the Executive Director is entitled to 25 working days' paid holiday per year plus public holidays and other forms of leave in accordance with applicable legislation. The Executive Director's service contract contains 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, and accrued but untaken holiday where applicable and required under law for the extent of the notice period. 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. Under UAE law, upon loss of office the Executive Director is entitled to a one-way economy class ticket to his country of origin and the service gratuity payment referred to on page 88.

Policy for loss of office payments

The following principles apply when determining payments for loss of office for the Executive Director 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); 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;
- reimburse reasonable relocation costs where an Executive Director (and, where relevant, their family) had originally relocated to take up the appointment;

- 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, retirement, redundancy, 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, except in the case of death, 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 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 contract is 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 Chair 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	Position	Date of first appointment	Date of re-election
L Genovese	Chair	12 February 2019	2021 AGM
G Dacomb	Non-executive Director	10 June 2019	2021 AGM
V Lisovenko	Non-executive Director	28 November 2016	2021 AGM
F MacAulay	Non-executive Director	12 August 2019	2021 AGM
K Zhevago	Non-executive Director	1 December 2020	2021 AGM

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.

PART B: ANNUAL REPORT ON REMUNERATION (AUDITED)

The following section provides details of how the remuneration policy was implemented during the year. Throughout this report, the remuneration of Directors who are paid in foreign currencies are disclosed in local currencies to facilitate year-on-year comparisons, uninfluenced by exchange rate fluctuations.

Committee membership in 2020

The Committee comprises three Independent Non-executive Directors. Fiona MacAulay was appointed Chair of the Remuneration Committee with effect from 12 August 2019. The other members of the Committee during the year were Graeme Dacomb and Vitalii Lisovenko. 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 2020 is set out in the Chair's Introductory Statement on pages 86 to 87.

The CEO (or Acting CEO) and the Chief Human Resources Officer (the "CHRO") usually attend meetings of the Committee at the invitation of the Chair of the Committee, and the Company Secretary acts as secretary to the Committee. The Company Chair, other Non-executive Directors 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. Korn Ferry is a member of the Remuneration Consultants Group and adhere to its code of conduct.

Korn Ferry's fees for services provided to the Committee in 2020 totalled £115,816 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. Korn Ferry also provides general remuneration advice to management in respect of remuneration elsewhere in the Group. 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 2020 and the prior year.

K Zhevago held the role of CEO until 25 October 2019 when he stepped aside with Chris Mawe, the Chief Financial Officer, being appointed Acting CEO until the 2020 AGM on 28 May 2020. Mr Mawe ceased to be a Director of the Company on 5 July 2020 and subsequently was put on notice by the Company. Jim North, the Chief Operating Officer, assumed the role of Acting CEO from the 2020 AGM and was appointed to the Board on 5 July 2020.

	Salary[1]	Benefits[2]	STIP[3]	LTIP[4]	Pension[5]	Total (single figure)[6]	Total fixed remuneration (single figure)[6]	Total variable remuneration (single figure)[6]
Executive Directors								
C Mawe (until 5 July 2020)[8]	**CHF435,702**	**CHF100,291**	**–**	**–**	**CHF21,785**	**CHF557,778**	**CHF557,778**	**–**
C Mawe (2019)	CHF698,417	CHF195,411	CHF865,000	£250,705	CHF69,848	CHF2,146,746	CHF963,676	CHF1,183,070
J North (from 28 May 2020)[7]	**US$567,180**	**US$6,459**	**US$573,656**	**–**	**–**	**US$1,147,295**	**US$573,639**	**US$573,656**
J North (2019)	–	–	–	–	–	–	–	–

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 100 to 101. As at the date of this report, no decision has been made in respect of the treatment of Mr Mawe's STIP for the financial year ending 31 December 2020 and details will be disclosed in due course.
4. LTIP: the market value of shares that vested on performance to 31 December of the relevant year (2020: 0% vested on performance; 2019: 97.32% vested on performance). The market value is based on the share price on the normal date of vesting: 31 December 2020 of 282.60 pence; 31 December 2019 of 158.95 pence. Mr Mawe does not hold a 2018 LTIP award. Further details are provided on page 102 in respect of shareholding by the Directors. The impact of share price appreciation on the value of the LTIP is reflected in the LTIP Award Vesting table on page 102. The 2019 LTIP figure for Mr Mawe includes the value of 11,746 shares in lieu of dividends and has been converted using the average exchange rate for 2019 for the purposes of the total single figure column.
5. Pension: Mr Mawe's pension is 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. Mr North does not participate in a pension scheme in line with normal practice in Dubai. Whilst working in Dubai, under local legislation he accrues a lump-sum gratuity payment which is paid on leaving employment and is equivalent to c.8.33% of salary per year of his service. Within the reporting period an amount of US$24,457 was accrued towards the statutory gratuity.
6. Average exchange rates: 2020 – US$1=CHF1.0663, CHF1=£0.8308, £1=US$1.2843; 2019 – US$1=CHF1.0066, CHF1=£0.7882, £1=US$1.2770.
7. Mr North assumed the role of Acting CEO from the 2020 AGM on 28 May 2020 and was appointed to the Board on 5 July 2020. Remuneration disclosed is in respect of the period as Acting CEO i.e. from 28 May to 31 December 2020.
8. Mr Mawe was appointed Acting CEO on 25 October 2019 until 28 May 2020 and received a temporary additional annualised salary of CHF200,000 to reflect his additional responsibilities. Mr Mawe ceased to be a Director of Company on 5 July 2020. Remuneration disclosed is in respect of the period as a Director i.e. until 5 July 2020.

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 2020 and the prior year.

	All figures shown in currency of payment, US$000							
	2020				2019			
	Fees	Benefits	Pension	Total	Fees	Benefits	Pension	Total
Non-executive Directors								
L Genovese (Chair)[1]	282	–	–	282	88	–	–	88
V Lisovenko (Senior Independent Director)[3]	190	–	–	190	227	–	–	227
G Dacomb[2]	120	–	–	120	67	–	–	67
F MacAulay[4]	138	–	–	138	46	–	–	46
K Zhevago[5]	240	–	–	240	40	30	2	72
Former Non-executive Directors								
S Lucas (Former Chair)	494	–	–	494	440	–	–	440

1 Mr Genovese retired from the Ferrexpo plc Board on 1 August 2014 and was subsequently re-appointed on 12 February 2019. He was appointed Chair on 25 August 2020.
2 Mr Dacomb was appointed to the Board with effect from 10 June 2019.
3 Mr Lisovenko was appointed Senior Independent Director with effect from 19 August 2019.
4 Ms MacAulay was appointed to the Board with effect from 12 August 2019.
5 Mr 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 continued to receive an annualised fee of US$240,000 until 1 December 2020 when it was agreed that Mr Zhevago will receive a fee in line with other Non-executive Directors (i.e. US$135,000). In addition, and to reflect his wider role at the Company in providing strategic advice and managing key relationships with stakeholders, he will receive a consultancy fee set at US$90,000 per year. This fee reflects the expected time commitment of the role and will be kept under review. He will not receive any wider Company benefits in connection with his role. Prior to Mr Zhevago's revised arrangements being agreed, he was 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.

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. Mr North was appointed to the role of Acting CEO in May 2020 on a salary of US$959,050, which includes an "acting up" allowance of US$100,000 per annum to reflect his responsibilities as acting CEO in addition to his role as Chief Operating Officer. There will be no increase to salary awarded in 2021.

		Base salary at:	
Executive Director	Position	1 January 2021	1 January 2020
J North	Acting CEO	US$959,050[1]	US$859,050

1 This includes the "acting up" allowance of US$100,000 referred to above.

Mr Mawe received a salary of CHF861,320 during the period he undertook the role of Acting CEO which included an "acting up" allowance of CHF200,000 per annum to reflect the additional responsibilities.

Pensions and other benefits – audited

The Group does not operate a separate pension scheme for Executive Directors. In line with standard company practice in Dubai, Mr North does not participate in a pension scheme. Whilst working in Dubai, under local legislation he accrues a lump-sum gratuity payment which is paid on leaving employment in the country and is accrued at a rate equivalent to c.8.33% of salary per year of his service. In the period, an amount of US$24,457 was accrued towards the statutory gratuity.

Mr North is eligible for other benefits whilst he is an Executive Director as set out in the Executive Director remuneration policy earlier in the report. This includes an unclaimed (to date) allowance toward the cost of accommodation and schooling for dependent children in Dubai.

Mr Mawe was a member 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 on an age-related basis to a maximum of 10%. No additional benefit is receivable on early retirement.

Executive Director	Normal retirement date	Increase in value for 2020 less Director's contribution
C Mawe	31.01.27	CHF56,905

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.

Remuneration Report
continued

2020 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 Directors 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 2020 were set for the Directors 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, safety and operational performance, and sales and product marketing performance, as well as personal targets relating to operational, financial and people management objectives. Safety (behavioural safety initiatives and improvements in risk management) was included as a modifier, decreasing the total result in the event of a fatality.

The Company does not disclose its financial and operational targets pre-emptively for the forthcoming year as these are considered commercially sensitive. We do, however, provide retrospective disclosure of the targets. The data for 2020 is shown in the table below. Financial and operational targets are 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.

In 2020, the threshold performance equated to a bonus potential of 50% of salary, on-target performance 100% of salary and stretch performance 150% of salary. It is noted that under the 2021 scheme, the bonus earned for on-target performance will be reduced to 50% of maximum bonus opportunity (75% of salary).

The level of achievement against each of the targets for 2020, as determined by the Committee for Mr North as Acting CEO, is summarised below.

Business scorecard (60% of STIP)

KPI	Measure/target	Weighting %	Threshold 50%	Target 100%	Stretch 150%	Scorecard outcome	Assessment	Max as a % of salary	Bonus awarded as a % of salary
Financial	Group EBITDA (US$, million)	10.00%	598	632	666	733	Stretch achieved	15.00%	15.00%
	Net debt (US$, million)	10.00%	-103	-92	-81	4	Stretch achieved	15.00%	15.00%
Safety	LTIFR <WA Mines trailing 5yr average (%)	5.00%	20.0	23.0	25.0	50.6	Stretch achieved	7.50%	7.50%
Operational	FPM Production volume (Mt)	10.00%	11.3	11.5	11.8	11.2	Below threshold	15.00%	0%
	FPM Full cash costs (C1) (US$/t)	7.50%	50.7	49.7	48.2	48.0	Stretch achieved	11.25%	11.25%
	FPM Total movement cost (US$/t)	7.50%	2.45	2.14	2.18	1.79	Stretch achieved	11.25%	11.25%
Sales and Marketing	Realised DAP/FOB price (US$)	5.00%	-4.00	-2.50	-1.00	7.31	Stretch achieved	7.50%	7.50%
	Actual Seaborne freight per wmt compared to C3 (US$/t)	5.00%	4.50	3.00	1.50	1.20	Stretch achieved	7.50%	7.50%
Total		**60.00%**						**90.00%**	**75.00%**
Committee discretion applied									-14.00%
Scorecard subtotal									61.00%
Safety	Zero harm – 5% deduction due to fatality						Discretionary modifier		-5.00%
Scorecard outcome									**56.00%**

For the reasons detailed below, the Committee used its discretion to reduce the formulaic bonus outcome from 75% of the 90% available as reported in the table to 56% of the 90% available. This adjustment was made to all participants subject to the corporate Business scorecard. In determining the outcome for the Business scorecard, the Committee reflected that 2020 financial year had been an unprecedented year of global pandemic. In response, management took appropriate steps to protect the workforce and, although, mining volumes had largely been achieved, target pellet production was below threshold (however, the Committee considered that production volumes were notable given the context of the pandemic). In respect of financial targets, it was noted that the Company had benefitted from unprecedented falls in primary energy supply costs, in particular, oil and electricity, which had resulted in lower C1 costs[A] and freight costs which had a positive effect on the scorecard's EBITDA, Operational and Marketing and Sales results. It was also noted that the market had specifically requested remuneration committees to review bonus outcomes in light of external conditions generated by the pandemic. As a result, the Committee considered that individual weightings in respect of the scorecard measures should, for this year, be removed to have a single corporate scorecard that applied to all participants. The Committee did not add or remove any targets from the scorecard but reviewed the outcomes as determined by management and, following robust consideration, adjusted the overall outcome resulting in an outcome of 61% (target 60%) with a post calculation modifier of -5% being applied for the tragic fatality experienced in the year, therefore, delivering a 56% outcome for all participants.

Personal objectives (40% of STIP)

Objective	Weighting	Threshold 50%	Target 100%	Stretch 150%	Outcome	Assessment	Max as a % of salary	Bonus awarded as a % of salary
Lead and execute the Company's growth strategy	10.0%	Completed growth strategy	Strategy developed and approved for implementation	Strategy in execution	Stretch achieved	Phase 1 approved and in execution	15.0%	15.0%
Develop and implement the Group's technology and innovation strategy	10.0%	Implementation of fleet autonomy objectives planned for 2020	Technology and innovation strategy developed and approved	Strategy implementation commenced	Stretch achieved	Strategy developed and fleet autonomy in execution	15.0%	10.0%
Optimisation of Group organisation and culture	10.0%	Implementation of operational One Ferrexpo planned objectives	Plan for Group optimisation and implementation of cultural development programme	Strategy implementation commenced	Threshold achieved	Operations optimisation on plan and Group plan developed but delayed due to COVID-19	15.0%	5.0%
Maintain business continuity through the pandemic	10.0%	COVID-19 response developed	Effective management of pandemic	Business continuity maintained	Stretch achieved	Business continuity maintained and impact of pandemic effectively managed with negligible impact on operational performance	15.0%	15.0%
Total	**40.0%**	**20.0%**	**40.0%**	**60.0%**			**60.0%**	**45.0%**
Total STIP (Composite result of business scorecard and personal objectives achievement)							**150.0%**	**101.0%**
Outcome as a percentage of salary								**101.0%**

The Committee considered Mr North's personal performance against his personal targets during 2020 as shown above and confirmed that the Acting CEO had achieved all but one of his personal targets at target or above. It was evident that from the overall performance of the Group in the year that early actions taken to address the COVID-19 pandemic, in particular, had ensured that the potential impact on operations and the Company as a whole had been minimal. Plans had been adapted to allow people to focus on business-critical activities and the COVID-19 response and had effectively maintained business continuity in what was a very difficult operating environment. Additionally, sales had been pivoted to the Asia-Pacific region which had allowed the Company to take advantage of stronger demand for the Group's products and mitigate continuing constraints in the European steel market. These actions enabled the Group to deliver a strong operating outcome in the 2020 financial year and achieve strong financial results. In light of the strong personal performance of the Acting CEO and the financial performance set out, the Committee was comfortable with the payment of a total bonus at 101% of salary which included the Committee's use of negative discretion.

As at the date of this report, no decision has been made in respect of the treatment of Mr Mawe's STIP for the financial year ending 31 December 2020 and details will be disclosed in due course.

Remuneration Report
continued

STIP framework for 2021
Mr North's 2021 STIP opportunity is 150% of salary for maximum performance, calculated as a percentage of salary earned during the year (i.e. including allowance for Acting CEO for the duration of the post). In line with the new policy, the target payout under the 2021 bonus has been reduced to 75% of salary (i.e. 50% of maximum) with threshold performance delivering 50% of salary. The STIP performance framework for 2021 is in line with the principles of the remuneration policy and past practice. A balanced scorecard of financial, operational and personal KPIs, continues to be set as in previous years. For 2021 we have introduced greater focus on ESG metrics within the operational KPIs including specific targets for gender diversity and carbon reduction. The measures and weightings for the STIP in 2021 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.

As a new requirement under the policy, 25% of any bonus earned, net of any tax, will be required to be deferred into shares for two years. Alternatively, the Committee may determine that 25% of any bonus earned is deferred into a share award which vests after two years.

KPI	Weighting
Financial (Underlying cash EBITDA)	15.0%
Operational (Safety (LTIFR) Gender diversity Carbon reduction Production C1 cost management)	45.0%
Personal (Organisational growth Organisational optimisation Pandemic management Decarbonisation execution)	40.0%
Total	**100.0%**

LTIP award vesting – audited
The performance period for the 2018 LTIP awards ended on 31 December 2020. The 2018 LTIP rewarded TSR outperformance of a tailored comparator group. Under the 2018 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 2018 to 31 December 2020, Ferrexpo's TSR outperformance was -19.6% p.a. resulting in 0% of the 2018 LTIP awards vesting.

Mr North's 2018 LTIP award, granted in respect of his role as Chief Operating Officer, did not vest and has lapsed. Mr Mawe did not hold 2018 LTIP awards. Details of Mr Mawe's 2017 award which are included in the 2019 column in the Single Total Figure of Remuneration table are set out below.

	Date of grant	Number of shares	Award share price[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	02.05.17	150,000	117.40p	£176,100	97.32%	145,980	£171,381	158.95p	£232,035	£60,654 (26%)
J North	09.04.18	85,000	268.01p	£227,809	0%	–	–	282.60p	–	–

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 2020 – audited
Mr Mawe and Mr North were granted a 2020 LTIP award in respect of 137,500 shares and 117,000 shares, respectively, which had a face value of 27% and 22% of salary, respectively.

Executive Director	Date of grant	Number of shares	Face value[1]	Face value (% of salary)[1]	Vesting for minimum performance (% of maximum)	End of performance period
C Mawe	27.03.20	137,500	£196,185	27%	20%	31.12.22
J North	27.03.20	117,000	£166,936	22%	20%	31.12.22

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=£0.8308, £1=US$1.2843.

The LTIP award will vest to the extent that the TSR performance condition is met with performance measured over the period to 31 December 2022. 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	2020
Focused iron ore miners	Weighting	60%	60%	60%	60%	**60%**
Assore[2]		✓	✓	–	–	–
Atlas Iron[3]		✓	–	–	–	–
Cliffs		✓	✓	✓	✓	✓
Fortescue Metals		✓	✓	✓	✓	✓
Kumba Iron Ore		✓	✓	✓	✓	✓
Mount Gibson		✓	✓	✓	✓	✓
Global diversified miners	Weighting	40%	40%	40%	40%	**40%**
Anglo American[4]		✓	✓	–	–	–
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 peer group in 2018 due to being taken private and delisting in May 2020.
3 Removed from the peer group for 2017 due to acquisition by Hancock Prospecting in 2018.
4 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 to 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 2021

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 North an LTIP award over 87,800 shares (which have a face value of c.43% of his Acting CEO salary based on the share price prevailing at the time of setting the award size) and which sits at the lower end of the award possible under the policy.

The performance metrics for the 2021 LTIP awards have been broadened to include both a sustainability and a production target to operate alongside relative TSR.

The production target will relate to 12.5% of the 2021 LTIP award and directly aligns with the core strategic objective of improving the product mix to higher grade iron ore pellets. We are targeting increased production in pellets above 65% Fe (i.e. DR pellets) of between 3% and 7% over the period to the end of 2023 financial year. This grade of pellet improves the productivity of blast furnaces and reduces their carbon footprint by 40% for every tonne of sinter fines replaced (Source: CRU).

In addition to driving production in greener steel, a separate target is also to be introduced to align with the long-term objective of reducing carbon emissions. The carbon emissions target will relate to 12.5% of the 2021 LTIP and incentivise reduction in carbon emissions of between 3% and 5% p.a. across this period.

The relative TSR target will determine the remaining 75% of the 2021 LTIP award based on our performance measured relative to the performance of an index derived from a group of iron ore and composite miners with vesting taking place between matching the index and outperforming the index by 8% p.a. (see above for details of the index).

Remuneration Report
continued

LTIP framework for 2021 continued
Any shares vesting from these awards will be subject to a two-year holding period and recovery provisions (as detailed in the remuneration policy on page 94) will apply should it be required. Under all metrics, 20% vests at the threshold performance level rising to 100% at maximum performance levels. Each target operates independently.

Non-executive Directors (including the Chair)
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.

The fee for the Chair, Lucio Genovese, on appointment in August 2020 was set at US$500,000. The fee has been set to reflect the expected time commitment of the role, noting that additional time above and beyond that of a typical FTSE 250 Company Board Chair is required at Ferrexpo given the jurisdictions in which the Company operates and the need to engage proactively with the broad range of Company stakeholders. In addition, Mr Genovese serves as a Non-executive Director of Ferrexpo AG for which he received a fee of US$40,000 in 2020.

The Board (excluding the Non-executive Directors) has also reviewed the Non-executive fees and determined that all Non-executive Directors should receive a base fee of US$135,000 (currently mixed practice of US$135,000 and US$100,000 depending on the timing of appointment). Given the time commitment involved the Board was comfortable this was an appropriate base fee for all Non-executive Directors.

Mr Zhevago stepped aside from the role of CEO in October 2019 and from this time was a Non-independent Non-executive Director. During 2020, his remuneration arrangements have been reviewed and from 1 December 2020 Mr Zhevago will receive a fee in line with other Non-executive Directors (i.e. US$135,000). In addition, and to reflect his wider role at the Company in providing strategic advice and managing key relationships with stakeholders, he will receive a consultancy fee set at US$90,000 per year. This fee reflects the expected time commitment of the role and will be kept under review. He will not receive any wider Company benefits in connection with his role.

Role	Current fee levels	Change
Chair fee	US$500,000	+13.6%
Non-executive Director base fee	US$135,000[1]	
Committee Chair fee	US$20,000[2]	
Senior Independent Director fee	US$55,000[3]	

1 In 2020, the Board standardised the Non-executive Director fee at US$135,000 for all Non-executive Directors.
2 Non-executive Directors appointed after 1 January 2019 to chair a Board Committee receive an additional fee of US$20,000.
3 The fee includes US$20,000 for chairmanship of the Committee of Independent Directors ("CID") and US$35,000 for serving as the Senior Independent Director ("SID").

Directors' shareholdings – audited

Total interests of the Directors in office (and connected persons) as at 31 December 2020:

	At 31 December 2020[2]	At 31 December 2019
G Dacomb	–	–
L Genovese	233,651	–
V Lisovenko	–	–
S Lucas (as at 24 August 2020)	–	–
F MacAulay	–	–
C Mawe (as at 5 July 2020)	364,624	266,055
J North	295,671	n/a
K Zhevago[1]	296,077,944	296,077,944

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.

As introduced at the 2020 AGM, Executive Directors are subject to shareholding requirements under which they are required to build up a holding of shares of equivalent value to 200% of salary. Executive Directors will be expected to retain their vested LTIP shares on an after tax basis until the required level is achieved. Shares deferred under the annual bonus (from 2022) and shares that have vested under the LTIP but which are still subject to the two-year holding period will also count towards the guideline, on a net of tax basis if applicable.

In addition, a post-employment share ownership guideline has been introduced under the new policy under which departing Executive Directors will be expected to retain the lower of their share ownership at cessation of employment and 200% of salary for a minimum period of two years. As with the 'in service' share ownership guideline, shares deferred under the annual bonus (from 2022 on an after tax basis) and all shares which vest under existing and future long-term incentive plan awards (after tax) will count for the purposes of the guideline. The Committee will retain discretion to disapply the guideline in exceptional circumstances (e.g. death).

Performance shares that have vested under the LTIP but which are still subject to the two-year holding period will be released at the conclusion of the two-year holding period unless the Committee determines otherwise.

The Executive Directors' shareholdings against the guideline as at 31 December 2020 for J North and as at 5 July 2020 for C Mawe were as follows:

	Shareholding requirement (% salary)	Owned outright	Subject to performance[1]	Current shareholding[2] (% salary)	Requirement met?
C Mawe	200%	364,624	237,500	188%	In progress
J North	200%	295,671	202,000	112%	In progress

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 31 December 2020 and a share price of 282.6 pence and exchange rates of £1=US$1.2843, £1=CHF1.2043.

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

	Award	At 1 January 2020	Granted (2020 award)	Exercised	Lapsed	Total at 31 December 2020	Award share price (pence)[1]	Date from which exercisable	Expiry date
C Mawe	2019 Award	100,000	–	–	–	100,000	205.7	01.01.22	29.04.29
	2020 Award	–	137,500	–	–	137,500	142.7	01.01.23	01.04.30
Total		**100,000**	**137,500**	**–**	**–**	**237,500**			
J North	2018 Award[2]	85,000	–	–	85,000	–	268.0	01.01.21	29.04.28
	2019 Award	85,000	–	–	–	85,000	205.7	01.01.22	29.04.29
	2020 Award	–	117,000	–	–	117,000	142.7	01.01.23	01.04.30
Total		**170,000**	**117,000**	**–**	**85,000**	**202,000**			

1 Based on the average share price over the three-month period preceding the start of the performance period.
2 The 2018 award did not vest under the TSR performance condition described above.

With the exception of the reinvestment of the January 2021 dividend to purchase 6,329 shares for Mr North, there have been no changes in the interests of the Directors from the end of the period under review to 16 March 2021 being a date not more than one month prior to the date of notice of the AGM. Total outstanding (i.e. awarded but not yet vested) awards granted under the LTIP as at the end of 2020 are equivalent to 0.1% of issued share capital.

Payments to past Directors and for loss of office – audited

Mr Genovese serves as a Non-executive Director of Ferrexpo AG and, in 2020, received a fee of US$40,000 p.a. Wolfram Kuoni retired from the Ferrexpo plc Board on 28 November 2016 and serves as the Chair of Ferrexpo AG, for which he received a fee of US$100,000 per annum in 2020. Mr Lucas retired from the Board on 24 August 2020 and received a consultancy fee of US$201,067 to ensure a smooth transition to the incoming Chair and support for the Acting CEO. No other payments were made to past Directors in the year.

In respect of the period 6 July 2020 to 31 December 2020, Mr Mawe was paid a salary of CHF327,769 and benefits of CHF95,040 and received pension contributions of CHF16,388.

As at the date of this report, no decision has been made in respect of the treatment of Mr Mawe's STIP for the financial year ending 31 December 2020 and details will be disclosed in due course.

In respect of awards held by Mr Mawe under the LTIP, no determination has yet been made by the Remuneration Committee in respect of their treatment on Mr Mawe's cessation of employment. Details will be disclosed in due course.

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

Remuneration Report
continued

Percentage change in Directors' remuneration compared to employees

The table below sets out the percentage change in salary, taxable benefits and annual bonus for between 2019 and 2020 for Directors of the Company, and the average for an all employee population as compared with the CEO.

	Change in salary/fees	Change in benefits	Change in bonus
All employee average[1]	**24.0%**	**0%**	**2.9%**
J North (Acting CEO)[2]	11.6%	0%	12.8%
L Genovese (Chair)[3]	400.0%	0%	0%
V Lisovenko (SID)[5]	0%	0%	0%
G Dacomb[4]	35.0%	0%	0%
F MacAulay[6]	35.0%	0%	0%
K Zhevago[7]	-44.0%	-100.0%	0%
Former Directors			
S Lucas (Former Chair)[9]	0%	0%	0%
C Mawe (Former CFO)[8]	9.0%	0%	–

1 The All Employee population is based on the remuneration for the Executive Committee. This population is being used, as Ferrexpo plc does not have any employees. The chosen population is considered the most relevant employee comparative group given the Group-wide nature of roles performed by incumbents.
2 Mr North, the Acting CEO, was appointed to the Board in July 2020.
3 Mr Genovese was appointed to the Board in February 2019 and appointed Chair in August 2020.
4 Mr Dacomb was appointed to the Board in June 2019.
5 Mr Lisovenko was appointed SID in August 2019.
6 Ms MacAulay was appointed to the Board in August 2019.
7 Mr Zhevago stepped aside from the role of CEO in October 2019 and has been a Non-executive Director since.
8 Mr Mawe ceased to be a Director of the Company in July 2020. As at the date of this report, no decision has been made in respect of the treatment of Mr Mawe's STIP for the financial year ending 31 December 2020 and details will be disclosed in due course.
9 Mr Lucas retired as Chair in August 2020.

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 2019 and 31 December 2020, and the percentage change.

US$ million	2020	2019	Year-on-year change
All-employee remuneration	93	92	1.0%
Distributions to shareholders[1]	195	155	26.2%

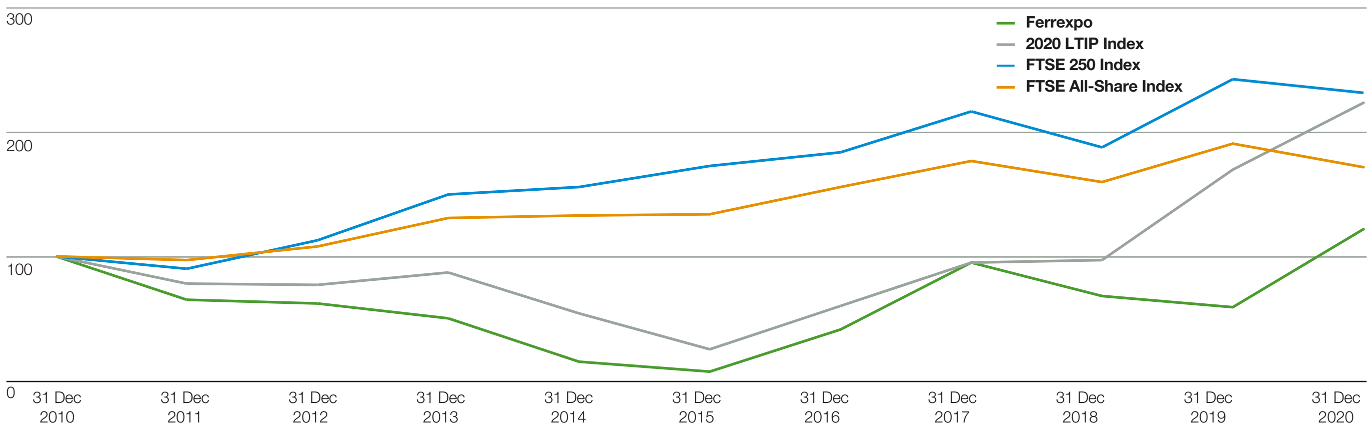
1 Includes dividends and share buy-backs.

Comparison of Company performance and Executive Director pay

The graph shows the value, at 31 December 2020, of £100 invested in Ferrexpo's shares on 31 December 2010 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 the majority of the period.

Historical TSR performance

Growth in the value of a hypothetical £100 holding over the ten years to 31 December 2020.



Chief Executive Officer's pay

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	KZ	**KZ**	**KZ**	**KZ**	**KZ**	**KZ**	**KZ**	**KZ**	**KZ**	**CM/JN**
Single figure total remuneration (US$000)[1]	348	291	243	243	243	243	255	251	257	595/1,147
STIP vesting (% max)	K Zhevago did not participate in the STIP									–/67
LTIP vesting (% max)	K Zhevago did not participate in the LTIP									0/0

[1] 2020 single figure total based on the total for Mr Mawe in the period from 1 January to 28 May 2020 and for Mr North in the period between 28 May and 31 December 2020. As at the date of this report, no decision has been made in respect of the treatment of Mr Mawe's STIP for the financial year ending 31 December 2020 and details will be disclosed in due course.

Statement of shareholder voting

The following table shows the results of the binding vote on the existing remuneration policy at the 2020 AGM and the advisory vote on the 2019 Annual Report at the 2020 AGM.

	For		Against		Withheld
	Shares (millions)	%	Shares (millions)	%	Shares (millions)
Remuneration policy (at 2020 AGM)	444	89.1%	54	10.9%	0
2019 Annual Report on Remuneration (at 2020 AGM)	379	76.1%	119	23.9%	0

As stated below, the Committee has consulted with shareholders about the changes to the policy proposed at the 2020 and 2021 AGM.

Shareholder consultation

The Remuneration Committee engaged with the Company's largest shareholders in early 2020 outlining its intention to 'roll over' the existing policy for a further 12 months, except for some minor changes, in light of Mr Zhevago stepping down from his executive responsibilities and being replaced on an interim basis at that time. Whilst feedback received was broadly in favour of the 'rollover' and minor changes proposed, some shareholders communicated concerns regarding the remuneration arrangements for Mr Zhevago as a Non-executive Director and in relation to best practice governance features such as post-cessation share ownership requirements and with respect to the bonus construct.

As a result, the Committee has taken time to ensure these points were addressed when undertaking the full review during 2020. The Committee further consulted with major institutional shareholders in the lead-up to the new policy being presented at the 2021 AGM and is comfortable that the proposals are appropriate in light of the shareholder feedback received.

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 16 March 2021.

Signed on behalf of the Board

Fiona MacAulay
Chair 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 auditor's report, for the year ended 31 December 2020. 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 127.

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 2020 financial year once the general market situation and the effect of the COVID-19 virus has become clearer.

Overall, in 2020 the Group paid out dividends of US$195 million, a 26% increase compared to 2019 (US$155 million).

Directors

The Directors of the Company who served during the year and up to the date of signing were:

- Ann-Christin Andersen (appointed 1 March 2021)
- Graeme Dacomb
- Lucio Genovese
- Vitalii Lisovenko
- Steve Lucas (ceased to be a Director on 24 August 2020)
- Fiona MacAulay
- Chris Mawe (ceased to be a Director on 5 July 2020)
- Jim North (appointed 5 July 2020)
- Kostyantin Zhevago

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 or letters of appointment are contained in the Remuneration Report on pages 86 to 107.

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	139
Details of long-term incentive schemes (LR 9.8.4R (4))	Remuneration Report	102
Contracts of significance (LR 9.8.4R (10))	See Note 30 to the Consolidated Financial Statements. Transactions with FC Vorskla are considered to be contracts of significance under the Listing Rules	172
Details of waivers of dividends by shareholders (LR 9.8.4R (12) and (13))	The employee benefit trust contains 924,899 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	30
Engagement with suppliers, customers and others	Strategic Report and pages 40 to 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	163
Events since the balance sheet date	See Note 35 to the Consolidated Financial Statements	179
Statement of Directors' responsibilities in respect of the Annual Report and Accounts	Corporate Governance Report	113
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 38 to 39. Employee numbers are stated in Note 29 to the Consolidated 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.

Energy consumption reporting

In the UK, our energy consumption is less than 40,000kWh, which is below the threshold for energy and greenhouse gas emissions disclosure. The Group does report on its global energy consumption and this information can be found in the Strategic Report on pages 31 and 32. UK energy consumption was the equivalent of less than 0.001% of the Group's energy consumption in 2020.

Share capital and rights attaching to the Company's shares

The Company has a single class of Ordinary Shares of 10 pence each.

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.

Directors' Report
continued

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 their 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 28 May 2020. This authority will expire at the conclusion of the Company's 2021 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 will be set out in the Notice of AGM.

The Company did not make use of the authority mentioned above during 2020.

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 they have 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.

Substantial shareholdings

As at 31 December 2020, 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 16 March 2021, 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.

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 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 that might affect its business model, future performance, solvency or liquidity and reputation are set out on pages 18 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 Financial Review on pages 18 to 21. In addition, Note 27 to the Consolidated Financial Statements on pages 163 to 171 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.

Directors' Report
continued

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 10.00am on Thursday 27 May 2021 at 55 St James's Street, London SW1A 1LA. Further information will be sent to shareholders in a separate letter from the Chair 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 16 March 2021.

For and on behalf of the Board

Lucio Genovese
Chair

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 pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, 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 112.

This responsibility statement was approved by the Board of Directors on 16 March 2021 and is signed on its behalf by:

Lucio Genovese
Chair

Jim North
Acting Chief Executive Officer
16 March 2021

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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 117 to 121 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 2020 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 pursuant to Regulation (EC) No 1606/2002 as it applies in 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 including, as regards the Group financial statements, those applicable to companies reporting under international accounting standards.

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.

Independent Auditor's Report
to the members of Ferrexpo plc on the audit of the financial statements
continued

Overview of our audit approach

Materiality	The materiality that we used for the Group financial statements was US$26.5 million, which was determined as 5% of the three-year average of profit before tax ("PBT") and special items. Performance materiality was set at 60% of materiality.
Scope	We directed and supervised Baker Tilly member firms ("Component Auditors") to report on the operations of the two main mining and processing entities in Ukraine and we directly performed work over the two other material subsidiaries being the Swiss and Middle East sales and 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 97% of the Group's revenue, 99% of the Group's profit and 92% of the net assets.
Key audit matters	The key audit matters that we identified in the current year were: – Completeness of related party relationships and transactions – Taxation – IFRIC 23 and critical judgements of transfer pricing and international taxation – Contingencies and completeness of litigations and claims – Management override of controls Our assessment of the Group's key audit matters is consistent with 2019 except for: – The removal of the key audit matter in relation to Corporate Social Responsibility ("CSR") donations to Blooming Land Charitable Foundation ("Blooming Land")

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 judgements, 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

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

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 procedures to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

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. We obtained this understanding through assessing the risk register of the Group and understanding the Group's response to assessing the legal and regulatory frameworks that apply to it. In addition, we leveraged our understanding of the legal and regulatory framework applicable to UK listed entities and to those in the mining sector, based on past experience of the team and consultation with internal and external experts. This included, but was not limited to, discussions with the Group's key legal advisers and review of minutes of the Group's various governance committees, including the Finance, Risk Management and Compliance Committee ("FRMCC").
  The key laws and regulations we considered in this context included 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 and the Financial Reporting Council;
- challenging assumptions and judgements made by management in their 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 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 that are backdated or posted by senior management;
- the audit team in Ukraine visiting the mines in December 2020 and observed the progress of key capital projects, the mining operations, and physical verification of the inventory;
- the group audit team used video conferencing technology to discuss audit issues with management in both Ukraine, and Switzerland. They were also remotely able to access audit information and files throughout the process; 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. The engagement team includes audit partners and staff who have extensive experience of working with listed companies and with those in the mining sector, and this experience was relevant to the discussion about where the risk of irregularities, including fraud may arise.

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.

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$35.8 million (2019: US$43.8 million) and other income of US$0.4 million (2019: US$1.4 million) in 2020. 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 78.
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 2020 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 links 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.
Key observations	We are satisfied that the related party transactions and balances are appropriately disclosed in the financial statements.

Taxation – IFRIC 23 and critical judgements of transfer pricing and international taxation

Key audit matter description	A key area in which the Group has applied critical judgement is Transfer pricing and International Taxation. The Group conducts significant business across the globe through a complex value chain and 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 Tax Service of Ukraine ("STS"), previously known as the State Fiscal Service ("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. The STS made a formal claim for UAH448 million (US$15.8 million) as at 31 December 2020 (2019: $18.9 million). The Group's subsidiary initiated legal proceedings and this case passed through the Poltava court of first court instance and the Northern Commercial Court of Appeal. Both cases were ruled in favour of the Group. The STS subsequently filed an appeal of cassation to the Supreme Court of Ukraine in December 2019. In July 2020, legal proceedings were opened in the Supreme Court however, no date for a court hearing was set. The STS launched two additional tax audits on 18 February 2020 into the cross-border pricing arrangements with other Group subsidiaries and for additional financial periods. In addition to the above cases, the State Bureau of Investigations ("SBI") has launched a pre-trial investigation into the sale of iron ore products between Group subsidiaries for the financial years 2013 to 2019. As of the date of approval of these financial statements, the primary case has not yet been heard by the Supreme Court of Ukraine and the results of the subsequent tax audits as well as the SBI investigation have not been made available. Significant judgement is required in applying the transfer pricing and international taxation rules, with the interpretation of the taxpayer differing from that of the tax authorities which leads to uncertainty in the correct tax treatment. It is therefore necessary to determine the probability of any loss particularly in connection with the Ukrainian tax audits in accordance with the IFRIC 23 reporting standard. This matter is described in Note 11 to the financial statements and considered by the Audit Committee on page 78 of the Annual Report. The IFRIC 23 framework can be challenging to apply in the context of international taxation and contentious transfer pricing, in particular regarding the fact 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. 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 – IFRIC 23 and critical judgements of transfer pricing and international taxation continued

How the scope of our audit responded to the key audit matter	We have involved transfer pricing and international tax specialists to assess appropriateness of various international matters potentially impacting the Group. In particular, this included the key risk regarding the transfer pricing policies and documentation in place prepared by management and their specialist advisers. We have reviewed the correspondence with STS and calculation of the assessed risk with assistance from international tax and transfer pricing specialists. In addition, we have reviewed recent similar cases in Ukraine and the results of the court proceedings. We have relied on experts to assess the risk of an adverse ruling taking place based on their knowledge of the Ukrainian legal system. 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 their tax experts and we have 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 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 audit regarding transfer pricing disputes and international taxation were satisfactory, and we concur that the recorded tax provisions and disclosures are materially 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 opinion section of this report: – We held discussions with a broader range of senior management, being the Acting Chief Executive Officer and Chief Marketing officer, Group legal counsel 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 whistle blower 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.

Contingencies and completeness of litigations and claims

Key audit matter description	The Group is involved in a number of legal proceedings, both for and against the Group. For a smaller number of claims against the Group, management has assessed that the probability of success of the claim as remote and accordingly has not accounted for or disclosed the claims. As disclosed in Note 30, the Group has disclosed the contingencies which exist as a result of past transactions. Management judgement is involved in assessing the accounting for contingencies and claims. 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 key risk related to the claims and contingencies is mainly associated with the completeness of the disclosure, and the completeness of the provisions in the financial statements. As disclosed in Note 30 and 34, the Board acting through the Committee of Independent Directors (the "CID") has been making enquiries in connection with the sponsorship payments the Group has previously made to FC Vorskla Cyprus following the identification of a loan made by FC Vorskla Cyprus to Collaton Limited, a related party of the Group. The CID had concluded its enquiries by the date of approval of the financial statements. Note 30 also discloses that contingent liabilities may arise if the payments made by the Group to FC Vorskla Cyprus or the loan provided by FC Vorskla Cyprus to Collaton Limited were not fully used for the benefit of the football club, or there was any non-compliance with legal, regulatory or other requirements.
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 internal and external legal advisers and counsel. 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 Group's legal expenses, in order to ensure all cases have been identified. We tested provisions recorded in the accounting records. We discussed and challenged the disclosures for completeness based on our procedures detailed above. We reviewed the work conducted by the CID in respect of FC Vorskla Cyprus, which included reviewing the underlying records and supporting documentation. We also reviewed the investigative reports produced by third parties which supported the CID's conclusions. We held meetings with the CID and challenged their conclusions.
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
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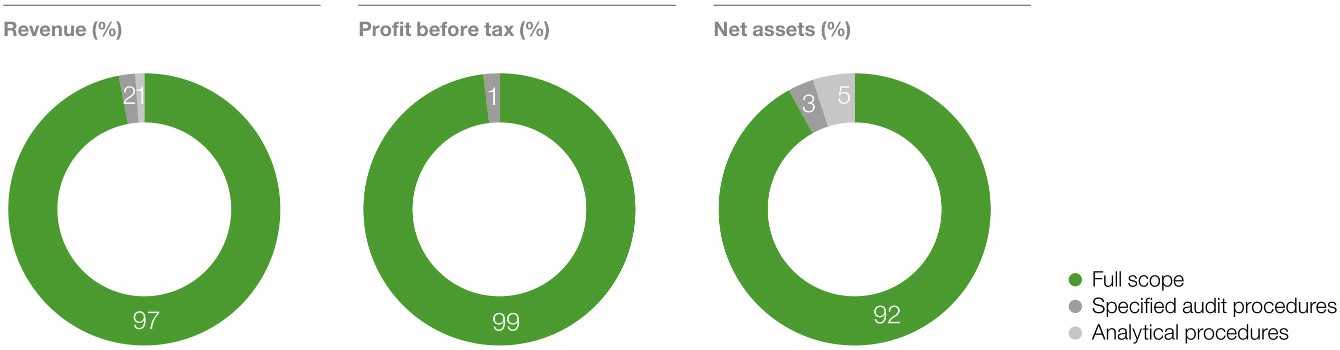
How we tailored the audit scope

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 Company 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 PJSC Ferrexpo Poltava Mining ("FPM") and LLC Ferrexpo Yeristovo Mining ("FYM") components; the Swiss and Middle East sales and marketing entities; Ferrexpo Finance plc; and Ferrexpo plc entity along with specified Group-level audit procedures over the assets of the non-operating Ukrainian LLC Ferrexpo Belanovo Mining ("FBM") component; the assets of the Hungarian Helogistics Asset Leasing Kft. vessel entity; and revenue of the Hungarian DDSG Mahart Kft. entity. Our full scope and specified audit procedures cover revenue (in excess of 97% of Group total), profit before tax (99% of Group total) and net assets (92% of Group total).

The remaining 19 components represent a 1% of the Group's profit before tax and individually do not represent more than a 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$2.8 million to US$13.2 million (2019: US$1.1 million to US$14.6 million).



The Group audit team was involved in the audit work performed by the component auditor in Ukraine through a combination of our group planning meetings and calls, provision of group 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. As a visit to the Ukrainian team was not practicable, due to the travel restrictions related to the global COVID-19 pandemic, the Group audit team intensified the interaction with that local team video conferences to review and direct the audit approach taken in respect of significant and a number of other relevant risks of material misstatement.

Ferrexpo plc and Ferrexpo Finance plc are registered in the UK; hence the audits were carried out by the Group audit team, supported by the local teams.

The Swiss and Middle East sales and marketing entities have a common finance function with the Group finance team and as such the audits of these components were carried out by the Group audit team.

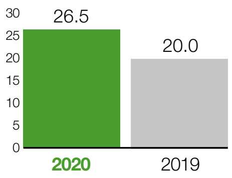
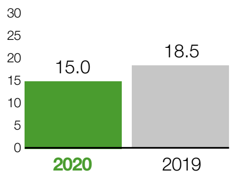
At the Parent Company level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified 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 (2018-2020) of profit before tax	2% of Parent Company's net assets (2019: 2%)
Rationale for the benchmark applied	The profit before tax for the years 2018-2020 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 2020 performance materiality at 60% of overall materiality, amounting to US$15.9m (2019: US$12m) to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we considered a number of factors – the history of misstatements, our risk assessment and the strength and robustness of the control environment.	We consider the chosen benchmark to be appropriate due to the nature of the Company's operations being the holding company of the Group. We set our 2020 performance materiality at 60% of overall materiality, amounting to US$9m (2019: US$11.1m) to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we considered a number of factors – the history of misstatements, our risk assessment and the strength and robustness of the control environment.

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 them all audit differences in excess of US$1.325 million (2019: US$1 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included considering as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, 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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, long-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK corporate governance statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 111;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 61;
- Directors' statement on fair, balanced and understandable set out on page 113;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 61;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 79 and 80; and
- The section describing the work of the Audit Committee set out on pages 76 and 77.

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.

We have nothing to report in respect of these matters.

Responsibilities for the financial statements 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 recommendation of the Audit Committee, we were appointed by the members of the Company by ordinary resolution at the Annual General Meeting held on 28 May 2020 to audit the financial statements for the year ending 31 December 2020. The period of total uninterrupted engagement is two years, covering the years ending 31 December 2019 to 31 December 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting our audit.

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
16 March 2021

Consolidated Income Statement

US$000	Notes	Year ended 31.12.20	Year ended 31.12.19
Revenue	6	**1,700,321**	1,506,724
Operating expenses	5/7	**(1,018,109)**	(968,443)
Other operating income	8	**5,432**	5,614
Operating foreign exchange gains/(losses)	9	**61,023**	(46,752)
Operating profit		**748,667**	497,143
Share of profit from associates	33	**5,624**	4,114
Profit before tax and finance		**754,291**	501,257
Net finance expense	10	**(11,733)**	(23,191)
Non-operating foreign exchange gains/(losses)	9	**5,302**	(18,491)
Profit before tax		**747,860**	459,575
Income tax expense	11	**(112,568)**	(56,282)
Profit for the year		**635,292**	403,293
Profit attributable to:			
Equity shareholders of Ferrexpo plc		**635,292**	402,370
Non-controlling interests		**–**	923
Profit for the year		**635,292**	403,293
Earnings per share:			
Basic (US cents)	12	**108.1**	68.6
Diluted (US cents)	12	**107.9**	68.4

Consolidated Statement of Comprehensive Income

US$000	Notes	Year ended 31.12.20	Year ended 31.12.19
Profit for the year		**635,292**	403,293
Items that may subsequently be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(317,674)**	266,197
Income tax effect	11	**16,278**	(20,487)
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		**(301,396)**	245,710
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement losses on defined benefit pension liability	22	**(1,057)**	(6,932)
Net other comprehensive loss not being reclassified to profit or loss in subsequent periods		**(1,057)**	(6,932)
Other comprehensive (loss)/income for the year, net of tax		**(302,453)**	238,778
Total comprehensive income for the year, net of tax		**332,839**	642,071

Total comprehensive income attributable to:			
Equity shareholders of Ferrexpo plc		**332,822**	639,722
Non-controlling interests		**17**	2,349
		332,839	642,071

Consolidated Statement of Financial Position

US$000	Notes	As at 31.12.20	As at 31.12.19
Assets			
Property, plant and equipment	13	1,004,385	1,044,426
Right-of-use assets	14	8,313	10,976
Goodwill and other intangible assets	15	40,734	47,552
Investments in associates	33	5,873	8,064
Inventories	17	213,685	255,026
Other non-current assets	16	25,480	24,093
Deferred tax assets	11	30,574	38,608
Total non-current assets		1,329,044	1,428,745
Inventories	17	144,605	199,714
Trade and other receivables	18	152,750	99,864
Prepayments and other current assets	19	25,884	42,653
Income taxes recoverable and prepaid	11	1,351	184
Other taxes recoverable and prepaid	20	31,323	37,377
Cash and cash equivalents	25	270,006	131,020
Total current assets		625,919	510,812
Total assets		1,954,963	1,939,557
Equity and liabilities			
Issued capital	31	121,628	121,628
Share premium		185,112	185,112
Other reserves	31	(2,065,896)	(1,764,774)
Retained earnings		3,250,534	2,810,588
Equity attributable to equity shareholders of Ferrexpo plc		1,491,378	1,352,554
Non-controlling interests		95	78
Total equity		1,491,473	1,352,632
Interest-bearing loans and borrowings	5/26	132,129	274,011
Defined benefit pension liability	22	32,475	33,628
Provision for site restoration	23	2,846	3,016
Deferred tax liabilities	11	101	140
Total non-current liabilities		167,551	310,795
Interest-bearing loans and borrowings	5/26	134,349	138,367
Trade and other payables	21	43,749	65,627
Accrued and contract liabilities	24	45,542	39,257
Income taxes payable	11	58,483	21,248
Other taxes payable	20	13,816	11,631
Total current liabilities		295,939	276,130
Total liabilities		463,490	586,925
Total equity and liabilities		1,954,963	1,939,557

The financial statements were approved by the Board of Directors on 16 March 2021.

Lucio Genovese
Chairman

Jim North
Acting Chief Executive Officer

Consolidated Statement of Cash Flows

US$000	Notes	Year ended 31.12.20	Year ended 31.12.19
Profit before tax		**747,860**	459,575
Adjustments for:			
Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets		**102,475**	82,130
Finance expense	10	**9,113**	21,267
Finance income	10	**(553)**	(1,436)
Losses on disposal of property, plant and equipment		**1,303**	417
Cash elements included in losses on disposal of property, plant and equipment		**(310)**	(153)
Write-offs	7	**192**	1,241
Share of profit from associates	33	**(5,624)**	(4,114)
Movement in allowance for doubtful receivables	18	**724**	736
Movement in site restoration provision	23	**18**	437
Employee benefits	22	**4,779**	3,534
Share-based payments	28	**291**	1,022
Operating foreign exchange (gains)/losses	9	**(61,023)**	46,752
Non-operating foreign exchange (gains)/losses	9	**(5,302)**	18,491
Other adjustments		**(2,236)**	(7,307)
Operating cash flow before working capital changes		**791,707**	622,592
Changes in working capital:			
Increase in trade and other receivables		**(49,538)**	(23,479)
Decrease/(increase) in inventories		**27,034**	(37,152)
(Decrease)/increase in trade and other payables (incl. accrued and contract liabilities)		**(4,798)**	19,590
Decrease in other taxes recoverable and payable (incl. VAT)	20	**3,214**	11,371
Cash generated from operating activities		**767,619**	592,922
Interest paid		**(21,439)**	(33,932)
Income tax paid	11	**(56,571)**	(83,730)
Post-employment benefits paid		**(2,391)**	(1,884)
Net cash flows from operating activities		**687,218**	473,376
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	13/15	**(205,779)**	(247,478)
Proceeds from disposal of property, plant and equipment and intangible assets		**836**	1,165
Interest received		**442**	1,344
Dividends from associates		**4,027**	3,519
Advance payment for investment in joint venture	16	**(5,000)**	–
Net cash flows used in investing activities		**(205,474)**	(241,450)
Cash flows from financing activities			
Proceeds from borrowings and finance	26	**–**	225,000
Repayment of borrowings and finance	26	**(144,904)**	(223,774)
Principal elements of lease payments	26	**(3,082)**	(5,118)
Arrangement fees paid		**–**	(131)
Dividends paid to equity shareholders of Ferrexpo plc	12	**(195,446)**	(154,922)
Acquisition of non-controlling interests		**–**	(2,189)
Net cash flows used in financing activities		**(343,432)**	(161,134)
Net increase in cash and cash equivalents		**138,312**	70,792
Cash and cash equivalents at the beginning of the year		**131,020**	62,996
Currency translation differences		**674**	(2,768)
Cash and cash equivalents at the end of the year	25	**270,006**	131,020

Consolidated Statement of Changes in Equity

		Attributable to equity shareholders of Ferrexpo plc					
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
At 1 January 2019	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/(loss)	–	–	244,284	(6,932)	237,352	1,426	238,778
Total comprehensive income for the year	–	–	244,284	395,438	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	(1,764,774)	2,810,588	1,352,554	78	1,352,632
Profit for the year	**–**	**–**	**–**	**635,292**	**635,292**	**–**	**635,292**
Other comprehensive (loss)/income	**–**	**–**	**(301,413)**	**(1,057)**	**(302,470)**	**17**	**(302,453)**
Total comprehensive (loss)/income for the year	**–**	**–**	**(301,413)**	**634,235**	**332,822**	**17**	**332,839**
Share-based payments (Note 28)	**–**	**–**	**291**	**–**	**291**	**–**	**291**
Equity dividends to shareholders of Ferrexpo plc	**–**	**–**	**–**	**(194,289)**	**(194,289)**	**–**	**(194,289)**
At 31 December 2020	**121,628**	**185,112**	**(2,065,896)**	**3,250,534**	**1,491,378**	**95**	**1,491,473**

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. The Company is listed on the London Stock Exchange and is a member of the FTSE 250 Index. 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, and two other members of his family are the beneficiaries. At the time this report was published, Fevamotinico held 50.3% (2019: 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 pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and with the Companies Act 2006, as applicable to companies reporting under international accounting standards. 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. For the definition of control see Note 32 Consolidated subsidiaries.

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 111 for further information. The update on the Group's principal risks including COVID-19 related considerations is disclosed on pages 48 to 60.

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 fair value of the consideration transferred, measured at the date of acquisition. The consideration paid is allocated to the assets acquired and liabilities (including contingent 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.

Note 2: Basis of preparation continued

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 consolidated 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 consolidated 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 consolidated 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 2019 except for the adoption of new standards, interpretations and amendments to IFRSs effective as of 1 January 2020.

New standards, interpretations and amendments adopted without an impact on the Group's consolidated financial statements

- Amendments to *References to the Conceptual Framework in IFRS standards* 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.
- Amendments to IAS 1 and IAS 8: *Definition of material* 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.

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 IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* were issued in January 2020 and are effective for the financial year beginning on 1 January 2023 subject to EU endorsement. The amendments clarify that the classification of liabilities as current or non-current should be based on the rights, in existence at the end of the reporting period, to defer settlement by at least twelve months and not on expectations about whether an entity will exercise these rights. Furthermore, the amendments clarify that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The Group does not expect a material impact on its consolidated financial statements from these amendments.

Amendments to IAS 16 *Property, Plant and Equipment* were issued in May 2020 and are effective for the financial year beginning on 1 January 2022 subject to EU endorsement. The amendments prohibit the deduction from the cost of an item of property, plant and equipment of any proceeds from selling items produced while bringing that asset into operation and clarify that these proceeds (and the corresponding costs of production) are recognised in profit or loss. The Group does not expect a material impact on its consolidated financial statements from these amendments.

Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* were issued in May 2020 and are effective for the financial year beginning on 1 January 2022 subject to EU endorsement. The amendments clarify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These can either be incremental costs of fulfilling that contract or the allocation of other costs that relate directly to fulfilling contracts. The Group does not expect a material impact on its consolidated financial statements from these amendments.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2* were issued in August 2020 and are effective for the financial year beginning on 1 January 2021. The changes relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and corresponding disclosure requirements. Modifications of financial assets and financial liabilities required as a direct consequence of the Interbank offered rates ("IBOR") reform and made on an economically equivalent basis are accounted for by updating the effective interest rate and a similar practical expedient is proposed for lessee accounting applying IFRS 16. All other modifications are accounted for using the current IFRS requirements. Additional disclosure requirements are introduced in order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. 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.

Notes to the Consolidated Financial Statements
continued

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 11 Taxation – tax legislation
– Note 30 Commitments, contingencies and legal dispute – loan relationship between related parties of the Group

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 consolidated 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 cash/(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 192.

US$000	Notes	Year ended 31.12.20	Year ended 31.12.19
Profit before tax and finance		**754,291**	501,257
(Gains)/Losses on disposal of property, plant and equipment		**1,303**	417
Share-based payments	28	**291**	1,022
Write-offs	7	**192**	1,241
Depreciation and amortisation		**102,475**	82,130
Underlying EBITDA		**858,552**	586,067

US$000	Notes	Year ended 31.12.20	Year ended 31.12.19
Revenue	6	**1,700,321**	1,506,724
Cost of sales	7	**(608,641)**	(581,743)
Gross profit		**1,091,680**	924,981

Net cash/(debt)
Net cash/(debt) as defined by the Group comprises cash and cash equivalents less interest-bearing loans and borrowings.

US$000	Notes	As at 31.12.20	As at 31.12.19
Cash and cash equivalents	25	**270,006**	131,020
Interest-bearing loans and borrowings – current	26	**(134,349)**	(138,367)
Interest-bearing loans and borrowings – non-current	26	**(132,129)**	(274,011)
Net cash/(debt)		**3,528**	(281,358)

The Group made debt repayments net of proceeds of US$148,328 thousand during the year ended 31 December 2020 (2019: US$4,374 thousand). Net cash/(debt) is an Alternative Performance Measure ("APM"). Further information on the APMs used by the Group, including the definitions, is provided on pages 186 to 188.

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. The Group does not have any material variable considerations, such as retrospective volume rebates and rights of returns, in the contracts with its customers. 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 enters into long-term contracts with some of its customers, which become subject to either renewal or extension when about to expire. As the performance obligations under the old contracts are not affected by the renewal or extension, the new modified contracts are accounted for as separate contracts.

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 timing 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.

Revenue for the year ended 31 December 2020 consisted of the following:

US$000	Year ended 31.12.20	Year ended 31.12.19
Revenue from sales of iron ore pellets and concentrate	1,523,772	1,352,953
Freight revenue related to sales of iron ore pellets and concentrate	125,254	94,617
Total revenue from sales of iron ore pellets and concentrate	**1,649,026**	1,447,570
Revenue from logistics and bunker business	46,002	54,168
Revenue from other sales and services provided	5,293	4,986
Total revenue	**1,700,321**	1,506,724

Notes to the Consolidated Financial Statements
continued

Note 6: Revenue continued

Revenue for the year ended 31 December 2020 includes the effect from the derecognition of contract liabilities of US$8,572 thousand (2019: US$4,637 thousand) deferred as revenue in the comparative year ended 31 December 2019. As at 31 December 2020, freight-related revenue in the amount of US$8,487 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 10% or more of export sales in either the current or prior year were as follows:

US$000	Year ended 31.12.20	Year ended 31.12.19
Central Europe	**356,461**	529,159
Austria	***280,903***	*331,964*
Others	***75,558***	*197,195*
Western Europe	**145,311**	183,560
Germany	***145,311***	*168,875*
Others	**–**	*14,685*
North East Asia	**78,786**	250,721
Japan	***78,786***	*161,186*
Others	**–**	*89,535*
China & South East Asia	**951,718**	412,613
China	***908,949***	*347,892*
Others	***42,769***	*64,721*
Turkey, Middle East & India	**82,514**	62,717
Turkey	***82,514***	*62,717*
North America	**34,236**	–
United States	***34,236***	–
Other	**–**	8,800
Total exports	**1,649,026**	1,447,570

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 189 to 193.

During the year ended 31 December 2020, sales made to three customers accounted for 41% of the revenues from export sales of ore pellets and concentrate (2019: 40%).

Sales to one customer that individually represented 10% or more of total sales in either the current or prior year amounted to US$316,720 thousand (2019: US$331,964 thousand).

Note 7: Operating expenses

Accounting policy

Operating expenses arise in the course of the ordinary activities of the Group and are recognised in the consolidated 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 consolidated 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.

Royalties and levies are outflows of resources embodying economic benefits and imposed by governments on entities, in accordance with legislation, other than income taxes, fines or other penalties. The obligating event that gives rise to a liability to pay a levy is the activity, identified by the legislation, that triggers the payment of the levy. The liability to pay a levy is recognised as the obligating event occurs.

Note 7: Operating expenses continued

Operating expenses for the year ended 31 December 2020 consisted of the following:

US$000	Year ended 31.12.20	Year ended 31.12.19
Cost of sales	**608,641**	581,743
Selling and distribution expenses	**309,276**	294,336
General and administrative expenses	**61,788**	66,036
Other operating expenses	**38,404**	26,328
Total operating expenses	**1,018,109**	968,443

Operating expenses include:

US$000	Year ended 31.12.20	Year ended 31.12.19
Inventories recognised as an expense upon sale of goods	**582,796**	551,141
Employee costs (excl. logistics and bunker business)	**106,782**	101,770
Inventory movements	**41,471**	(2,673)
Depreciation of property, plant and equipment and right-of-use assets	**101,278**	81,240
Amortisation of intangible assets	**1,197**	890
Royalties and levies	**34,596**	30,506
Costs of logistics and bunker business	**39,993**	49,587
Audit and non-audit services	**1,719**	3,229
Community support donations	**5,800**	5,893
Write-offs	**192**	1,241
Losses on disposal of property, plant and equipment	**1,303**	417

Write-offs for the year ended 31 December 2020 primarily consisted of obsolete inventories and property, plant and equipment as outlined below:

US$000	As at 31.12.20	As at 31.12.19
Write-off/(write-back) of inventories	**466**	(103)
(Write-back)/write-off of property, plant and equipment	**(288)**	1,271
Write-off of receivables and prepayments	**14**	73
Total write-offs	**192**	1,241

Auditor remuneration

US$000	Year ended 31.12.20	Year ended 31.12.19
Audit services		
Ferrexpo plc Annual Report	**1,356**	1,178
Additional fees charged by the previous auditor for the audit of the 2018 Ferrexpo plc Annual Report	**–**	1,834
Subsidiary entities	**213**	217
Total audit services	**1,569**	3,229
Audit-related assurance services	**150**	–
Total audit and audit-related assurance services	**1,719**	3,229
Total auditor remuneration	**1,719**	3,229

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 comparative 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 year ended 31 December 2018.

Notes to the Consolidated Financial Statements
continued

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 2020 consisted of the following:

US$000	Year ended 31.12.20	Year ended 31.12.19
Lease income	649	450
Other income	4,783	5,164
Total other income	**5,432**	**5,614**

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 2020 consisted of the following:

US$000	Year ended 31.12.20	Year ended 31.12.19
Operating foreign exchange gains/(losses)		
Revaluation of trade receivables	61,948	(47,229)
Revaluation of trade payables	(538)	523
Other	(387)	(46)
Total operating foreign exchange gains/(losses)	**61,023**	**(46,752)**
Non-operating foreign exchange gains/(losses)		
Revaluation of interest-bearing loans	3,378	(1,240)
Conversion of cash and cash equivalents	2,506	(4,255)
Other	(582)	(12,996)
Total non-operating foreign exchange gains/(losses)	**5,302**	**(18,491)**
Total foreign exchange gains/(losses)	**66,325**	**(65,243)**

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	
Against US$	As at 31.12.20	As at 31.12.19	Year ended 31.12.20	Year ended 31.12.19
UAH	26.958	25.846	28.275	23.686
EUR	0.877	0.893	0.815	0.893

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 with the exception of interest on loans and borrowings measured at amortised cost, which is recognised in the consolidated income statement using the effective interest method. Finance expense includes 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 2020 consisted of the following:

US$000	Notes	Year ended 31.12.20	Year ended 31.12.19
Finance expense			
Interest expense on loans and borrowings		**(22,381)**	(33,589)
Less capitalised borrowing costs		**14,871**	14,617
Interest on defined benefit plans	22	**(3,170)**	(2,730)
Bank charges		**(829)**	(710)
Interest expense on lease liabilities		**(443)**	(630)
Other finance costs		**(334)**	(1,585)
Total finance expense		**(12,286)**	(24,627)
Finance income			
Interest income		**497**	1,379
Other finance income		**56**	57
Total finance income		**553**	1,436
Net finance expense		**(11,733)**	(23,191)

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 income 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 directly recognised in other comprehensive income or 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.

Notes to the Consolidated Financial Statements
continued

Note 11: Taxation continued

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

The Group operates across a number of jurisdictions through its value chain and 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 the jurisdictions the Group operates.

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$15,845 thousand as at 31 December 2020) 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 and, as of the date of approval of these consolidated financial statements, the date of the hearing is unknown.

On 18 February 2020, the State Tax Service of Ukraine ("STS"), formerly known as SFS, commenced two new tax audits for cross-border transactions between the Group's major subsidiary in Ukraine and two subsidiaries of the Group outside of Ukraine in relation to the sale of iron ore products during the financial years 2015 to 2017. The audits have been halted in March 2020 due to a COVID-19 related quarantine imposed in Ukraine and resumed on 10 February 2021 following a decision of the Cabinet of Ministers that tax audits in the country will resume again.

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 2020, 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 consolidated financial statements, no claim has been made by the SFS in respect of the newly commenced audits.

As required by IFRIC 23 *Uncertainty over income tax treatments*, the Group reviewed and reassessed its exposure in respect of all uncertain tax positions, including the ongoing court proceedings and the newly commenced audits of cross-border transactions in Ukraine under the provisions of this interpretation. Considering the two favourable court decisions and third party advice obtained for the year-end 2020 and 2019, 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

Detached from the cases mentioned above, FPM received on 23 June 2020 a court ruling, which grants access to information and documents to the State Bureau of Investigators in Ukraine ("SBI") in relation to the sale of iron ore products to two subsidiaries of the Group outside of Ukraine during the years 2013 to 2019. The court ruling relates to pre-trial investigations carried out by SBI in relation to potential tax evasion by the Group in Ukraine. At the time of the approval of these consolidated financial statements, there is very little information provided in the court ruling in respect to the alleged offences. There is no quantified claim made by the SBI and the ruling is primarily seeking for disclosure of information in order to allow SBI to determine whether there have potentially been any offences. The Ukrainian subsidiaries cooperated with the SBI and provided the requested information as per the court ruling in order to support these pre-trial investigations. As of the date of approval of these consolidated financial statements, there were neither any actions nor any new requests received from SBI.

The Ukrainian legislation and regulations on taxation continued to evolve over the last couple of years, which are however not always clearly written and are therefore subject to varying interpretations and inconsistent enforcement by local, regional and national tax authorities. As a result, instances of inconsistent interpretations and enforcements to resolve the same or similar cases are not unusual. See also the Principal Risks section on pages 49 and 50 for further information on the Ukraine country risk.

Except for the matters in Ukraine mentioned above, the Group is not aware of any significant challenges by local tax authorities in any jurisdictions the Group operates. However, the application of international and local tax legislation and regulations can be complex and requires judgement to assess possible associated risks, particularly in relation to the Group's cross-border operations and transactions.

The income tax expense for the year ended 31 December 2020 consisted of the following:

US$000	Year ended 31.12.20	Year ended 31.12.19
Current income tax		
Current income tax charge	111,160	52,106
Amounts related to previous years	(1,203)	10,297
Total current income tax	109,957	62,403
Deferred income tax		
Origination and reversal of temporary differences	2,611	(6,121)
Total deferred income tax	2,611	(6,121)
Total income tax expense	112,568	56,282

Tax effects on items recognised in other comprehensive income consisted of the following for the year ended 31 December 2020:

US$000	Notes	Year ended 31.12.20	Year ended 31.12.19
Tax effect of exchange differences arising on translating foreign operations	31	(16,278)	20,487
Total income tax effects recognised in other comprehensive (loss)/income		(16,278)	20,487

Notes to the Consolidated Financial Statements
continued

Note 11: Taxation continued

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 15.1% for the financial year 2020 (2019: 11.3%). 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 2020 is as follows:

US$000	Year ended 31.12.20	Year ended 31.12.19
Profit before tax	747,860	459,575
Notional tax charge computed at the weighted average statutory tax rate of 15.1% (2019: 11.3%)	112,583	52,072
Derecognition/(recognition) of deferred tax assets[1]	2,139	(10,433)
Credit for Ukrainian fuel excise tax against income tax[2]	(1,106)	(3,686)
Expenses not deductible for local tax purposes[3]	1,046	2,539
Income exempted for local tax purposes[4]	(1,807)	(25)
Reassessment of prior year temporary differences[5]	–	4,911
Effect from non-recognition of deferred taxes on current year losses[6]	1,345	–
Effect of different tax rates on local profit streams[7]	779	646
Prior year adjustments to current tax[8]	(1,203)	10,297
Effect from share of profit from associates[9]	(997)	(783)
Other (including translation differences)	(212)	744
Total income tax expense	**112,568**	56,282

1 The derecognition in 2020 is related to deferred tax assets recognised in 2019 in light of the change of the tax law in Switzerland. The deferred tax assets recognised were in connection with available transitional measures for companies losing the special tax status available under the old tax law. The derecognition is due to the fact that the taxable profits of the Swiss subsidiaries were lower than forecasted. Whilst the recognition is considered of a non-recurring nature, the derecognition might recur again depending on the taxable profits of the Swiss subsidiaries in the future.
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 applied for both financial years and is considered to be of a recurring nature.
3 Effect predominantly relates to expenses not deductible in Ukraine and the United Kingdom, 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 Effect in 2020 largely relates to interest income that does not incur any additional local tax in the United Kingdom due to withholding tax paid on this interest in Ukraine. This effect is considered to be of a recurring nature.
5 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.
6 Effect relates mainly to a subsidiary in Ukraine not becoming operative yet. Due to the uncertainty in respect of the timing of the subsidiary becoming profitable for local tax purposes, no deferred tax asset has been recognised. This effect is considered to be of a recurring nature until this subsidiary becomes operative and profitable.
7 Effect in 2020 and 2019 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.
8 Effect in 2020 related to final tax assessments received in Switzerland. 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. These effects are considered to be of a non-recurring nature.
9 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 control. 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 2020 was 15.1% (2019: 12.2%) and was driven by higher taxable profits of the Group's subsidiaries in Ukraine as a result of strong prices for iron ore pellets on the global market and the depreciation of the Ukrainian Hryvnia. The depreciation against the US Dollar during the financial year 2020 positively impacted the profitability of the Group's local subsidiaries, whereas the Ukrainian Hryvnia appreciated during the financial year 2019 with the opposite effect.

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 140, 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 successful challenges to the Group's cross-border operations and transactions by key jurisdictions because of legislative changes or different interpretations of the legislation and by changes in the statutory tax rates in any of these jurisdictions. See also the Principal Risks section on pages 49 and 50 for further information on the Ukraine country risk.

Note 11: Taxation continued

The net balance of income tax payable changed as follows during the financial year 2020:

US$000	Year ended 31.12.20	Year ended 31.12.19
Opening balance	**(21,064)**	(20,510)
Charge in the consolidated income statement	**(109,957)**	(62,403)
Booked through other comprehensive (loss)/income	**16,278**	(20,487)
Tax paid	**56,571**	83,730
Translation differences	**1,040**	(1,394)
Closing balance	**(57,132)**	(21,064)

The net income tax payable as at 31 December 2020 consisted of the following:

US$000	As at 31.12.20	As at 31.12.19
Income tax receivable balance	**1,351**	184
Income tax payable balance	**(58,483)**	(21,248)
Net income tax payable	**(57,132)**	(21,064)

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 2020:

		Consolidated statement of financial position		Consolidated income statement	
US$000	Notes	As at 31.12.20	As at 31.12.19	Year ended 31.12.20	Year ended 31.12.19
Allowance for restricted cash and deposits	30	**3,702**	4,408	**9**	–
Property, plant and equipment		**21,996**	26,871	**(426)**	(577)
Right-of-use assets		**425**	1,123	**(518)**	1,127
Inventory		**344**	897	**(409)**	463
Tax losses recognised		**499**	363	**134**	(2,890)
Intangible assets		**7,447**	9,313	**(1,869)**	9,258
Defined benefit pension liability		**1,098**	766	**331**	100
Other		**1,203**	1,286	**(14)**	609
Total deferred tax assets/change		**36,714**	45,027	**(2,762)**	8,090
Thereof netted against deferred tax liabilities		**(6,140)**	(6,419)		
Total deferred tax assets as per the statement of financial position		**30,574**	38,608		
Property, plant and equipment		**(600)**	(505)	**(64)**	3,216
Financial assets		**(4,422)**	(4,336)	**(86)**	(4,336)
Lease obligations		**(519)**	(1,199)	**488**	(1,204)
Trade and other receivables		**–**	–	**–**	329
Other		**(700)**	(519)	**(187)**	26
Total deferred tax liabilities/change		**(6,241)**	(6,559)	**151**	(1,969)
Thereof netted against deferred tax assets		**6,140**	6,419		
Total deferred tax liabilities as per the statement of financial position		**(101)**	(140)		
Net deferred tax assets/net change		**30,473**	38,468	**2,611**	6,121

Notes to the Consolidated Financial Statements
continued

Note 11: Taxation continued

The movement in the deferred income tax balance is as follows:

US$000	Year ended 31.12.20	Year ended 31.12.19
Opening balance	38,468	27,594
Charge in consolidated income statement	(2,611)	6,121
Translation differences	(5,384)	4,753
Closing balance	**30,473**	**38,468**

As at 31 December 2020, the Group had available tax loss carry forwards in the amount of US$116,076 thousand (2019: US$112,889 thousand) for which no deferred tax assets were recognised. US$82,100 thousand (2019: US$76,411 thousand) are related to losses incurred in Ukraine and Austria and those losses do not expire. The remaining balance totalling US$33,913 thousand (2019: US$36,478 thousand) relates to losses incurred in Hungary, of which US$22,407 thousand (2019: US$23,627 thousand) expire after more than eight years.

No deferred tax liabilities have been recognised on temporary differences in the amount of US$1,001,311 thousand (2019: US$715,834 thousand) arising from undistributed profits from subsidiaries as no distributions are planned. Other temporary differences of US$5,489 thousand have not been recognised as of 31 December 2020 (2019: US$660 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 2020.

	Year ended 31.12.20	Year ended 31.12.19
Earnings for the year attributable to equity shareholders – per share in US cents		
Basic	108.1	68.6
Diluted	107.9	68.4
Profit for the year attributable to equity shareholders – US$000		
Basic and diluted earnings	635,292	402,370
Weighted average number of shares – thousands		
Basic number of Ordinary Shares outstanding	587,496	586,715
Effect of dilutive potential Ordinary Shares	1,510	1,568
Diluted number of Ordinary Shares outstanding	**589,006**	**588,283**

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 facility, the total available distributable reserves of Ferrexpo plc is US$317,646 thousand as of 31 December 2020 (2019: US$201,647 thousand).

US$000	Year ended 31.12.20
Dividends proposed	
Special interim dividend for 2020: 39.6 US cents per Ordinary Share	**232,729**
Special interim dividend for 2020: 13.2 US cents per Ordinary Share	**77,576**
Total dividends proposed	**310,315**

The special interim dividend for 2020 was declared on 5 January 2021 and paid on 28 January 2021.

US$000	Year ended 31.12.20
Dividends paid during the year	
Special interim dividend for 2020: 6.6 US cents per Ordinary Share	**39,004**
Interim dividend for 2020: 6.6 US cents per Ordinary Share	**38,796**
Interim dividend for 2020: 6.6 US cents per Ordinary Share	**39,177**
Final dividend for 2019: 3.3 US cents per Ordinary Share	**20,050**
Special final dividend for 2019: 3.3 US cents per Ordinary Share	**19,458**
Special interim dividend for 2019: 6.6 US cents per Ordinary Share	**38,961**
Total dividends paid during the year	**195,446**

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 31.12.19
Dividends proposed	
Special interim dividend for 2019: 6.6 US cents per Ordinary Share	38,736
Total dividends proposed	38,736

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
Special final dividend for 2018: 6.6 US cents per Ordinary Share	38,847
Special interim dividend for 2018: 6.6 US cents per Ordinary Share	38,833
Total dividends paid during the year	154,922

Notes to the Consolidated Financial Statements
continued

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 consolidated 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 consolidated 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 consolidated 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 2020 and as at the end of the comparative year ended 31 December 2019.

Note 13: Property, plant and equipment continued

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.

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 consolidated 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 consolidated 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 2020, deferred pre-production stripping costs totalling US$90,819 thousand relate to components in operation and are included in mining assets (2019: US$114,067 thousand). Deferred pre-production stripping costs in relation to components expected to be put into operation in a future period totalled US$128,609 thousand and are included in assets under construction (2019: US$94,098 thousand). No production stripping costs are capitalised as of this point of time.

Notes to the Consolidated Financial Statements
continued

Note 13: Property, plant and equipment continued

As at 31 December 2020, 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 2019	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
Additions	**–**	**1,867**	**55**	**73**	**1,498**	**60**	**–**	**48**	**226,714**	**230,315**
Transfers	**–**	**–**	**–**	**38,597**	**3,021**	**97,350**	**29,016**	**653**	**(168,637)**	**–**
Disposals	**–**	**–**	**–**	**(572)**	**(6)**	**(4,779)**	**(6,313)**	**(252)**	**(4,480)**	**(16,402)**
Translation differences	**(311)**	**(1,306)**	**(36,752)**	**(39,135)**	**8,392**	**(57,604)**	**(40,510)**	**(1,457)**	**(60,742)**	**(229,425)**
At 31 December 2020	**1,606**	**8,338**	**189,779**	**238,334**	**133,972**	**369,546**	**224,897**	**10,165**	**351,626**	**1,528,263**
Accumulated depreciation and impairment:										
At 1 January 2019	–	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
Depreciation charge	**–**	**3**	**6,384**	**20,960**	**8,281**	**40,537**	**27,943**	**1,115**	**–**	**105,223**
Disposals	**–**	**–**	**–**	**(210)**	**(84)**	**(3,919)**	**(6,458)**	**(242)**	**–**	**(10,913)**
(Write-back)/impairment	**–**	**–**	**–**	**(35)**	**–**	**(678)**	**(138)**	**–**	**563**	**(288)**
Translation differences	**–**	**1**	**(12,468)**	**(13,551)**	**4,078**	**(26,869)**	**(19,781)**	**(654)**	**(249)**	**(69,493)**
At 31 December 2020	**–**	**15**	**68,732**	**84,067**	**75,858**	**168,230**	**117,340**	**6,065**	**3,571**	**523,878**
Net book value:										
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
At 31 December 2020	**1,606**	**8,323**	**121,047**	**154,267**	**58,114**	**201,316**	**107,557**	**4,100**	**348,055**	**1,004,385**

Assets under construction consist of ongoing capital projects amounting to US$219,446 thousand (2019: US$261,261 thousand) and capitalised pre-production stripping costs of US$128,609 thousand (2019: US$94,098 thousand). Once production commences, stripping costs are transferred to mining assets.

Property, plant and equipment includes capitalised borrowing costs on qualifying assets of US$50,474 thousand (2019: US$44,693 thousand). The capitalised borrowing costs on general borrowings were determined based on the capitalisation rate of 6.59% (2019: 9.45%), 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.

US$13,174 thousand of property, plant and equipment have been pledged as security for liabilities (2019: US$25,243 thousand).

The gross value of fully depreciated property, plant and equipment that is still in use is US$89,053 thousand (2019: US$83,349 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 2020 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 2020, 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 31 December 2019	–	2,244	–	4,665	–	4,003	52	12	–	10,976
At 31 December 2020	**–**	**2,503**	**–**	**3,693**	**–**	**2,098**	**12**	**7**	**–**	**8,313**
Depreciation charge:										
Year ended 31 December 2019	–	2,159	–	1,217	–	1,843	41	5	–	5,265
Year ended 31 December 2020	**–**	**2,053**	**–**	**954**	**–**	**1,328**	**43**	**6**	**–**	**4,384**

During the year ended 31 December 2020, the additions to right-of-use assets totalled US$2,599 thousand (2019: 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.

As at 31 December 2020, the carrying amount of the lease liabilities consisted of the following:

US$000	Note	Year ended 31.12.20	Year ended 31.12.19
Non-current	26	**3,796**	6,580
Current	26	**5,252**	3,540

The total cash outflow for leases falling under the scope of IFRS 16 *Leases* during the year ended 31 December 2020 was US$3,425 thousand (2019: US$5,982 thousand). During the year ended 31 December 2020, US$424 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 (2019: US$425 thousand). Furthermore, interest expense on lease liabilities in the amount of US$443 thousand was recognised in the consolidated income statement during the year ended 31 December 2020 (2019: US$630 thousand).

For further information on lease-related commitments see Note 30 Commitments, contingencies and legal disputes.

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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 subject to an annual impairment review and a further review is made when indicators of impairment arise following the initial review. 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.

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 2020, 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 2019	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
Additions	**–**	**–**	**–**	**25**	**1,602**	**1,627**
Disposals	**–**	**–**	**(14)**	**(16)**	**(2)**	**(32)**
Transfers	**–**	**(10)**	**–**	**1,259**	**(1,249)**	**–**
Translation differences	**(5,271)**	**(677)**	**(768)**	**(927)**	**(26)**	**(7,669)**
At 31 December 2020	**28,259**	**3,490**	**4,488**	**9,928**	**490**	**46,655**
Accumulated amortisation and impairment:						
At 1 January 2019	–	–	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
Amortisation charge	**–**	**–**	**229**	**968**	**–**	**1,197**
Disposals	**–**	**–**	**(14)**	**(16)**	**–**	**(30)**
Translation differences	**–**	**–**	**(185)**	**(238)**	**–**	**(423)**
At 31 December 2020	**–**	**–**	**1,568**	**4,353**	**–**	**5,921**
Net book value:						
At 31 December 2019	33,530	4,177	3,732	5,948	165	47,552
At 31 December 2020	**28,259**	**3,490**	**2,920**	**5,575**	**490**	**40,734**

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 2020 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 2048, 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 used for the cash flow projections is expected to increase by approximately 17% over a period of five years from the level in the financial year 2020, as a result of the completion of certain growth projects. Once full capacity is reached, it will remain at a fixed level 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. An average iron ore price of US$98.4 per tonne of 65% Fe fines CFR North China was used in the assumptions for the cash flow projection for the next five years. At the time of approval of these consolidated financial statements, the average price applied is below the forecasted average price of one of the leading third party provider of commodity price forecasts.

Cost of production and shipping is considered taking into account local inflationary pressures, major exchange rate developments between the Ukrainian Hryvnia 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. An average devaluation of the Hryvnia of 3.8% per year was assumed over the next 5 years in the Group's cash flow projection used for the impairment testing.

For the purpose of the goodwill impairment test, the future cash flows were discounted using a pre-tax real discount rate of 12.6% (2019: 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

The Group's 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.

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Note 16: Other non-current assets

As at 31 December 2020, other non-current assets comprised:

US$000	As at 31.12.20	As at 31.12.19
Prepayments for property, plant and equipment	**18,098**	19,368
Prepaid bank arrangement fees	**1,940**	4,224
Other non-current assets	**5,442**	501
Total other non-current assets	**25,480**	24,093

Other non-current assets include a prepayment of US$5,000 thousand in relation to an investment in a joint venture with a closing date of the transaction later in 2021.

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 under consideration of the market environment for iron ore pellets. As a result, ore of a lower iron content was stockpiled due to limited processing capacities during the last financial years.

The processing of the stockpiled ore was in the past dependent on the availability of additional processing capabilities. It was the Group's intention to ramp up the processing of the stockpiled ore during the financial year 2021. Whilst the additional processing capacities are fully operational and some volumes of the stockpiled ore have been already processed in the second half of the financial year 2020, it was decided to postpone the processing of the lean ore for another year in order to maximise the financial benefits in the current high price environment for iron ore pellets. As a consequence, the entire balance of the stockpiled ore is classified as non-current whereas at the end of the comparative year a portion of the balance has been reclassified to current.

As at 31 December 2020, the stockpiled ore valued at cost totalled US$213,685 thousand (2019: US$257,252 thousand). The decrease compared to the comparative year is predominantly related to the devaluation of the Ukrainian Hryvnia reducing the carrying value as at 31 December 2020. Critical estimates in determining the net realisable value of lean and weathered ore include: i) utilisation of the ore over the expected period from 2022 to 2034, representing an average of 10% of total available processing capacity, and using an asset-specific WACC based pre-tax discount rate of 12.6%; and ii) forecasted long-term iron ore prices of US$98.4 per tonne of 65% Fe fines CFR North China.

The net realisable value of lean and weathered ore is most sensitive to changes in long-term iron ore prices and delays in the commencement of utilising the ore in the production process. Two separate stress tests assuming a further 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$35,300 thousand and US$37,900 thousand, respectively.

Note 17: Inventories continued

At 31 December 2020, inventories comprised:

US$000	As at 31.12.20	As at 31.12.19
Lean and weathered ore	–	2,226
Raw materials and consumables	38,286	43,008
Spare parts	76,565	81,782
Finished ore pellets	17,699	59,010
Work in progress	9,679	11,393
Other	2,376	2,295
Total inventories – current	144,605	199,714
Lean and weathered ore	213,685	255,026
Total inventories – non-current	213,685	255,026
Total inventories	358,290	454,740

Inventories classified as non-current 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 2020 is disclosed in Note 27 Financial instruments.

At 31 December 2020, trade and other receivables comprised:

US$000	As at 31.12.20	As at 31.12.19
Trade receivables	148,954	97,335
Other receivables	6,109	4,373
Expected credit loss allowance	(2,313)	(1,844)
Total trade and other receivables	152,750	99,864

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 2020 include US$4,570 thousand (2019: US$2,578 thousand) owed by related parties. The detailed related party disclosures are made in Note 34 Related party disclosures.

Notes to the Consolidated Financial Statements
continued

Note 18: Trade and other receivables continued

The movement in the expected credit loss allowance for trade and other receivables during the year under review was:

US$000	Year ended 31.12.20	Year ended 31.12.19
Opening balance	1,844	1,090
Increase	1,124	1,175
Release	(400)	(438)
Translation differences	(255)	17
Closing balance	**2,313**	1,844

During the financial year 2020 and the comparative 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 31.12.20 US$000	Current	Days past due Less than 45 days	Days past due 45 to 90 days	Days past due Over 90 days	Total
Expected loss rate	0.6%	6.2%	2.3%	61.7%	1.5%
Trade receivables – Gross carrying amount	145,382	1,698	673	1,201	148,954
Other receivables – Gross carrying amount	5,055	192	3	859	6,109
Expected credit loss allowance	909	117	16	1,271	2,313

As at 31.12.19 US$000	Current	Days past due Less than 45 days	Days past due 45 to 90 days	Days past due 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

The change of the balance of impairment losses on trade receivables recognised in the consolidated income statement as of 31 December 2020 and during the comparative year ended 31 December 2019 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.

Note 19: Prepayments and other current assets

As at 31 December 2020, prepayments and other current assets comprised:

US$000	As at 31.12.20	As at 31.12.19
Prepayments to suppliers:		
Electricity and gas	3,697	5,895
Materials and spare parts	4,136	6,295
Services	2,760	7,637
Other prepayments	469	381
Prepaid bank arrangement fees	2,284	2,290
Prepaid expenses	12,446	20,066
Other	92	89
Total prepayments and other current assets	**25,884**	42,653

Prepayments at 31 December 2020 include US$1,390 thousand (2019: US$1,662 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$6,754 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 2020 (2019: US$4,006 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 2020, other taxes recoverable comprised:

US$000	As at 31.12.20	As at 31.12.19
VAT receivable	31,226	37,262
Other taxes prepaid	97	115
Total other taxes recoverable and prepaid	**31,323**	**37,377**

The table below provides a reconciliation of the VAT receivable balance in Ukraine:

US$000	Notes	Year ended 31.12.20	Year ended 31.12.19
Opening balance, gross		37,471	43,758
Net VAT incurred		135,816	153,025
VAT refunds received in cash		(134,789)	(165,506)
Write-off		–	(291)
Translation differences	2	(6,896)	6,485
Closing balance, gross		**31,602**	**37,471**
Allowance		(1,739)	(2,090)
Closing balance, net		**29,863**	**35,381**

There is no material VAT receivable balance overdue in Ukraine as at 31 December 2020 (2019: US$809 thousand). The allowance of US$1,739 thousand (2019: US$2,090 thousand) is related to uncertainties in terms of the timing of the recovery of VAT receivable balances, of which US$857 thousand (2019: US$1,027 thousand) relates to VAT incurred for a mine still being developed and the refund is only expected when operative. US$882 thousand (2019: US$1,063 thousand) relates to a VAT receivable being subject to court proceedings.

As at 31 December 2020, other taxes payable comprised:

US$000	As at 31.12.20	As at 31.12.19
Environmental tax	2,052	1,771
Royalties	8,251	6,641
VAT payable	130	241
Other taxes	3,383	2,978
Total other taxes payable	**13,816**	**11,631**

Notes to the Consolidated Financial Statements
continued

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 2020, trade and other payables comprised:

US$000	As at 31.12.20	As at 31.12.19
Materials and services	**33,269**	54,013
Payables for equipment	**9,984**	11,296
Other	**496**	318
Total current trade and other payables	**43,749**	65,627

Trade and other payables at 31 December 2020 include US$550 thousand (2019: US$1,899 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

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 2020, the pension schemes in Ukraine covered 3,380 current employees (2019: 3,514 people) and there are 795 former employees currently in receipt of pensions (2019: 860 people).

Switzerland

The employees of the Group's Swiss operations 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 2020, the Swiss pension scheme covered 20 people (2019: 22 people).

The principal assumptions used in determining the defined benefit obligation are shown below:

	Year ended 31.12.20		Year ended 31.12.19	
	Ukrainian schemes	Swiss scheme	Ukrainian schemes	Swiss scheme
Discount rate	**10.8%**	**0.2%**	12.3%	0.2%
Retail price inflation	**5.1%**	**0.5%**	5.3%	1.0%
Expected future salary increase	**5.6%**	**1.0%**	7.4%	1.5%
Expected future benefit increase	**5.1%**	**0.0%**	5.3%	0.0%
Female life expectancy (years)	**81.8**	**89.8**	81.5	89.7
Male life expectancy (years)	**77.4**	**87.7**	77.2	87.6

US$000	As at 31.12.20	As at 31.12.19
Present value of funded defined benefit obligation	**9,729**	7,934
Fair value of plan assets	**(5,941)**	(4,755)
Funded status	**3,788**	3,179
Present value of unfunded defined benefit obligation	**28,687**	30,449
Defined benefit pension liability	**32,475**	33,628
Thereof for Ukrainian schemes	***28,586***	*30,352*
Thereof for Swiss scheme	***3,788***	*3,179*
Thereof for schemes in other jurisdictions	***101***	*97*

Notes to the Consolidated Financial Statements
continued

Note 22: Pension and post-employment obligations continued

Amounts recognised in the consolidated income statement or in other comprehensive income are as follows:

US$000	Year ended 31.12.20	Year ended 31.12.19
Defined benefit cost charged in the consolidated income statement:		
Current service cost	**1,588**	1,258
Past service cost	**–**	(466)
Interest cost on defined benefit obligation	**3,181**	2,752
Interest income on plan assets	**(11)**	(34)
Administration cost	**21**	24
Total defined benefit cost charged in the consolidated income statement	**4,779**	3,534
Remeasurement cost/(gains) in consolidated statement of other comprehensive income:		
Remeasurement effect from demographic assumptions	**856**	(660)
Remeasurement effect from financial assumptions	**(336)**	4,888
Experience adjustment	**476**	2,670
Return on plan assets	**61**	34
Total remeasurement cost in other comprehensive income	**1,057**	6,932
Total defined benefit cost	**5,836**	10,466
Thereof for Ukrainian schemes	***5,206***	*9,438*
Thereof for Swiss scheme	***636***	*1,017*
Thereof for schemes in other jurisdictions	***(6)***	*11*

The effects from remeasurement of financial assumptions relate to the changes of the discount rate and expected inflation used for the Ukrainian schemes. As at 31 December 2020, the discount rate was decreased from 12.3% to 10.8% compared to a decrease from 14.0% to 12.3% at the end of the comparative period ended 31 December 2019 resulting in actuarial losses in both years. The reduction in the expected future salary increase and the pension indexation resulted in an actuarial gain as at 31 December 2020, with an opposite effect as at 31 December 2019 due to the higher expected future salary increase and pension indexation. The experience adjustment as at the end of the comparative year ended 31 December 2019 relates mainly to higher than assumed salary increases in Ukraine during the financial year 2019.

Changes in the present value of the defined benefit obligation are as follows:

US$000	Year ended 31.12.20	Year ended 31.12.19
Opening defined benefit obligation	**38,383**	25,921
Current service cost	**1,588**	1,258
Interest cost on defined benefit obligation	**3,181**	2,752
Remeasurement losses	**996**	6,898
Contributions paid by employer	**(1,892)**	(1,884)
Contributions paid by employees	**135**	121
Benefits paid and net transfers through pension assets	**239**	(210)
Plan amendments	**–**	(466)
Translation differences	**(4,214)**	3,993
Closing defined benefit obligation	**38,416**	38,383
Thereof for Ukrainian schemes	***28,586***	*30,352*
Thereof for Swiss scheme	***9,729***	*7,934*
Thereof for schemes in other jurisdictions	***101***	*97*
Thereof for active employees	***25,178***	*23,903*
Thereof for vested terminations	***7,793***	*8,317*
Thereof for pensioners	***5,445***	*6,163*

Note 22: Pension and post-employment obligations continued

The durations of the defined benefit obligation for the different schemes as at 31 December 2020 are 9.6 years in Ukraine and 21.3 years in Switzerland. Contributions to the defined benefit plans, including benefits paid by employer and employee contributions, are expected to be US$1,940 thousand for the schemes in Ukraine and US$582 thousand in Switzerland in the next financial year.

The expenses in relation to the defined contribution plan in the UK and Singapore totalled US$62 thousand (2019: US$53 thousand).

Changes in the fair values of the plan assets are as follows:

US$000	Year ended 31.12.20	Year ended 31.12.19
Opening fair value of plan assets	4,755	4,483
Interest income	11	34
Contributions paid by employer	363	324
Contributions paid by employees	135	121
Benefits paid and net transfers through pension assets	239	(210)
Return on plan assets	(61)	(34)
Administration cost	(21)	(24)
Translation differences	520	61
Closing fair value of plan assets	**5,941**	**4,755**
Thereof for Swiss scheme	*5,941*	*4,755*

The asset allocation of the plan assets of the Swiss scheme is as follows:

% / US$000	As at 31.12.20	As at 31.12.20	As at 31.12.19	As at 31.12.19
Scheme assets at fair value				
Equities	30.7	1,824	29.5	1,403
Bonds	33.0	1,961	34.0	1,617
Properties	13.7	814	13.4	637
Other	22.6	1,342	23.1	1,098
Fair value of scheme assets	**100.0**	**5,941**	**100.0**	**4,755**

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.

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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:

	Year ended 31.12.20					
US$000	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 (%)	(2,510)	(1,657)	(9)	2,908	2,335	10
Future salary increases (%)	1,616	233	7	(1,464)	(215)	(7)
Local inflation (%)	74	12	n/a	(137)	(22)	n/a
Indexation of pension (%)	n/a	1,102	n/a	n/a	n/a	n/a
Life expectancy (years)	467	206	n/a	(547)	(206)	n/a

	Year ended 31.12.19					
US$000	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

Based on the Ukrainian pension legislation, the pension indexation is defined by the future salary increases and the local inflation rate. As a result of this, 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 2020:

US$000	Year ended 31.12.20	Year ended 31.12.19
Opening balance	3,016	1,940
Unwind of the discount	311	307
Charge/credit to the consolidated income statement	18	437
Translation differences	(499)	332
Closing balance	**2,846**	3,016

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 2048.

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 nominal pre-tax discount rates taking into account the beginning of the restoration work in the different areas of the mines, averaging at 12.1% (2019: 12.2%).

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 2020, accrued and contract liabilities comprised:

US$000	As at 31.12.20	As at 31.12.19
Accrued expenses	5,334	7,439
Accrued interest	1,764	4,306
Accrued employee costs	17,333	17,482
Advances from customers	11,113	50
Contract liabilities	9,998	9,980
Total accrued and contract liabilities	**45,542**	**39,257**

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 from inception. 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 2020, cash and cash equivalents comprised:

US$000	As at 31.12.20	As at 31.12.19
Cash at bank and on hand	270,006	131,020
Total cash and cash equivalents	**270,006**	**131,020**

The Group made debt repayments net of proceeds of US$148,328 thousand during the year ended 31 December 2020 (2019: US$4,374 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$33,058 thousand as at 31 December 2020 (2019: US$28,351 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.

Notes to the Consolidated Financial Statements
continued

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 31.12.20	As at 31.12.19
Current			
Syndicated bank loans – secured		**128,333**	133,333
Other bank loans – unsecured		**764**	1,494
Lease liabilities	14	**5,252**	3,540
Total current interest-bearing loans and borrowings		**134,349**	138,367
Non-current			
Syndicated bank loans – secured		**128,333**	266,667
Other bank loans – unsecured		**–**	764
Lease liabilities	14	**3,796**	6,580
Total non-current interest-bearing loans and borrowings		**132,129**	274,011
Total interest-bearing loans and borrowings	27	**266,478**	412,378

The Group has a syndicated revolving pre-export finance facility, with an outstanding amount of US$256,666 thousand and US$10,000 thousand undrawn and available as at 31 December 2020. At the end of the comparative year ended 31 December 2019, the syndicated revolving pre-export finance facility was fully drawn, with outstanding amounts of US$400,000 thousand. The facility is amortised in 12 quarterly instalments, commencing on 7 February 2020 and with 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 31 December 2020, the Group has uncommitted trade finance facilities in the amount of US$80,000 thousand (2019: US$40,000 thousand) in addition to the afore-mentioned syndicated revolving pre-export finance facility. No amounts were drawn under these facilities as at 31 December 2020 and 31 December 2019, respectively.

Trade finance facilities are secured against receivable balances related to these specific trades.

For the revolving syndicated pre-export finance facility, arrangement fees are presented in prepayments and current assets and other non-current assets based on the maturity of the underlying facility and are amortised on a straight-line basis over the term of the facility.

Note 26: Interest-bearing loans and borrowings continued

The table below shows the movements in the interest-bearing loans and borrowings:

US$000	Year ended 31.12.20	Year ended 31.12.19
Opening balance of interest-bearing loans and borrowings	**412,378**	401,858
Cash movements:		
Repayments of Eurobond issued	–	(173,181)
Proceeds from syndicated bank loans – secured	–	225,000
Repayments of syndicated bank loans – secured	(143,333)	(20,000)
Repayments of other bank loans – secured	–	(9,560)
Repayments of other bank loans – unsecured	(1,570)	(1,717)
Principal and interest elements of lease payments	(3,425)	(5,600)
Change of trade finance facilities, net	–	(19,316)
Total cash movements	**(148,328)**	(4,374)
Non-cash movements:		
Amortisation of prepaid arrangement fees	39	1,462
First-time adoption IFRS 16	–	7,701
Additions to lease liabilities	2,589	5,297
Others (incl. translation differences)	(200)	434
Total non-cash movements	**2,428**	14,894
Closing balance of interest-bearing loans and borrowings	**266,478**	412,378

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 consolidated income statement. For those financial assets and financial liabilities, the transaction costs are recognised immediately in the consolidated 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.

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Note 27: Financial instruments continued

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 consolidated 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.

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

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 consolidated income statement when the liabilities are derecognised as well as through the amortisation process. For the accounting policy of lease liabilities see Note 14 Leases.

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 31.12.20			
US$000	Notes	Loans and receivables	Financial liabilities measured at amortised cost	Lease liabilities	Total
Financial assets					
Cash and cash equivalents	25	270,006	–	–	270,006
Trade and other receivables	18	152,750	–	–	152,750
Other financial assets		5,328	–	–	5,328
Total financial assets		428,084	–	–	428,084
Financial liabilities					
Trade and other payables	21	–	43,749	–	43,749
Accrued liabilities	24	–	24,407	–	24,407
Interest-bearing loans and borrowings	26	–	257,430	9,048	266,478
Total financial liabilities		–	325,586	9,048	334,634

Note 27: Financial instruments continued

US$000	Notes	As at 31.12.19 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

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). The fair values of interest-bearing loans and borrowings totalled US$257,441 thousand (2019: US$406,838 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 during the financial year 2020 and the comparative year ended 31 December 2019.

Financial risk management
Overview
The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- 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 Acting 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 Acting CFO. The Acting CFO's responsibilities include authority for approving all new physical, commercial or financial transactions that create a financial risk for the Group. Additionally, the Acting CFO controls the management of treasury risks within each of the business units in accordance with a Board-approved treasury policy.

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Note 27: Financial instruments continued

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.

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 Acting 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 2020 and at the end of the comparative year ended 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, of which US$256,666 thousand was drawn and US$10,000 thousand was undrawn and available as at 31 December 2020, compared to US$400,000 thousand fully drawn as of 31 December 2019.

Furthermore Ferrexpo AG acts as guarantor for finance facilities provided to Ukrainian subsidiaries in the amount of US$767 thousand at 31 December 2020 (2019: US$2,301 thousand).

The total remaining contractual maturities of the guarantees provided under the facilities listed above is US$257,433 thousand (2019: US$414,079 thousand).

Note 27: Financial instruments continued

Exposure to credit risk

The carrying amount of financial assets at 31 December 2020 was US$428,084 thousand (2019: US$231,286 thousand) and represents the maximum credit exposure. See page 164 for further information.

Of the total maximum exposure to credit risk, US$38,088 thousand (2019: US$37,404 thousand) related to Ukraine.

The total receivables balance relating to the Group's top three customers was US$75,108 thousand (2019: US$43,193 thousand), making up 53.0% of the total amounts receivable (2019: 43.3%). 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.

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 uncommitted 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 Note 26 Interest-bearing loans and borrowings and the Group's Viability Statement on page 61.

The following are the contractual maturities of financial liabilities:

	As at 31.12.20						
US$000	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Between 3 to 4 years	Between 4 to 5 years	More than 5 years	Total
Interest-bearing							
Floating rate loans and borrowings	129,100	128,333	–	–	–	–	257,433
Lease liabilities	5,502	2,369	765	718	703	–	10,057
Total interest-bearing	134,602	130,702	765	718	703	–	267,490
Non-interest-bearing							
Trade and other payables	43,749	–	–	–	–	–	43,749
Accrued liabilities	24,407	–	–	–	–	–	24,407
Future interest payable	9,999	3,810	–	–	–	–	13,809
Total non-interest-bearing	78,155	3,810	–	–	–	–	81,965
Total financial liabilities	212,757	134,512	765	718	703	–	349,455

The difference of the total of 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.

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Note 27: Financial instruments continued

	As at 31.12.19						
US$000	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Between 3 to 4 years	Between 4 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	2,377	805	755	553	11,778
Total interest-bearing	138,814	137,442	135,710	805	755	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	140,076	805	755	553	543,040

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 consolidated 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 predominantly 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.

Note 27: Financial instruments continued

The Group's exposure to foreign currency risk was as follows as of 31 December 2020:

US$000	As at 31.12.20	As at 31.12.19
Total financial assets	**428,084**	231,286
Thereof exposed to Ukrainian Hryvnia	–	–
Thereof exposed to US Dollar	*6,966*	*7,372*
Thereof exposed to Euro	*87*	*4,603*
Thereof exposed to Swiss Franc	–	*174*
Thereof exposed to other currencies	*512*	*1,521*
Total exposures to currencies other than local functional currencies	**7,565**	13,670
Total financial liabilities	**(334,634)**	(507,200)
Thereof exposed to Ukrainian Hryvnia	–	–
Thereof exposed to US Dollar	*(2,402)*	*(5,831)*
Thereof exposed to Euro	*(2,504)*	*(1,595)*
Thereof exposed to Swiss Franc	*(2,167)*	*(333)*
Thereof exposed to other currencies	*(623)*	*(1,598)*
Total exposures to currencies other than local functional currencies	**(7,696)**	(9,357)

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.

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 2020 was 622,705 tonnes (2019: 701,000 tonnes) and gave rise to a fair value gain relating to the embedded provisional pricing mechanism of US$28,921 thousand as at 31 December 2020 (2019: US$4,905 thousand). 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 2020 and the receivable balance taking into account the known final prices is US$3,968 thousand and would have increased the consolidated result and the shareholders' equity by this amount (2019: decrease of US$464 thousand).

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.

Notes to the Consolidated Financial Statements
continued

Note 27: Financial instruments continued

Sensitivity analysis

A 20% strengthening of the US Dollar against the following currencies at 31 December would have increased/(decreased) the consolidated result 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 31.12.20 Income statement/equity	Year ended 31.12.19 Income statement/equity
Ukrainian Hryvnia	761	257
Euro	(403)	501
Swiss Franc	(361)	(26)
Other	(19)	–
Total	(22)	732

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 consolidated income statement.

Cash flow sensitivity for variable rate instruments

An increase of 100 basis points ("bps") in interest rates would have increased/(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 31.12.20	Year ended 31.12.19
Net finance charge	126	(2,713)

A decrease of 100bps would decrease equity and profit by US$550 thousand for the year ended 31 December 2020 (2019: would have increased equity and profit by US$2,713 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 cash/(debt) and the net cash/(debt) to EBITDA ratio. Both key figures improved during the financial year 2020 as a result of the strong financial performance. The net debt has decreased from US$281,358 thousand at the beginning of the year to a net cash position of US$3,528 thousand as at 31 December 2020.

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. 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 low gearing and strong capital position.

Growth projects are approved under consideration of potential future market constraints, intended further de-gearing of the Group's balance sheet and expected returns to shareholders.

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.

Note 27: Financial instruments continued

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 2020. 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 consolidated 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	**2020 LTIP**	2019 LTIP	2018 LTIP	Total
Year ended 31.12.20	**793**	**–**	**–**	**793**
Year ended 31.12.19	–	470	–	470
Year ended 31.12.18	–	–	392	392

The following expenses have been recognised in 2020 and 2019 in respect of the LTIP:

US$000	**2020 LTIP**	2019 LTIP	2018 LTIP	2017 LTIP	Total
Year ended 31.12.20	**199**	**54**	**38**	**–**	**291**
Year ended 31.12.19	–	376	243	403	1,022

The expenses recognised in 2020 include the effect of lapsed awards resulting from the departure of two members of the key management.

	Year ended 31.12.20 WAFV (US$)	Year ended 31.12.19 WAFV (US$)	**Year ended 31.12.20 No. (000)**	Year ended 31.12.19 No. (000)
LTIP				
Beginning of the year	**1.94**	1.16	**1,558**	1,820
Awards granted during the year	**0.90**	2.40	**793**	470
Awards vested during the year	**1.65**	0.23	**(705)**	(719)
Awards lapsed during the year	**1.58**	1.84	**(612)**	(13)
Outstanding unvested awards at 31 December	**1.57**	1.94	**1,034**	1,558

The main inputs to the valuation of the 2020 LTIP awards were the share price at date of grant of US$1.47 (2019 LTIP awards: US$3.51), the volatility of the share price of 56% p.a. (2019 LTIP awards: 56% p.a.) and a risk-free interest rate of 0.3% p.a. (2019 LTIP awards: 2.3% p.a.).

Notes to the Consolidated Financial Statements
continued

Note 28: Share-based payments continued

As at 31 December 2020, all of the awards that vested during the financial year 2020 have been exercised. As at the date of authorising of the consolidated financial statements for issue, all awards have been exercised, including 68 thousand awards that had not been exercised as at the end of the comparative year ended 31 December 2019.

Note 29: Employees

Employee benefits expenses for the year ended 31 December 2020 consisted of the following:

US$000	Notes	Year ended 31.12.20	Year ended 31.12.19
Wages and salaries		89,152	85,746
Social security costs		21,137	16,828
Post-employment benefits	22	1,588	1,258
Other employee costs		2,201	4,326
Share-based payments	28	291	1,022
Total employee benefits expenses		**114,369**	**109,180**

The table above includes compensation for Non-executive Directors, Executive Directors and other key management personnel as outlined below:

	Year ended 31.12.20			Year ended 31.12.19		
US$000	Non-executive and Executive Directors	Other key management	Total	Non-executive and Executive Directors	Other key management	Total
Wages and salaries	3,186	5,829	9,015	2,681	5,327	8,008
Social security costs	132	35	167	130	91	221
Post-employment benefits	81	74	155	80	98	178
Other employee costs	107	21	128	197	3	200
Share-based payments	77	62	139	161	522	683
Total compensation for key management	**3,583**	**6,021**	**9,604**	**3,249**	**6,041**	**9,290**

The totals of shared-based payments for employees and for key management recognised in 2020 include the effect of lapsed awards resulting from the departure of two members of the key management.

The average number of employees during the financial year 2020 is detailed in the table below:

Average number of employees	Year ended 31.12.20	Year ended 31.12.19
Production	6,758	7,007
Marketing and distribution	174	179
Administration	1,211	1,227
Other	521	575
Total average number of employees	**8,664**	**8,988**

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.

Note 30: Commitments, contingencies and legal disputes continued

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 provides more detailed information on lease related balances and the associated accounting policy.

Commitments

Commitments as at 31 December 2020 consisted of the following:

US$000	Year ended 31.12.20	Year ended 31.12.19
Total commitments for the lease of mining land (out of the scope of IFRS 16)	**30,874**	29,910
Total future contingent rental payments (IFRS 16)	**16,217**	15,068
Total capital commitments on purchase of property, plant and equipment	**57,526**	116,509

Critical judgements

Loan relationship between related parties of the Group

As disclosed in Note 34 Related party disclosures, the Board, acting through the Committee of Independent Directors (the "CID"), has been conducting a review into its sponsorship arrangements with FC Vorskla. Following careful consideration of the information received from FC Vorskla, and the work of the CID's third party advisers, the CID has now concluded its enquiries. As detailed in the Group's 2020 half-year report, the CID has received written confirmations from FC Vorskla and Kostyantin Zhevago, who also controls FC Vorskla, confirming the use of the funds under a loan made by a FC Vorskla entity to Collaton Limited, a related party of the Group, in connection with the construction and renovation of certain FC Vorskla stadiums and training grounds in Ukraine. The CID had also been informed that it was intended that the loan would be fully repaid using the proceeds of a sale and leaseback of certain capital projects of FC Vorskla in Ukraine. The CID has since been informed that it is possible that the sale and leaseback may not occur in the near term, given the ongoing COVID-19 pandemic and general market conditions in Ukraine. Therefore, additional arrangements have now been put in place by Kostyantin Zhevago and his associated entities for the full repayment of the loan to FC Vorskla by 31 July 2022. In the event that any of the payments made by the Group to FC Vorskla or the loan provided by FC Vorskla to Collaton Limited were not fully used for the benefit of the football club, or there was 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 liabilities, if any, 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 2020. See Note 34 Related party disclosures for further information.

Other contingencies

If any of the critical judgements outlined in Note 7 Operating expenses and/or Note 34 Related party disclosures in the Annual Report 2019 and/or the conclusions of the Independent Review Committee in terms of the Independent Review into the Group's relationship with Blooming Land and its sub-funds, a Charity, 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. No new information has been received by the Group in 2020 and to the date of the approval of these consolidated financial statements. 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 2020.

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.

There is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not given, so that the Ukrainian legislation might be inconsistently applied to resolve the same or similar disputes. See also the Principal Risks section on pages 49 and 50 for further information on the Ukraine country risk.

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$150,736 thousand as of 31 December 2020).

On 22 April 2016, the liquidator of BFC issued certificates recognising UAH540 million (US$19,098 thousand as of 31 December 2020) 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$131,637 thousand as of 31 December 2020) and the ranking of the claims in the liquidation process.

Notes to the Consolidated Financial Statements
continued

Note 30: Commitments, contingencies and legal disputes continued

The court proceedings commenced in October 2016 and, following various hearings during the financial year 2017, the relevant court instance dismissed in October 2017 FPM's claim in full. FPM filed an appeal in November 2017. In 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 date of the hearing by the Northern Commercial Court of Appeal is scheduled for 22 April 2021.

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. On 22 September 2020, the Kyiv Commercial Court satisfied the claim made by FYM in full. The counterparty filed its appeal on 9 November 2020 and the hearing by the Northern Commercial Court of Appeal on 16 February 2021 dismissed the claim of the opposing party and satisfied FYM's claim in full.

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 Kyiv Court of Appeal satisfied on 2 June 2020 this appeal and cancelled the arrest of FAG's share in FPM.

On 17 June 2020, FPM received an official notification that an investigating judge of the Pecherskyi District Court of Kyiv City granted again an order to arrest 50.3% of FAG's shares in FPM and FAG filed on 22 June 2020 an appeal against this order. On 5 October 2020, the full text of the decision of the Kyiv Court of Appeal was announced, which dismissed FAG's appeal. On 10 November 2020, FAG filed a claim to the Pecherskyi District Court of Kyiv City to cancel this arrest and a hearing by the Pecherskyi District Court of Kyiv City took place on 24 November 2020. On 30 November 2020, the full text of the decision of the Pecherskyi District Court of Kyiv City was announced, stating that the court cancelled the arrest. The arrest order itself did not affect ownership of the shares in FPM, but did prohibit their transfer, and has had no impact on the operations of the Group.

Share dispute

On 23 November 2020, the Kyiv Commercial Court opened court proceedings in relation to an old shareholder litigation. In 2005, a former shareholder in FPM brought proceedings in the Ukrainian courts seeking to invalidate the share sale and purchase agreement pursuant to which a 40.19% stake in FPM was sold to nominee companies that were previously ultimately controlled by Kostyantin Zhevago, amongst other parties. After a long period of litigations, all old claims were fully dismissed in 2015. In January 2021, Ferrexpo AG (FAG) received a claim from a former shareholder in FPM to invalidate part of the share sale and purchase agreement concluded in 2002 related to the sale of 9.32% shareholding in FPM. Following the receipt of the claim FAG, as the parent company of FPM, filed on 27 January 2021 its statement of defence to the court in response to this claim.

In February 2021 after the first hearing of the Kyiv Commercial Court on this case, FAG became aware that three new claims have been filed by other three former shareholders in FPM. Taken together four claimants seek to invalidate the share sale and purchase agreement concluded in 2002 pursuant to which a 40.19% stake in FPM was sold similarly to the previous claims made back in 2005. FAG filed on 5 March 2021 its statements of defence to the court in response to these new claims. The next hearing of the Kyiv Commercial Court is scheduled for 25 March 2021.

Based on legal advice obtained and considering the dismissal of the claims made by a former shareholder in FPM back in 2015, it is management's view that FAG has compelling arguments to defend its position in the court.

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 consolidated 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 consolidated 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.

Note 31: Share capital and reserves continued

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.

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 2020 was 613,967,956 Ordinary Shares (2019: 613,967,956) at a par value of £0.10 paid for in cash, resulting in share capital of US$121,628 thousand (2019: US$121,628 thousand) per the statement of financial position.

As at 31 December 2020, 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 2019	31,780	(77,260)	(3,848)	(1,960,752)	(2,010,080)
Foreign currency translation differences	–	–	–	264,771	264,771
Tax effect	–	–	–	(20,487)	(20,487)
Total other comprehensive income for the year	–	–	–	244,284	244,284
Share-based payments	–	–	1,022	–	1,022
At 31 December 2019	31,780	(77,260)	(2,826)	(1,716,468)	(1,764,774)
Foreign currency translation differences	**–**	**–**	**–**	**(317,691)**	**(317,691)**
Tax effect	**–**	**–**	**–**	**16,278**	**16,278**
Total other comprehensive loss for the year	**–**	**–**	**–**	**(301,413)**	**(301,413)**
Share-based payments	**–**	**–**	**291**	**–**	**291**
At 31 December 2020	**31,780**	**(77,260)**	**(2,535)**	**(2,017,881)**	**(2,065,896)**

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 2020, the employee benefit trust reserve includes 924,899 shares (2019: 1,702,056 shares).

Translation reserve

During the financial year 2020, the Ukrainian Hryvnia depreciated from 23.686 as at the beginning of the year to 28.275 as at 31 December 2020 and the exchange differences arising on translation of the Group's foreign operations are initially recognised in the consolidated statement of comprehensive income. See also page 128.

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.

Notes to the Consolidated Financial Statements
continued

Note 32: Consolidated subsidiaries continued

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 131. 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 185.

The Group does not have any other interests of 20% or more in undertakings that are not disclosed on page 185, except for the investment in the associate mentioned in Note 33 Investments in associates.

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 consolidated 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% (2019: 49.9%) in TIS Ruda LLC, operating a port on the Black Sea, which the Group uses as part of its distribution channel.

US$000	Year ended 31.12.20	Year ended 31.12.19
Opening balance	**8,064**	7,037
Share of profit[1]	**5,624**	4,114
Dividends declared	**(6,381)**	(4,311)
Translation adjustments	**(1,434)**	1,224
Closing balance	**5,873**	8,064

For the year ended 31 December 2020 the summarised financial information for the associate was as follows:

	Revenue		Net profit	
US$000	Year ended 31.12.20	Year ended 31.12.19	Year ended 31.12.20	Year ended 31.12.19
TIS Ruda LLC[1]	**23,014**	21,025	**11,271**	8,244

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 2020, the associate's total assets were US$18,745 thousand (2019: US$18,655 thousand) and the total liabilities were US$6,977 thousand (2019: US$2,494 thousand) based on preliminary and unaudited statutory accounts. Any deviations from the Group's 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% (2019: 49.9%). 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 pages 98 and 99.

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 31.12.20			Year ended 31.12.19		
US$000	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Other sales [a]	323	–	7	833	–	14
Total related party transactions within revenue	323	–	7	833	–	14
Materials [b]	6,299	–	–	7,894	–	–
Spare parts and consumables [c]	3,063	–	–	4,537	–	–
Other expenses [d]	524	–	–	19	–	–
Total related party transactions within cost of sales	9,886	–	–	12,450	–	–
Selling and distribution expenses [e]	4,552	19,073	–	10,824	18,477	–
General and administration expenses [f]	1,747	–	482	1,650	–	393
Finance expense	25	–	–	19	–	–
Total related party transactions within expenses	16,210	19,073	482	24,943	18,477	393
Other income [g]	21	–	–	319	–	–
Total related party transactions	16,554	19,073	489	26,095	18,477	407

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 diesel to DVD Trans during the comparative year ended 31 December 2019 US$322 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 were still considered as related party transactions and disclosed as such; and

a Sales of scrap metal to OJSC Uzhgorodsky Turbogas totalling US$157 thousand (2019: US$239 thousand).

b Purchases of compressed air, oxygen and scrap metal from Kislorod PCC for US$2,060 thousand (2019: US$3,645 thousand); and

b Purchases of cast iron balls from OJSC Uzhgorodsky Turbogas for US$4,191 thousand (2019: US$4,194 thousand).

c Purchases of spare parts from Holding company AvtoKraz, OJSC in the amount of US$446 thousand (2019: US$18 thousand);

c Purchases of spare parts from CJSC Kyiv Shipbuilding and Ship Repair Plant ("KSRSSZ") in the amount of US$656 thousand (2019: US$963 thousand);

c Purchases of spare parts from OJSC Uzhgorodsky Turbogas in the amount of US$675 thousand (2019: US$436 thousand);

c Purchases of spare parts from Valsa GTV of US$878 thousand (2019: US$1,165 thousand); and

c Purchases of spare parts from OJSC Berdichev Machine-Building Plant Progress of US$353 thousand (2019: US$1,931 thousand).

d Insurance premiums of US$524 thousand (2019: US$19 thousand) paid to ASK Omega for insurance cover in respect of mining equipment and machinery.

e Purchases of advertisement, marketing and general public relations services from FC Vorskla of US$4,552 thousand (2019: US$10,824 thousand). See page 179 in respect of a loan relationship between FC Vorskla and another related party.

f Insurance premiums of US$1,365 thousand (2019: US$1,156 thousand) paid to ASK Omega for workmen's insurance and other insurances; and

f Purchase of marketing services from TV & Radio Company of US$237 thousand (2019: US$296 thousand).

g Other income is related to payments of US$21 thousand received from ASK Omega in respect of claims made under insurance policies in place (2019: US$319 thousand).

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).

e Purchases of logistics services in the amount of US$19,073 thousand (2019: US$18,477 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.

f Legal and administrative services in the amount of US$471 thousand (2019: US$362 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 (2019: US$100 thousand).

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 31.12.20			Year ended 31.12.19		
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	2,247	–	–	8,935	–	–
Total purchases of property, plant and equipment	**2,247**	**–**	**–**	**8,935**	**–**	**–**

During the year ended 31 December 2020, the Group purchased major spare parts and equipment from OJSC Berdichev Machine-Building Plant Progress totalling US$1,719 thousand (2019: US$6,910 thousand) in respect of its regular sustaining capital expenditure programme and construction supervision services in respect of the construction of the concentrate stockyard. The Group also procured equipment from CJSC Kyiv Shipbuilding and Ship Repair Plant ("KSRSSZ") totalling US$510 thousand (2019: US$816 thousand) for several ongoing major projects, including the construction of the concentrate stockyard, the upgrade of beneficiation sections and the refurbishment of the pellet loading area.

During the comparative year ended 31 December 2019, 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 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 were 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$115 thousand during the year ended 31 December 2020 (2019: US$129 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 31.12.20			As at 31.12.19		
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 [g]	133	–	–	1,093	–	–
Total non-current assets	**133**	**–**	**–**	**1,093**	**–**	**–**
Trade and other receivables [h]	96	4,473	1	104	2,472	2
Prepayments and other current assets [i]	1,390	–	–	1,662	–	–
Total current assets	**1,486**	**4,473**	**1**	**1,766**	**2,472**	**2**
Trade and other payables [j]	462	2	86	1,001	898	–
Accrued and contract liabilities	71	–	–	–	–	1
Total current liabilities	**533**	**2**	**86**	**1,001**	**898**	**1**

A description of the balances over US$200 thousand in the current or comparative year is given below.

Entities under common control

g At the end of the comparative year ended 31 December 2019, prepayments for property plant and equipment included prepayments totalling US$1,052 thousand to OJSC Berdichev Machine-Building Plant Progress. No such prepayments made as at 31 December 2020.

i At the end of the comparative year ended 31 December 2019, prepayments and other current assets included prepayments totalling US$921 thousand made to FC Vorskla for advertisement, marketing and general public relations services. No such prepayments made as at 31 December 2020.

i Prepayments and other current assets totalling US$1,053 thousand related to insurance premiums from ASK Omega (2019: US$605 thousand).

i Prepayments and other current assets totalling US$279 thousand related to spare parts from OJSC Berdichev Machine-Building Plant Progress (2019: US$72 thousand).

j Trade and other payables included US$195 thousand (2019: US$246 thousand) related to the purchase of compressed air, oxygen and scrap metal from Kislorod PCC and US$191 thousand (2019: US$418 thousand) related to the purchase of spare parts from OJSC Berdichev Machine-Building Plant Progress.

Associated companies

h Trade and other receivables included US$4,473 thousand (2019: US$2,472 thousand) related to dividends declared by TIS Ruda LLC.

j Trade and other payables included US$2 thousand (2019: US$898 thousand) related to purchases of logistics services from TIS Ruda LLC.

Note 34: Related party disclosures continued

Loan relationship between related parties of the Group

As disclosed in the 2019 Annual Report & Accounts and 2020 Interim Results, the Board acting through the Committee of Independent Directors (the "CID") has been conducting a review in connection with the sponsorship payments the Group has previously made to FC Vorskla following the identification of a loan made by FC Vorskla to Collaton Limited, a related party of the Group. Based on unaudited management accounts of FC Vorskla Cyprus Limited for the financial year ended 31 December 2019, the loan to Collaton Limited was US$16,978 thousand. FC Vorskla is considered to be a related party of the Group as Kostyantin Zhevago controls FC Vorskla. As the loan does not involve any of the Group's subsidiaries, the loan is not a transaction between the Group and a related party and therefore does not fall under Chapter 11 of the Listing Rules. The CID has now concluded its review and arrangements have been made for the loan to Collaton Limited to be repaid in full. See also Note 30 Commitments, contingencies and legal disputes and page 173 of the Audit Committee Report.

Sponsorship payments have in the past been 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"). Following the identification of the above mentioned loan in January 2020, no further payments have been made to FC Vorskla Cyprus Limited. The Group's sponsorship payments to Football Club Vorskla LLC, based in Ukraine, for advertisement, marketing and general public relation services have continued during the financial year 2020 and totalled US$4,552 thousand (2019: US$10,824 thousand, in aggregate for FC Vorskla Cyprus Limited and Football Club Vorskla LLC). These payments made to FC Vorskla are considered to be in the ordinary course of business. The current sponsorship agreement with Football Club Vorskla LLC, as agreed in the first quarter of the financial year 2021, includes enhanced reporting requirements by the football club to the Group and additional provisions around the use of sponsorship funds.

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 2020 and 2019, which have 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 31.12.20	As at 31.12.19
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	**12,202**	33,626
Debtors: amounts falling due after more than one year	5	**648,292**	736,297
Cash at bank and in hand		**208**	89
Total current assets		**660,702**	770,012
Creditors: amounts falling due within one year	6	**4,270**	4,939
Net current assets		**656,432**	765,073
Total assets less current liabilities		**803,928**	912,569
Creditors: amounts falling due after more than one year	6	**104**	564
Net assets		**803,824**	912,005
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	**(2,535)**	(2,826)
Retained earnings	7	**576,879**	685,351
Total capital and reserves		**803,824**	912,005

The profit after taxation for the Company, registration number 05432915, was US$85,817 thousand for the financial year ended 31 December 2020 (2019: US$88,299 thousand).

The financial statements were approved by the Board of Directors on 16 March 2021.

Lucio Genovese
Chairman

Jim North
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 2019	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
Profit for the year	**–**	**–**	**–**	**–**	**85,817**	**85,817**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**85,817**	**85,817**
Equity dividends paid to shareholders	**–**	**–**	**–**	**–**	**(194,289)**	**(194,289)**
Share-based payments	**–**	**–**	**–**	**291**	**–**	**291**
At 31 December 2020	**121,628**	**185,112**	**(77,260)**	**(2,535)**	**576,879**	**803,824**

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, and two members of his family are the beneficiaries. At the time this report was published, Fevamotinico held 50.3% (2019: 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 pages 98 and 99.

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.

Note 3: Significant accounting policies continued

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.

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 2020. 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 2020 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 31.12.20	At 31.12.19
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 2020 related to the following:

US$000	At 31.12.20	At 31.12.19
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	10,203	30,277
Accrued interest owed by subsidiary undertakings	–	2,774
Prepaid expenses	898	575
Income tax receivable	1,101	–
Total amounts falling due within one year	**12,202**	33,626
Amounts falling due after more than one year		
Amounts owed by subsidiary undertakings	648,027	736,297
Accrued interest owed by subsidiary undertakings	265	–
Total amounts falling due after more than one year	**648,292**	736,297
Total debtors	**660,494**	769,923

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. Furthermore, taking into account the expected repayment profile, receivables owed by subsidiary undertakings relating to financial guarantee fees in the amount of US$21,581 thousand and accrued interest owed by subsidiary undertakings in the amount of US$265 thousand have been re-presented as falling due after more than one year as at 31 December 2020.

Amounts owed by subsidiary undertakings include the financial guarantees provided by the Company relating to 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 gains on debtors included in the profit after taxation is US$795 thousand as of 31 December 2020 (2019: impairment losses US$404 thousand).

Notes to the Parent Company Financial Statements
continued

Note 6: Creditors

Creditors as at 31 December 2020 related to the following:

US$000	At 31.12.20	At 31.12.19
Creditors: amounts falling due within one year		
Financial guarantees	**362**	789
Other payables and accrued liabilities	**3,908**	4,150
Total creditors: amounts falling due within one year	**4,270**	4,939
Creditors: amounts falling due after more than one year		
Financial guarantees	**104**	564
Total creditors: amounts falling due after more than one year	**104**	564

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 2020, the Company was a guarantor to the following major external debt facility of the Group's subsidiary Ferrexpo Finance plc:

- a syndicated revolving pre-export finance facility, with an outstanding amount of US$256,666 thousand and US$10,000 thousand undrawn and available as at 31 December 2020. At the end of the comparative year ended 31 December 2019, the syndicated revolving pre-export finance facility was fully drawn, with outstanding amounts of US$400,000 thousand. Following a one-year grace period, the facility is amortised in 12 quarterly instalments, commencing on 7 February 2020 and with 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 2020 was 613,967,956 Ordinary Shares (2019: 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 (2019: 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 2020, the employee benefit trust reserve included 924,899 shares (2019: 1,702,056 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 2020 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$317,646 thousand as of 31 December 2020 (2019: US$201,647 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 31.12.20 %	Equity interest owned 31.12.19 %
Consolidated subsidiaries				
Ferrexpo AG	Bahnhofstrasse 13, 6340 Baar, Switzerland	Holding company and sale of iron ore pellets and concentrate	**100.0**	100.0
PJSC Ferrexpo Poltava Mining	Budivelnykiv Street 16, 39802 Horishni Plavni, Poltava Region, Ukraine	Iron ore mining and processing	**100.0**	100.0
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 16, 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 and concentrate	**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.	Naberezna Street 2, 39800 Horishni Plavni, Poltava Region, Ukraine	Asset holding company	**100.0**	100.0
DP Ferrotrans	Portova Street 65, 39802 Horishni Plavni, Poltava Region, Ukraine	Trade, transportation services	**100.0**	100.0
United Energy Company LLC	Budivelnykiv Street 16, 39802 Horishni Plavni, Poltava Region, Ukraine	Holding company	**100.0**	100.0
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	Bunker business	**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	Building 4/6, Ioanna Pavla II Street, 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**	100.0
Associate				
TIS Ruda LLC	Chapaieva Street 50, 67543 Vizirka Village, Odesa Region, Ukraine	Port development	**49.9**	49.9
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 HSEC 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 2020 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$000	Notes	Year ended 31.12.20	Year ended 31.12.19
C1 cash costs		**466,013**	502,887
Non-C1 cost components		**116,783**	48,254
Inventories recognised as an expense upon sale of goods	7	**582,796**	551,141
Own ore produced (tonnes)		**11,217,926**	10,518,954
C1 cash cost per tonne (US$)		**41.5**	47.8

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 31.12.20	Year ended 31.12.19
Underlying EBITDA		**858,552**	586,067
Losses on disposal of property, plant and equipment	7	**(1,303)**	(417)
Share-based payments	28	**(291)**	(1,022)
Write-offs	7	**(192)**	(1,241)
Depreciation and amortisation		**(102,475)**	(82,130)
Profit before tax and finance		**754,291**	501,257

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 31.12.20	Year ended 31.12.19
Earnings for the year attributable to equity shareholders – per share in US cents		
Basic	**108.1**	68.6
Diluted	**107.9**	68.4

Net cash/(debt) to underlying EBITDA

Definition: Net cash/(debt) divided by the underlying EBITDA (for the last 12 months):

	As at 31.12.20	As at 31.12.19
Net cash/(debt) (US$000)	**3,528**	(281,358)
Underlying EBITDA (US$000)	**858,552**	586,067
Net cash/(debt) to underlying EBITDA	**N/A**	0.48x

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 cash/(debt):

US$000	Notes	As at 31.12.20	As at 31.12.19
Cash and cash equivalents	25	**270,006**	131,020
Interest-bearing loans and borrowings – current	26	**(134,349)**	(138,367)
Interest-bearing loans and borrowings – non-current	26	**(132,129)**	(274,011)
Net cash/(debt)		**3,528**	(281,358)

For a reconciliation of underlying EBITDA to profit before tax and finance see page 186.

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 31.12.20	As at 31.12.19
Purchase of property, plant and equipment and intangible assets (net cash flows used in investing activities)	13/15	**205,779**	247,478

Alternative Performance Measures
continued

Total liquidity

Definition: Sum of cash and cash equivalents and available committed facilities and uncommitted facilities. Committed facilities include the Group's syndicated revolving pre-export finance facility while uncommitted facilities include trade finance facilities secured against receivable balances related to these specific trades. See Note 26 Interest-bearing loans and borrowings and Note 27 Financial instruments for further information.

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 31.12.20	As at 31.12.19
Cash and cash equivalents	270,006	131,020
Available committed facilities	10,000	–
Uncommitted facilities	80,000	40,000
Total liquidity	**360,006**	171,020

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

Capex
Capital expenditure for the purchase of property, plant and equipment and intangible assets

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
2018 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. Each of the beneficiaries of The Minco Trust 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

DFS
Detailed feasibility study

Directors
The Directors of the Company

Glossary
continued

Direct reduction
Used in Direct Reduction Iron ("DRI") production. In regions where natural gas is cheap and plentiful, such as the

"DR" pellets
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

FRMCC
Finance, Risk Management and Compliance 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 Committee
The Health, Safety, Environment and Community Committee

IAS
International Accounting Standards

IASB
International Accounting Standards Board

IFRIC interpretations
IFRS interpretations as issued by the IFRS Interpretations Committee

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

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

Glossary
continued

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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