23 April 2019

Ferrexpo plc

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

2018 Full Year Results: 40% increase in dividends to a record 23.1 US cents, increased capital investment and continued debt reduction.

Ferrexpo plc today announces its financial results for the year ended 31 December 2018.

Steve Lucas, Non-executive Chairman, said:

“I am pleased to report a successful year for Ferrexpo. We continued to benefit from the strong global demand for our high-grade iron ore pellets, which helped deliver strong cash flow despite a rise in costs. This enabled us to increase investment, reduce debt further and pay a record dividend.”

“Our balance sheet is now strong and this gives us a platform to deliver the next stage in our planned expansion. This year we plan to increase investment once more to be able to hit our medium-term production target of 12 million tonnes per annum by 2021 and lay the foundations for our longer-term intention to move to annual output of 20 million tonnes per annum.”

Extract of 2018 Financial Performance:

US$ million (unless otherwise stated)	**Year ended 31.12.18**	**Year ended 31.12.17**	**Change**
Total pellet production (kt)	10,607	10,444	1.6%
Sales volumes (kt)	10,227	10,467	-2.3%
Average CFR 62% iron ore fines price (US$/t)	69.5	71.3	-2.5%
Revenue	1,274	1,197	6.4%
C1 cash cost of production[A] (US$/t)	43.3	32.3	34.1%
Underlying EBITDA[A]	503	551	-8.7%
Underlying EBITDA margin[A]	39%	46%	-7ppt
Profit for the year	335	394	-15.0%
Diluted EPS	56.7	66.9	-15.2%
Dividend per share (US cents)	23.1	16.5	40.0%
Net cash flow from operating activities	292	353	-17.3%
Capital investment[A]	135	103	31.1%
Net debt	339	394	-14.0%
Total liquidity[A]	268	312	-14.1%
Net debt to Underlying EBITDA [A]	0.67x	0.72x	-8.2%

Health and Safety

- We deeply regret to report one work related fatality in 2018 (2017: one)
- Group Lost Time Injury Frequency Rate 1.18x (2017:1.17x)

Market Environment

- Strong market environment for high grade pellets
- Group achieved new record pellet premium
- Average realised FOB price increased 9% compared to 2017

Operational

- Production of pellets increased 2% to 10.6MT (2017: 10.4MT)
- Production reflected planned pellet line refurbishment in 2Q 2018 and a general increase in maintenance levels
- Production of premium 65% Fe pellets in line with 2017 at 9.9MT
- Sales volumes of 10.2MT (2017: 10.5MT) reflected 400kt increase in stocks due to temporary logistics constraints
- C1 cash cost of production[A] of US$43.3 per tonne (2017: US$32.3 per tonne) reflected higher commodity input prices, local inflation and increased mining and maintenance activity

Financial

- Revenue up 6% to US$1.3BN (2017: US$1.2BN) principally reflecting higher pellet premiums and freight rates and lower sales volumes
- Underlying EBITDA [A] US$503M (2017: US$551M) reflected higher average prices of US$9 per tonne offset by higher costs and lower sales volumes
- Profit before tax of US$392M (2017: US$450M)
- Net cash flows from operating activities US$292M (2017: US$353M) reflected lower underlying EBITDA and working capital build mainly due to increased year end stocks
- Net debt reduced 14% to US$339M as of 31 December 2018 (31 December 2017: US$394M)
- Net debt to underlying EBITDA[A] lower for third consecutive year at 0.67 times as of 31 December 2018 (as of 31 December 2017: 0.72 times)
- Total liquidity [A] US$268M as of 31 December 2017 (31 December 2017: US$312M)
- Final special dividend of 6.6 US cents per share (2017: 6.6 US cents) payable on 14 May 2019 and final ordinary dividend of 6.6 US cents per share proposed (2017: 3.3 US cents)
- 40% increase in total dividend declared for 2018 to a 23.1 US cents per share (total 2017 dividend per share: 16.5 US cents)

Outlook

To date in 2019, realised prices for Ferrexpo's pellets have continued at high levels.

In 2019, the Group will continue its repairs and maintenance programme which will include a 75 day pellet line shutdown in 2H 2019. Overall, 2019 production volumes are expected to be in line with 2018 at approximately 10.6 million tonnes.

The cost of production in 2019 is expected to increase as a result of higher commodity input prices and local inflation in Ukraine. Year to date the Hryvnia has been broadly stable against the US dollar, appreciating by approximately 2%.

Capital expenditure in 2019 will be focused towards growth projects and is expected to be in the range of US$220 million to US$300 million, subject to realised pricing and market conditions. Of this, sustaining capital expenditure is expected to be in line with 2018. Investment of approximately US$35 million is planned for the Concentrator Expansion Programme 1 ("CEP1"), which is anticipated to increase pellet production to approximately 12 million tonnes per annum by 2021. In addition, subject to market conditions and available cash flows, Ferrexpo will commence construction on a new press filtration plant and other pellet capacity upgrade projects as well as purchase of additional rail cars.

ALTERNATIVE PERFORMANCE MEASURES:

Words with the symbol [A] are defined in the Alternative Performance Measures section on page 165.

Notes to Editors:

Ferrexpo is a Swiss headquartered iron ore company with assets in Ukraine. It has been mining, processing and selling high quality iron ore pellets to the global steel industry for 40 years. Ferrexpo's resource base is one of the largest iron ore deposits in the world. In 2018, the Group produced 10.6 million tonnes of pellets, a 2% increase compared to 2017, ranking it as the 3rd largest exporter of pellets to the global steel industry with a market share of approximately 8.5%. Ferrexpo has a diversified customer base supplying steel mills in Austria, Germany, Japan, South Korea, Taiwan, China, Slovakia, the Czech Republic, Turkey and Vietnam. Ferrexpo has a premium listing on the main market of the London Stock Exchange under the ticker FXPO. For further information, please visit www.ferrexpo.com

Analyst meeting:
There is an analyst and investor call at 09.00 GMT today. The call will be hosted by Steve Lucas (Chairman), Kostyantin Zhevago (CEO) and Chris Mawe (CFO).

Dial in details are as follows:

Audio webcast link: https://edge.media-server.com/m6/p/jum5546n

If joining by telephone:

Standard International Dial-In:	+44 (0) 203 0095710
Switzerland, Zurich:	0445804873
United States, New York:	19177200178
Conference ID:	2788744

For further information contact:

Ferrexpo:

Ingrid McMahon	+44 207 389 8304

Maitland:

James Isola	+44 207 379 5151

FERREXPO PLC

STRATEGIC REPORT

Chairman's Statement

Health and Safety
We deeply regret the fatality (2017: one) in October 2018 of Maxim Blinkov, a contractor at Ferrexpo Poltava Mining ("FPM"), who was fatally injured after falling from a height in the processing plant. Our goal remains firmly focused on achieving zero fatalities or injuries. On behalf of the Group, I would like to express our sincere condolences to the family of our colleague.

Year in Summary
I am pleased to report another strong year for iron ore pellet demand with premiums rising 30% over 2017 levels. In general, the iron ore market in 2018 was notable for its unusually low levels of volatility. Average iron ore prices for 58% Fe fines and the benchmark 62% Fe fines declined marginally compared to 2017, while the average price for 65% Fe fines increased by 3%. Pellets, however, were an exception as steel mills looked to boost productivity.

The steel industry experienced strong profitability for most of 2018 due to high global demand. As such, mills looked to increase their utilisation rates to maximise output, while in China mills also sought to decrease their emissions by reducing sintering and increasing use of higher grade direct charge material, such as pellet. Meanwhile, additional supply of pellet was limited, resulting in pellet premiums trading at ten-year highs.

In the 4Q of 2018, steel margins contracted reflecting increased global trade tensions and slower economic activity, especially in China, while steel output remained at relatively high levels. As a result steel demand and profit margins fell. To date in 1Q 2019, the steel industry in China has seen a gradual recovery in margins, while margins in Europe have been slower to improve.

In 2018, commodity producers experienced significantly higher oil prices with an average 31% increase in the price of Brent compared to 2017. This drove an increase in Ferrexpo's cost of pellet production along with other external factors, such as local PPI inflation of 18% while the Hryvnia appreciated marginally against the US Dollar adding further to cost pressures. Ferrexpo remains a low cost producer relative to the majority of its peers.

Underlying EBITDA for 2018 was US$503 million (2017: US$551 million). Profit for the period was US$335 million (2017: US$394 million) while net cash flows from operating activities were US$292 million (2017: US$353 million).

Ferrexpo further strengthened its balance sheet during 2018 and net debt reduced for the third consecutive year to US$339 million as of 31 December 2018 (31 December 2017: US$394 million). The Group has strong credit metrics with net debt to underlying EBITDA comfortably below 1 times.

Finally, I am pleased to report, subject to shareholder approval, a record dividend for the 2018 financial year of 23.1 US cents per share, a 40% increase compared to 2017 (16.5 US cents per share).

Industry
It is with immense sadness that we saw reports of the catastrophic breach of a tailings dam in Brazil in January 2019. As would be expected, there are likely to be far-reaching consequences, including increased scrutiny of the global mining industry. Ferrexpo supports the establishment of an independent organisation to monitor the safety of all tailings dams on a global basis to ensure compliance with the highest level of safety standards.

Ferrexpo operates one tailings dam covering an area of 1,500 hectares. The dam is constructed on flat topography and the method of construction is the Modified Centreline methodology. The dam is inspected twice a year by the Ukrainian mining regulator. Following the breach in Brazil in January, Ferrexpo appointed Knight Piesold, an international independent consultant, to further review and verify the dam's design, construction and monitoring.

For further information on the market environment see Operational Review on page 16.

Iron Ore Pellet Market
Iron ore pellets are a niche market segment, representing 8% of the total iron ore export market, principally due to high barriers to entry, including the requirement to beneficiate and upgrade the iron ore and the high capital intensity to establish a full mine-to-port pelletising operation which is typically in excess of US$300 per tonne of output for a greenfield operation.

Pellets are one of the most efficient sources of iron in the steelmaking process. This has underpinned demand and profitability for established pellet producers for many years. As in the past, we continue to believe long-term demand for pellet will be supported by requirements for iron ore of a higher grade and in a form that reduces energy inputs, slag volumes and air emissions in the steelmaking process while improving the quality of the final product. This is likely to be further supported by the general decline of naturally occurring high quality iron ore fines and lump as well as ongoing consolidation in the steel industry in China and Europe, which underpins a general increase in utilisation rates.

For these reasons Ferrexpo expects pellets to continue to receive a healthy price premium relative to other types of iron ore which will underpin the Group's profitability. The size of the premium, however, is likely to vary in line with steel mill profitability reflecting the cyclical nature of the industry. Given the limited availability of seaborne pellets, however, supply disruptions can also influence pricing until the market is able to adjust. The Group expects reduced supply of global pellet exports in 2019 and 2020 following the major supply disruptions in Brazil.

With the best steel mills in the world amongst Ferrexpo's customers, the Company is well positioned to benefit from increasing demand.

For further information on the market environment see Market Review on page 12.

Capital Allocation
The Group's capital allocation strategy is to maintain an appropriate balance between investment grade credit metrics, attractive dividends and investment in growth opportunities. This strategy has been designed to reduce the risks inherent in operating in an emerging market while selling our product in a volatile commodities market.

Balance Sheet
During the year Ferrexpo's credit rating was upgraded by Moody's, Fitch and S&P. Ferrexpo's credit rating is restricted by Ukraine' country ceiling and the Group's rating should improve in line with positive developments in Ukraine.

Ferrexpo aims to maintain prudent leverage metrics with net debt to underlying EBITDA as of 31 December 2018 at 0.67 times. The Group's priority since 2015 has been to reduce debt and it has repaid over US$500 million of gross debt since 1 January 2016. As such, the Board feels it is appropriate to readjust the use of available free cash flows from primarily deleveraging to include a more balanced focus on dividends and investment projects whilst ensuring the Group's credit metrics remain strong.

Dividends
The Board is pleased to announce a special dividend of 6.6 US cents per share (2017 final special dividend: 6.6 US cents per share) and propose a final ordinary dividend per share of 6.6 US cents per share (2017 final ordinary dividend: 3.3 US cents per share). If the final ordinary dividend is approved by shareholders, the total dividend declared for the 2018 financial year will be a record 23.1 US cents per share, equivalent to approximately US$135 million (2017 total dividend declared: 16.5 US cents per share or US$97 million). This reflects the long-term structural factors underpinning pellet demand and the continued solid cash generation of the Group.

Capital Investment[A]
Capital investment[A] increased by 31% in 2018 to US$135 million (2017: US$103 million). This included the Group's Concentrate Expansion Programme 1 ("CEP1") which will enable the Group to increase pellet output by 13% or approximately 1.5 million tonnes to 12 million tonnes per annum in 2021.

Ferrexpo has a number of priority projects and will continue to invest in these project in 2019. Subject to available cash generation through the year and to debt repayments and dividend declarations, the Group will increase its annual capex expenditure to include initial investment into growth projects aimed at increasing pellet production beyond 12 million tonnes per annum.

This portfolio of projects has the potential to increase pellet production volumes up to 20 million tonnes per annum.

In total, capex[A] for 2019 is expected to be in a range of US$220 million to US$300 million, subject to realised pricing.

Ferrexpo's investment strategy remains to identify opportunities which are value accretive to the Group and that can reduce operating risk.

Social Responsibility
For the year ended 2018, it is expected that Ferrexpo's pellet exports will be approximately 2%[1] of Ukraine's total export revenue. The Board believes it is essential to the Group's long-term viability to ensure a positive contribution to the society in which it operates, aiding the long-term development of Ukraine and creating a stable operating environment for the Group.

In order to maintain its social licence to operate, Ferrexpo provides financial support to a broad array of social programmes and, in 2018, it invested approximately 1% of total Group revenue in these programmes.

Independent Review of Charitable Donations to Blooming Land
As part of the Group's Corporate Social Responsibility ('CSR') programme in Ukraine, since 2013 the Group has donated to a charity called Blooming Land which operates through three sub-funds (the "Charity"). The Charity's activities include diabetes prevention, eyesight care and support for the elderly. In the year ended 31 December 2018, the Group made contributions to the Charity of US$9.5 million (2017: US$24.0 million).

The Board suspended donations to the Charity in May 2018 following continued delays in receiving additional information, which the Charity regarded as beyond the normal requirements expected of a Ukrainian charity, and while it awaited the outcome of a review into the Charity's 2017 audited financial statements.

Following the publication of the Group's Interim Results in August 2018, a number of irregularities were reported to the Board including inconsistencies in copy bank statements provided by the Charity to Deloitte, the Group's auditor.

Explanations were received from the Charity which were considered incomplete and unsatisfactory and could not be independently verified. As a result in February 2019, the Board established the Independent Review Committee ("IRC") to look into this and other matters which included seeking to determine that Ferrexpo's donations were used for their stated purpose.

As at the date of this report, the work of the IRC and its advisers in the UK and Ukraine remains ongoing. The IRC has made some progress in receiving explanations regarding the inconsistencies contained on the copy bank statements and has received some third party evidence and explanations that could explain bank statement inconsistencies as well as some of the possible discrepancies in the application of funds by the Charity. The IRC is undertaking further work to corroborate and verify the evidence and explanations. Its interim conclusion is that the Charity is not a related party of the Group, its Chief Executive Officer (the majority shareholder of Ferrexpo) or its executive management, as defined under applicable accounting standards or Chapter 11 of the Listing Rules. At this stage, the IRC cannot yet conclude as to the ultimate use of the funds by the Charity, however, there are indications some could have been misappropriated. Further work is required before any final conclusion can be drawn. *For further information see the IRC report page 46.*

The Board notes that the auditors have been unable to conclude as to whether the Chief Executive Officer ("CEO") does or does not have significant influence or control over Blooming Land. The Board has formed a unanimous view, based on a lack of clear evidence to the contrary and unambiguous representations given to the Board by the CEO over many years, that the CEO does not have significant influence or control over Blooming Land.

The Board together with the IRC are committed to understanding the full extent of any issues arising from the review and will continue to update shareholders as appropriate.

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[1] UkrStat (http://ukrstat.gov.ua/express/expr2019/02/17.pdf)

Given the extensive disclosures on the Blooming Land Charity in this announcement, for ease of reading and to avoid repetition, the following cross references are listed: *Chairman's Statement (page 6), Principal Risks (page 25), Note 7 (page 106), Note 29 (page 149), Note 33 (page 156) and Note 34 (page 156) to the financial statements.*

Ukraine

In December 2018, Moody's upgraded Ukraine's sovereign credit rating to Caa1 with a stable outlook. The upgrade was based on improved economic fundamentals which have reduced vulnerability to external shocks, expectations that recent reforms will improve transparency and strengthen institutions, and higher resilience to regional geographic risk.

Moody's expects Ukrainian real GDP growth of approximately 3.5% in 2018. Against this background of GDP growth and gradual ongoing improvements to the country's fiscal and regulatory environment, the Board of Ferrexpo believes Ukraine is progressively moving in the right direction although challenges remain.

Board Composition

Simon Lockett resigned from the Board in January 2019. The Board would like to thank Simon for his contribution to the Group and wish him every success in the future.

In February 2019, Lucio Genovese was reappointed to the Board as a Non-executive Director. Lucio previously served on the Board from 2007 to 2014. The Board believes that Lucio's deep knowledge across commodities, including iron ore, as well as his extensive experience of operating in emerging markets, specifically in Russia and the former CIS states, is of significant value to the Group.

People

The Board would like to sincerely express its appreciation for the management and staff, many of whom we have had the pleasure of meeting on our Board site visits, for their continued hard work which directly contributes to the Company's achievements. I am very pleased with the manner in which Ferrexpo has withstood market and country volatility since the IPO in 2007. The Group is emerging as a strong competitor operating to ever higher world class standards.

Steve Lucas
Chairman

PERFORMANCE REVIEW

Financial Review

Summary

Strong demand for iron ore pellets in 2018 enabled Ferrexpo to achieve a record pellet premium. While pellet premiums increased 30% over 2017 levels, the C1 cost per tonne of production increased 34% in line with higher commodity input prices and local inflation, while the Hryvnia appreciated marginally during the period adding further upward cost pressure.

The Group increased pellet production by 2% to 10.6 million tonnes (2017: 10.4 million tonnes) and maintained the grade of its output with 94% of its production in the form of 65% Fe pellets. Sales volumes were 10.2 million tonnes (2017: 10.5 million tonnes) reflecting low water levels on the Danube River in the 2H 2018 and slower than expected railings in December which delayed some sales into 2019.

Overall, underlying EBITDA[A] for 2018 was US$503 million (2017: US$551 million). Profit for the period was US$335 million (2017: US$394 million) principally reflecting higher sales prices offset by increased production costs, lower sales volumes and an operating foreign exchange loss compared with a gain in 2017.

Capital investment [A] increased 31% to US$135 million (2017: US$103 million) primarily reflecting sustaining capex and the Group's Concentrate Expansion Programme ("CEP1"). Net debt reduced by 14% to US$339 million as of 31 December 2018 (31 December 2017: US$394 million). The Group has strong credit metrics with net debt to underlying EBITDA [A] at 0.67 times, a seven-year low. The Group successfully increased its primary debt facility during the year which has smoothed and extended its debt maturity profile. This is in line with our strategy to have a principal revolving, low cost, long-term debt facility that amortises on a quarterly basis.

Finally, subject to shareholder approval, the Group is pleased to announce an increase in dividends for the 2018 financial year to a record 23.1 US cents per share, a 40% increase compared to 2017 (16.5 US cents).

Revenue
Group revenue increased 6.4% to US$1,274 million compared to US$1,197 million in 2017.

In 2018, the Group's pellet sales contracts were all priced based on a spot 62% Fe iron ore fines price, a negotiated pellet premium adjusting for the cost of international freight, typically the C3 index from Brazil to China. Subject to customer preference, pellet premiums were negotiated annually, half yearly or quarterly.

Ferrexpo's achieved price in 2018, after taking into account the above price movements, increased by US$9 per tonne compared to 2017.

Due to strong market demand for the Group's 65% Fe pellets, Ferrexpo achieved a record average pellet premium in 2018.

The average 62% Fe iron ore fines price fell marginally in 2018 to US$70 per tonne (2017: US$71 per tonne) while international freight increased by 20% principally due to higher oil prices. The average C3 freight rate increased by US$3 per tonne to US$18 per tonne (2017: US$15 per tonne). During the year, the Group also marginally increased shipments to Asia and Western Europe. As such, turnover from seaborne freight services increased to US$90 million compared to US$73 million in 2017.

Sales volumes for the year were 10.2 million tonnes compared to 10.5 million tonnes in 2017. Sales volumes were impacted by reduced barge shipments towards the end of the year given the low water levels on the Danube River in 2H 2018. Slower than expected rail shipments in December and a delay of an ocean-going shipment into 1H 2019 also lowered sales volumes and increased year end working capital. The Group expects these sales volumes to be caught up in 1H 2019. Pellet stocks as of 31 December 2018 were approximately 794,000 tonnes compared to a more normal level of 390,000 tonnes as at the end of 2017.

Costs

Cost of Goods Sold
Ferrexpo's total cost of goods sold was US$508 million in 2018 compared to US$411 million in 2017. The 24% increase primarily reflected higher commodity input prices, local inflation and an increase in maintenance activities and mining costs.

C1 Cash Cost of Production[A]
The Group's average C1 cash cost of production[A] was US$43.3 per tonne in 2018 compared to US$32.3 per tonne in 2017.

The increase in costs was primarily due to commodity and local cost inflation. Commodity linked costs increased by US$3.3 per tonne which included a 13% increase in electricity tariffs due to a higher average ARA coal price, while higher fuel costs reflected a US$19 per barrel, or 31%, increase in the average European Brent spot price in 2018 compared to 2017. Higher gas prices also partly mirrored the higher oil price, while increased grinding media costs reflected higher steel prices.

Local inflation, including the impact of higher wages, increased costs by approximately US$2.8 per tonne. Local producer price inflation was 18% in 2018 compared to 2017. The local currency was broadly stable against the US Dollar and appreciated 1% from 1 January

2018 to 31 December 2018. Approximately half of the Group's operating costs, including rail costs, are in local currency and are impacted by the Hryvnia exchange rate and domestic inflation. *For further information see Currency see page 9.*

Together, commodity and local cost inflation increased the C1 cash cost of production[A] by approximately US$6.1 per tonne.

Repair and maintenance costs increased by US$2.1 per tonne due to higher levels of maintenance activities in 2018. The Group has increased its repair and maintenance activities to further improve equipment reliability and performance.

Higher stripping at FPM increased the C1 cost of production[A] by US$1.9 per tonne.

Royalties and other costs increased by 0.9 per tonne. Royalties, which are based on the cost of concentrate production, increased by US$0.7 per tonne compared to 2017, while higher gas consumption increased costs by US$0.2 per tonne.

Table 1 breaks down the Group's C1 cash cost of production[A] by category; approximately 60% of costs are commodity related.

Table 1: C1 Cash Cost of Production [A] Breakdown

US$ per tonne	2018 % of C1 cost	2017 % of C1 cost
Electricity	23%	28%
Gas	10%	10%
Fuel	9%	9%
Materials	16%	14%
Spare parts	9%	7%
Personnel	9%	8%
Maintenance and repairs	8%	8%
Grinding media	8%	9%
Royalties	5%	5%
Explosives	3%	2%

The Group's C1 cost of production[A] 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, also the costs of purchased ore, concentrate and gravel.

The C1 Cash Cost of Production (US$ per tonne) [A] is regarded as an Alternative Performance Measure ("APM"). For further information see page 165.

Selling and Distribution Costs

Selling and distribution costs were US$260 million compared to US$220 million in 2017. The increase primarily reflected higher seaborne freight rates (see Revenue) and a marginal increase in shipment volumes to Asia and Western Europe; as such, seaborne freight increased to US$90 million compared to US$73 million in 2017.

Rail costs to transport pellets to border points for export increased during the year, reflecting a full year impact of a 15% rail tariff increase in October 2017. As of 31 December 2018, the Group owned 2,252 rail cars. Since then a further 153 rail cars have been delivered to FPM, increasing the Group's ownership to 2,405 rail cars as of 28 February 2019. This should improve availability and ensure smooth shipments especially during the grain season in Ukraine.

Currency

Ferrexpo prepares its accounts in US Dollars, whereas the functional currency of the Ukrainian operations is the Hryvnia.

In 2018, the Hryvnia appreciated from UAH28.07 per US Dollar on 1 January to UAH27.69 per US Dollar as of 31 December 2018. This resulted in a non-cash operating forex loss of US$ 5.3 million compared to a gain of US$6.7 million in 2017 (following the depreciation of the Hryvnia from 27.19 to 28.07 per US Dollar in 2017).

Table 2: Ukrainian Hryvnia vs. US Dollar

	UAH per US$
Spot	27.90
1 January 2018	28.07
31 December 2018	27.69
Average 2018	27.20
Average 2017	26.60

Source: National Bank of Ukraine.

Local balances at 31 December 2018 are converted into the Group's reporting currency at the prevailing exchange rate. The appreciation of the Hryvnia during the financial year 2018 resulted in a US$12.1 million increase in net assets (2017: decrease of US$41.2 million), as reflected in the translation reserve.

Operating Foreign Exchange Gains/Losses

Given that the functional currency of the Ukrainian subsidiaries is the Hryvnia, an appreciation of the Hryvnia against the US Dollar results in foreign exchange losses on the subsidiaries' US Dollar denominated receivable balances (from the sale of pellets), compared to a gain in 2017 due to the depreciation of the UAH. The operating foreign exchange loss in 2018 was US$5.3 million compared to a gain of US$6.7 million in 2017.

Non-operating Foreign Exchange Gains/Losses

Non-operating foreign exchange gains/ losses are mainly due to the conversion of loans in currencies different to the functional currency of certain subsidiaries of the Group, and are principally from the conversion of Euro denominated loans (relating to loans to the Group's logistics operations in Austria). During 2018, the Euro slightly depreciated from 0.838 per US Dollar to 0.874 per US Dollar, resulting in a non-operating foreign exchange loss of US$1.6 million. In 2017, the Euro appreciated from 0.956 per US Dollar to 0.838 per US Dollar which resulted in a non-operating foreign exchange gain of US$9 million.

Profit Before Tax and Finance

Profit before tax and finance was US$433 million compared to US$496 million in 2017. This primarily reflected higher sales prices offset by lower sales volumes and cost inflation as well as a net change of US$12.0 million of operating foreign exchange differences (losses of US$5.3 million in 2018 compared to gains of US$6.7 million in 2017).

Debt and Interest Paid

Gross debt as of 31 December 2018 declined 18% to US$402 million compared to the prior year end (31 December 2017: US$492 million).

This reflected total debt repayments of US$309 million. This included the US$113 million final amortisation of the Group's 2013 Pre-Export Finance ("PXF") facility, a US$173 million Eurobond redemption (first out of two, with the second redemption due in April 2019) and repayment of the remaining US$23 million due under Export Credit Agency ("ECA") loans.

In August 2018, Ferrexpo announced that it had increased its 2017 PXF credit facility from US$195 million to US$400 million and extended the tenor from three to four years. This is a revolving committed facility with a one-year grace period. Quarterly amortisation commences in 2020. The interest rate is 450 basis points + three-month US$ LIBOR.

Due to the lower gross debt, finance expense declined 29% to US$39 million during the period (2017: US$55 million). The average cost of debt for the period ended 31 December 2018 was 8.2% (average 2017: 8.0%). The increased average rate reflected amortisation of the Group's 2013 PXF facility which had a lower cost than the Group's outstanding US$173 million Eurobond.

Following final redemption of the Group's Eurobond in April 2019 for US$173 million (coupon 10.375%), 98% of its outstanding debt will be at floating interest rates.

For further details see Total Liquidity[A] and Debt Maturity Profile on page 12.

Tax
In 2018, the Group's tax charge was US$57 million, resulting in an effective tax rate of 14.5%. This compares to an effective tax rate of 12.3% in 2017 and a tax charge of US$55 million.

As a result of a higher achieved selling price in 2018, the effective tax rate reflected a higher proportion of taxable profits at the Group's Ukrainian subsidiaries. This increased the weighted average statutory tax rate from 13.5% in 2017 to 15.5% in 2018.

For further information see Note 8 of the financial statements

Profit for the Year from Continuing Operations
Profit for the year was US$335 million (2017: US$394 million). This reflected lower operating profit and non-operating foreign exchange losses offset by a US$16 million reduction in finance expense while income tax expense was in line with 2017.

Cash Flows

Net cash flows from operating activities
Net cash flows from operating activities were US$292 million in 2018 compared to US$353 million in 2017. This reflected a working capital outflow of US$116 million during the year compared to an outflow of US$110 million in 2017.

Working capital included an increase of US$40 million (2017: US$53 million) in stocks of lower grade iron ore which are to be processed following the addition of beneficiation capacity.

Trade receivables were higher, reflecting higher pricing in 2H 2018 and an increase in inventories of US$48 million (2017: US$26 million). This reflected higher pellet stocks at the yearend as well as higher spare parts and raw materials due to an increase in maintenance activities.

VAT was received promptly during most of 2018. A delayed VAT receipt in December 2018 of US$12 million, however, further increased working capital. The VAT was subsequently received in January 2019.

Capital Investment[A]
Capital expenditure in 2018 was US$135 million compared to US$103 million in 2017. Of this, US$66 million was sustaining and modernisation capex (2017: US$43 million) at FPM. Sustaining capex also included a substantial refurbishment of one of the Group's four pellet lines during the period.

FYM investment of US$32 million (2017: US$32 million) included capitalised stripping, completion of mine infrastructure, commencement of drill automation and development of a spare parts warehouse for the Group as part of the integration of certain key functions between the Group's operations.

Investment in FPM's CEP1 was US$24 million (2017: US$18 million) which, once complete, will increase pellet production by approximately 1.5 million tonnes per annum. In 2018, activities included commissioning of a new medium fine crushing unit ("MFC1") which has increased the capacity of FPM's crushers by up to 6 million tonnes per annum. This additional crushing capacity will be fully utilised once the remaining sections to increase the concentrator capacity are completed in 2020. The construction of a concentrator stockyard is under way and expected to be completed by the end of 2019. The stockyard will facilitate continuous operation of the processing plant while parts of the plant undergo routine maintenance.

Ferrexpo invested US$4 million (in line with 2017) in the development and exploration of the Belanovo, Galeschyno and the Northern Deposits.

The Group acquired 50 rail cars in December 2018 for approximately US$5 million. While it invested approximately US$5 million of sustaining capex at its logistics company in Austria in 2018 (2017: US$4 million).

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

Dividends
A final special dividend for the year of 6.6 US cents (2017: 6.6 US cents) has been announced today and will be paid on 14 May 2019 to shareholders on the register at the close of business on 3 May 2019. A final ordinary dividend of 6.6 US cents per share is being proposed (2017: 3.3 US cents). If the final ordinary dividend is approved by shareholders, the total dividend related to 2018 will be 23.1 US cents per share (2017: 16.5 US cents per share)[1].

Subject to approval at the Group's AGM, payment of the final ordinary dividend will be made on 1 July 2019 to shareholders on the register at the close of business on 14 June 2019.

The dividend will be paid in UK Pounds Sterling with an election to receive US Dollars.

Total Liquidity[A] and Debt Maturity Profile
As of 31 December 2018, Ferrexpo's total available liquidity [A] was US$268 million (2017: US$312 million) consisting of US$63 million of cash and US$205 million of the Group's US$400 million committed PXF facility. In March 2019, the Group drew down US$185 million of the available US$205 million PXF facility.

In 2019, the Group has US$187 million of debt repayments consisting of a US$173 million Eurobond (which was repaid on 4 April 2019) and US$14 million of Export Credit Agency repayments across the year.

The Group has US$70 million of uncommitted trade finance facilities available of which US$19 million was drawn as of 31 December 2018.

Net debt declined for the third year to US$339 million as of 31 December 2018 (31 December 2017: US$394 million). Net debt to underlying EBITDA for the last 12 months was 0.67 times compared to 0.72 times as of 31 December 2017.

Total debt outstanding, as of 31 December 2018, was US$402 million (31 December 2017: US$492 million).

For further information See Debt and Interest Paid on page 10.

In 1Q 2020, the Group's US$400 million PXF facility commences quarterly amortisations of approximately US$33 million over three years.

During the year, Ferrexpo's long-term corporate and debt rating was upgraded by credit rating agencies to B+ at Fitch (an upgrade of two notches) and to B3 and B respectively at Moody's and S&P (an upgrade of one notch). With all credit rating agencies, Ferrexpo has a stable outlook and its rating is capped at the maximum level above Ukraine's Sovereign rating.

Following the successful extension of its PXF facility in 2018, Ferrexpo may look to further extend its debt maturity profile in 2019 using the PXF market or other debt capital markets.

MARKET REVIEW
In 2018, the average Atlantic pellet premium increased 30% to US$59 per tonne compared to US$45 per tonne in 2017.

The first nine months of the year saw strong global demand for steel resulting in increased production levels and margins for steel mills. This increased demand for higher quality iron ore, including pellet, as mills looked to drive productivity improvements to

[1] In August 2018, the Group declared an ordinary interim dividend of 3.3 US cents (1H 2017: 3.3 US cents per share) while in December 2018 the Group declared a special interim dividend of 6.6 US cents (special interim dividend 2017: 3.3 US cents per share).

maximise profit levels. In addition, ongoing environmental reforms in China encouraged the use of direct charge materials, such as pellet, to reduce the harmful impact of sintering on air quality.

The 4Q of 2018 was impacted by rising trade tensions and slower economic activity, especially in China. Steel output, however, remained at relatively high levels as government imposed winter production cuts in China were not as severe as expected. As a result, steel demand and profit margins fell.

CRU expects global steel demand to be stable in 2019 and that steel margins will recover from the lows seen in 4Q 2018; however, it does not expect margins to recover to the highs seen in 2018.

Steel and Iron Ore Market Statistics in 2018

According to CRU crude steel production increased 2.5% in 2018 to 1,730 million tonnes compared to 1,687 million tonnes in 2017. The increase of 44 million tonnes was driven by China, the rest of Asia and America while production declined marginally in Europe.

The benchmark 62% Fe iron ore fines price in 2018 was characterised by low volatility compared to previous years with average yearly prices not materially different to 2017. The benchmark 62% Fe iron ore fines price CFR China traded in a historically tight range of US$60 to US$80 per tonne in 2018.

In contrast to the benchmark 62% Fe fines price, premiums for 65% Fe high grade ore reached record levels during the year before normalising in 4Q 2018. This largely reflected global steel mill profitability peaking in September.

Overall, 2018 was a record year for high grade premiums. On average, the 65% Fe iron ore fines price was 31% above the average 62% Fe iron ore fines price compared to 23% and 10% in 2017 and 2016 respectively.

Table 3: Average Price Differentials between Benchmark 62% Fe Iron Fines and 65% Fe Iron Ore Fines

US$ per tonne	Avg 62% Fe iron ore fines price CFR China	Avg 65% Fe iron ore fines price CFR China	Avg 65% Fe – Avg 62% Fe	% difference
2016	58	63	5	10%
2017	71	87	16	23%
2018	**69**	**90**	**21**	**31%**

Source: S&P Global Platts

Pellet utilisation rates in steel production vary regionally across the world. Table 4 below, from Steel Consult International, shows the consumption of pellet, lump and fines per tonne of hot metal in Europe, Japan, the Middle East and China. Europe remains the largest import market for pellets whilst the proportion of sintering in China is high at close to 80% and North East Asia utilises a higher proportion of lump given its proximity to lump supply in Australia. The Middle East has a high proportion of pellet as its steel production is derived from electric arc furnaces (which use pellets as the principal source of iron ore).

A 1% increase in the proportion of pellets consumed would increase pellet demand by approximately 15 million tonnes per annum.

Table 4: Average Ore Burden Mix to Produce Hot Metal (%)

%	Sinter	Pellet	Lump
EU	58%	36%	6%
Japan	65%	12%	23%
Middle East & North Africa	9%	89%	2%
China	76%	10%	14%

Source: Steel Consult International, November 2018

Demand for pellets is growing greatest in China which is gradually moving towards a more developed iron ore market that favours increased use of pellets to improve blast furnace productivity, reduce its environmental emissions and produce more sophisticated steel products (requiring higher quality inputs).

Traditional blast furnace pellet markets are Europe (principally Germany) and North East Asia (Japan, South Korea and Taiwan), reflecting their developed market status, including an increasing focus on CO_2 costs in Europe. The Middle East (Qatar and Saudi Arabia) consumes a third of global pellet supply, up from 25% in 2010. CRU expects growing steel production from South East Asia (especially Vietnam and Indonesia) over the medium to long term which will almost entirely rely on seaborne iron ore inputs. This region will also aim to operate larger, more efficient blast furnaces which require at least 10% pellet in the blast furnace burden mix.

Pellet Supply in 2018

The supply of pellet exports in 2018 was in line with 2017, with total exports at approximately 132 million tonnes (vs. 133 million tonnes in 2017). The biggest increase in pellet supply was from Brazil, as the largest producer bought back previously idled capacity. The Middle East also added extra capacity. The increases in supply were offset by lower production from Canada and a decline in exports from the CIS.Table 5 shows a breakdown of global pellet exports by supplier; Ferrexpo is the third largest supplier with 8% market share.

Table 5: Pellet Exporters in 2018

%	Market share in 2018
Vale	33.4%
LKAB	14.3%
Ferrexpo	7.7%
IOC	6.3%
India	5.8%
QCM	4.2%
Severstal	4.2%
Bahrain Steel	4.2%
US Steel	4.0%
Cliffs	3.8%
Metalloinvest	3.2%
CMP	2.2%
Grange	1.6%
Evraz	0.5%
Other	4.6%
Total	**132MT**

Source: CRU, Market Outlook January 2019, Company

Pellet Supply in 2019

Supply of pellets in 2019 and 2020 is expected to be impacted by closures of mines and pellet plants in Brazil due to heightened concerns about the safety of upstream tailings dams.

Given these concerns, the largest supplier in Brazil, and the world, has idled two pellet plants that together produced 11 million tonnes of pellets per annum. Additional ore supply which fed other local pellet plants has also been offline since 1 February 2019, however, it has been reported that this supply will return in 2Q 2019.

It is likely that the expected return to the market of further pellet supply from Brazil (which has been offline since 2016 and amounts to approximately 10 million to 20 million tonnes) will be delayed, and there may be additional impacts on other projects (including pellet feed operations) in the country which have upstream tailings dams.

In the rest of the world, CRU expects a recovery in pellet output in 2019 from incumbents in Sweden, Canada and Bahrain (although as Bahrain is a merchant pellet plant, recovery is dependent on the global availability of pellet feed) as well as increases in supply from India and Iran. Together these producers are expected to increase production by approximately 7 million to 9 million tonnes following various production difficulties in 2018. In addition, a producer in Chile is expected to reduce production due to ship loader difficulties at its port.

Ferrexpo believes, as a result of the above, that there could be a reduction of around 5 million to 10 million tonnes of pellet supply in the export market in 2019.

High Barriers to Entry into the Pellet Market

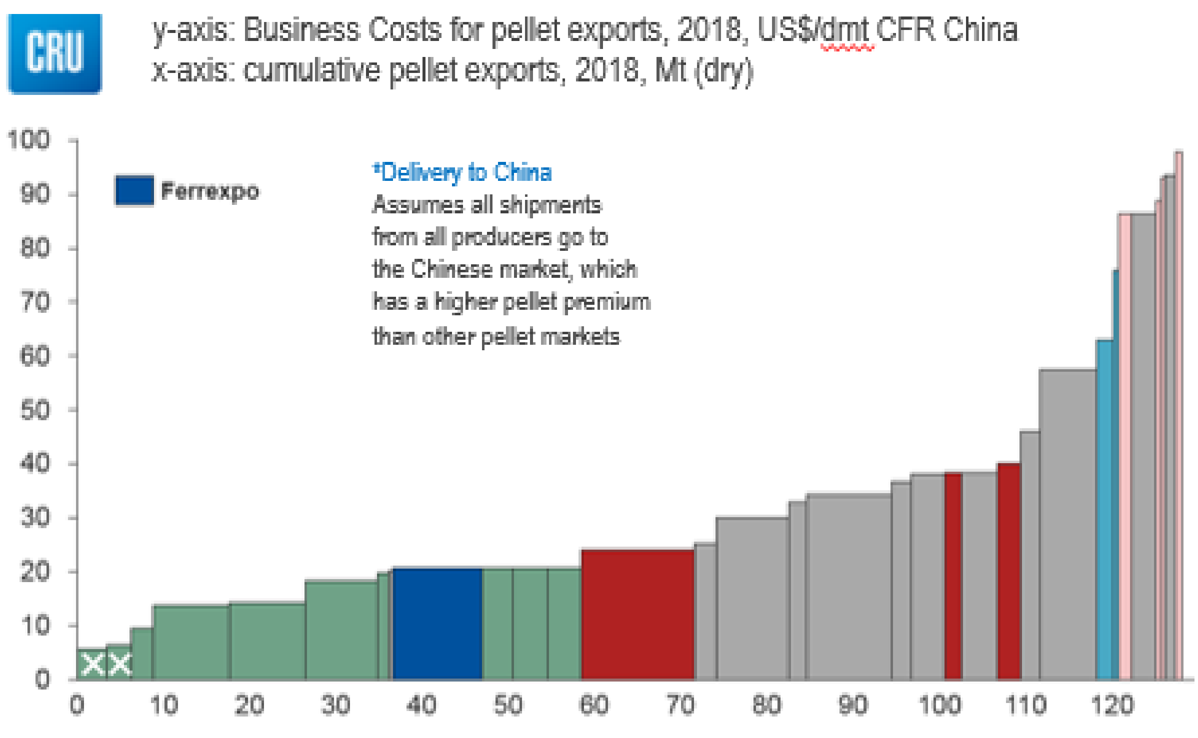
The pellet market has been a niche sub-sector of the iron ore market for many years due to its high barriers to entry. Greenfield pellet supply is constrained by high capital costs (especially when compared to capital costs to establish sinter fines operations), ore type and processing technology. Establishing a greenfield pelletising operation from mine-to-port is estimated to require at least US$3 billion of investment for approximately 10 million tonnes, a capital intensity of US$300 per tonne.

Breakeven Cost Curve for Pellet Exporters

Graph 1 shows the breakeven pellet cost curve for delivery to China. Market concentration is high, with the two largest pellet suppliers in 2018 (coloured in green and red) holding a market share of approximately 46%. Ferrexpo is the third largest exporter and positioned in the bottom half of the cost curve.

The white crosses on the cost curve show the pelletising operations which have been closed since 20 February 2019 and remain closed as of 22 April 2019. Their absence will shift the cost curve to the left. As such, subject to stable demand, pellet premiums should increase to reflect the use of higher cost supply.

Graph 1: CRU Breakeven Cost Curve for Pellet Producers to China 2018



*** Delivery to China** assumes all shipments from all producers go to the Chinese market, which has a higher pellet premium than other pellet markets.
y-axis: Business costs for pellet exports, 2018, US$/dmt CFR China
x-axis: Cumulative pellet exports, 2018, Mt (dry)

Definition: Business costs are the sum of realisation costs and site costs. Realisation costs include the cost of getting the material to market, the marketing of the material and the financing cost of selling the material. The power of business costs is that by adjusting all product qualities relative to the same benchmark (62% Fe fines product delivered to North China), it allows all mines to be compared on a cost curve on a like-for-like basis. This also means that by subtracting the benchmark price from the business costs for a mine you get an estimate of cash flow from that operation.

Conclusion to Market Review
While pellet premiums are largely influenced by steel mill margins, increasing global focus on reducing air emissions as well as expected constraints to the supply of pellets from incumbent producers is likely to provide support for pellet premiums.

Prohibitively high barriers to entry means that significant new pellet supply entering the market in the short to medium term is unlikely.

Ferrexpo stands to benefit from operating in a niche market with high barriers to entry given it is a high quality exporter, with established operations, a low cost position relative to the majority of its peers and is well positioned geographically to supply major import markets.

OPERATIONAL REVIEW

MARKETING
Total sales volumes in 2018 were 10.2 million tonnes (2017: 10.5 million tonnes) with the Group's premium 65% Fe pellet representing 94% of total pellet output during the year (2017: 95%). Sales volumes were impacted in 2H 2019 by low water levels on the Danube River and one seaborne shipment falling into 2019.

Table 6 shows that the customer mix remained stable compared to 2017. The top three sales destinations remain Austria, Germany and Japan.

Table 6: Sales Volume by Market Region

	2018	2017
Central Europe	**47%**	49%
North East Asia	**17%**	16%
Western Europe	**16.5%**	15%
China and South East Asia	**13%**	12%
Turkey, Middle East, India	**6%**	8%
North America	**0.5%**	–
Total sales volume (million tonnes)	**10,227**	10,467

The Group has continued to implement its strategy of selling the vast majority of its production under long-term contracts with crisis-resistant customers. During 2018, in both Asia and Europe, several long-term contracts were renewed or extended whilst new markets continued to be developed towards long-term business in the future. In this regard, during the year, the Group made its first trial shipment of DR pellets to North America.

Sales contracts are typically of three years' duration although the Group has sales contracts of varying tenors up to 14 years. A small proportion of uncommitted volume is maintained for (1) new customer development; (2) adjusting for production variations; and (3) opportunistic spot sales.

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

For further information on sales see Revenue in the Financial Review on page 8.

PRODUCTION

Health and Safety
Ferrexpo deeply regrets to report the fatality of Maxim Blinkov, a contractor at FPM during the year. Mr Blinkov was fatally injured after falling from a height in the processing plant (2017: one fatality).

There were a total of 25 lost time injuries ("LTIs") across the Group in 2018 (2017: 23), equating to an LTI frequency rate ("LTIFR") of 1.18, in line with 2017 (1.17). Table 7 details the LTIFR as per million man hours worked across the Company's mining and processing operations in Ukraine and its logistics subsidiary in Austria for 2018 and 2017.

Table 7: Lost Time Injury Frequency Rate

LTIFR	**2018**	2017
– FPM	**1.25**	1.03
– FYM	**0.66**	0.74
– FBM	**0.00**	0.00
Mining entities	**1.15**	0.98
Barging	**1.83**	4.32
Group	**1.18**	1.17

Most of the accidents reported have been traced back to non-compliance with internal safety procedures. Actions taken during 2018 have been focused on contractors and employees. Activities include a focus on significant risk management; significant incident and near miss reporting; increased training throughout the year for safety advisers; a focus on improvement in the quality of accident investigations; a focus on FPM's maintenance areas to improve workplace conditions and housekeeping; an increase in external safety audits; increased minimum safety standards for light vehicles and equipment; the employment of a safety consultant with significant international experience; and implementation of a Supervisor Safety Leadership Training Programme. Lastly, there has been an increase in speed checks, alcohol testing and operator and maintainer competencies.

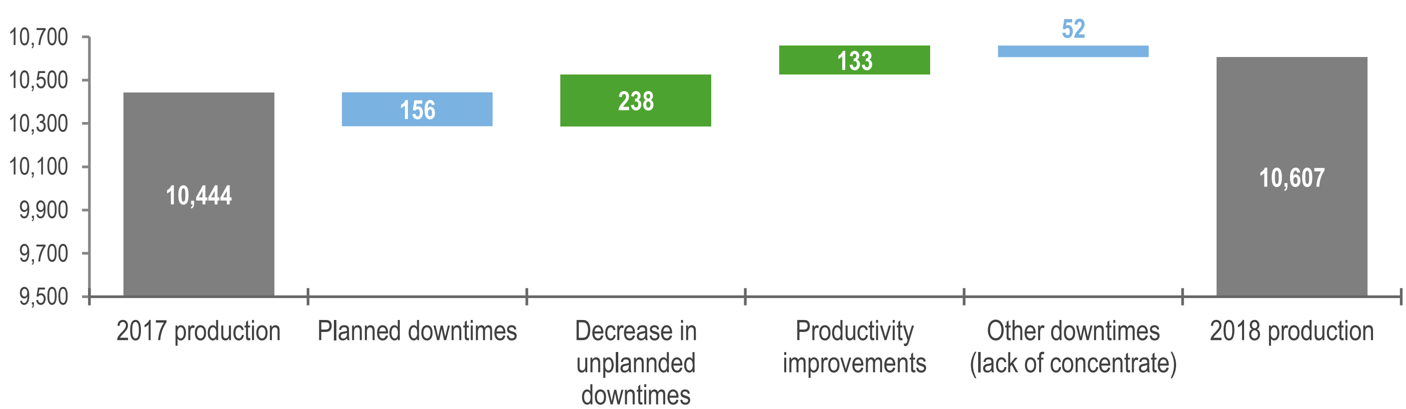
Pellet Production

Pellet production increased by 2% in 2018 to 10.6 million tonnes, compared to 10.4 million tonnes in 2017.

Overall, production levels were impacted by constraints in the processing and pelletising plants. FPM completed a planned 65-day pellet line refurbishment in 2Q 2018 and it has now refurbished three out of its four pellet lines. The final pellet line refurbishment is expected to take place in 2H 2019.

Graph 2 shows the increases in production and productivity compared to 2017. The Group is pleased with the reduction in unplanned downtimes, which should improve further as it continues with its repair and maintenance programme. Once CEP1 is completed, which includes de-bottlenecking the concentrator and building a concentrate stockyard, FPM expects to produce enough pellet feed to ensure its pelletiser can operate at full capacity of 12 million tonnes per annum. CEP1 is expected to be completed in 2020.

Graph 2: Pellet Production 2017 vs. 2018



The Group continues to maintain a high proportion of 65% Fe pellets within its production mix at 94% of total production compared with 95% in 2017. Table 8 summarises production in 2018 compared with 2017.

Table 8: Production Statistics

(000't unless otherwise stated)	2018	2017	Change
Iron ore processed	**27,083**	27,230	(0,5)%
Average Fe content	**33.80%**	33.69%	0.11ppt
Concentrate produced ("WMS")	**12,750**	12,807	(0.4)%
Average Fe content	**63.36%**	63.12%	0.23ppt
Pellets produced from own ore	**10,506**	10,394	1.1%
62% Fe pellets	**683**	559	22.2%
Average Fe content	**62.53%**	62.58%	(0,05)ppt
65% Fe pellets	**9,824**	9,835	(0.1)%
Average Fe content	**64.89%**	64.85%	0.04ppt
Pellets produced from purchased concentrate	**101**	50	102%
Total pellet production	**10,607**	10,444	1.6%
Total Group stripping volume (million m^3)	**30,097**	33,826	(11)%

Note: Ferrexpo Basic Pellets ("FBP"), Ferrexpo Premium Pellets ("FPP") and Ferrexpo Premium Pellets plus ("FPP+"). In 2017, Ferrexpo produced 37,000 tonnes of pellet feed for sale with an average Fe content of 67.2% (2016: 123,000 tonnes, average Fe 67.5%). In 2018, there was no concentrate for sale.

Mining and Production Efficiencies

The Group has several projects under way which contribute to cost savings, efficiency improvements and enhanced health and safety standards. These include efficiency gains in shovel and dragline dig rates as well as a transition to 100% liquid emulsion blasting media. The transition to emulsion blasting media has resulted in increased rock fragmentation. This has improved excavator and shovel dig rates and reduces equipment wear and tear. It also yields power savings and reduced maintenance costs in the crushing plant.

Other efficiency projects include the use of automatic pit drills, drones for surveys of the pit area and the commencement of the creation of a centralised mining control hub for all mining operations. This follows the consolidation of FPM and FYM's maintenance centre for mobile equipment. The Group is also focused on improving its fixed plant maintenance processes to ensure they are best in class and deliver improved process plant reliability.

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

CO_2 Emissions

Ferrexpo's carbon intensity ratio fell in 2018 by 3% to 235 kg of CO_2 per tonne of pellets produced, primarily as a result of a 2% increase in pellet production and a 1% decrease in electricity consumption, the latter of which accounts for the majority of the Group's Scope 1 and 2 CO_2 emissions. The electricity emissions factor (estimated by the European Bank for Reconstruction and Development) relates to the volume of CO_2 emitted per MWh of electricity from the Ukrainian national grid. This decreased by 2% in 2018, as the country continues to reduce its reliance on older coal-fired power stations, which further helped reduce the Company's Scope 2 emissions.

Ferrexpo continues to partially substitute natural gas with sunflower husks in its pelletising kilns. In 2018, the Company consumed 124,000 tonnes of husks (2017: 116,000 tonnes), which maintained the use of sunflower husks at 19% of the total energy in the Company's pelletiser.

Diesel consumption, which relates to the level of mining activity, fell by 3% in 2018, despite a 4% increase in the total rock mined during the year. This improvement is due to productivity gains from the Group's mining fleet and increased usage of electric excavators.

Table 9: CO_2 Emissions

Emissions in tonnes (unless otherwise stated)	**2018**	2017	Change
Total CO_2 emissions (scope 1, 2 & 3)	**2,583,178**	2,614,449	(1.2)%
Scope 1 (direct emissions generated by Ferrexpo from natural gas, diesel, coal, oil, explosives, etc)	**566,877**	554,763	2.2%
Scope 2 (indirect emissions purchased by Ferrexpo from electricity and steam)	**1,925,670**	1,974,997	(2.5)%
Pellets produced	**10,607**	10,444	1.6%
Intensity ratio (kilogramme per tonne of pellet produced) (Scope 1 & 2 only)	**235**	242	(3.0)%
Scope 3 (emissions derived from living matter such as biofuels)	**90,631**	84,689	7.0%

Tailings Dam

Ferrexpo operates one tailings dam covering an area of 1,500 hectares.

The dam is constructed on flat topography and the method of construction is the Modified Centreline methodology.

The dam is split into four sections with each section subdivided into smaller sections of 400 meters by 400 meters. The walls of the dam and of the sections within the dam are constructed using engineered fill, including siliceous rock.

Due to this structure, if a breach occurs the leakage is unlikely to occur from all sections at the same time. This means that the amount of possible damage should be limited.

The dam has been designed by external consultants Ukrgiproruda, with biannual inspections by the Ukrainian mining regulator. Following the tailings dam breach in Brazil in January, Ferrexpo appointed Knight Piesold, an international independent consultant, to further review and verify the dam's design, construction and monitoring.

PRINCIPAL RISKS

The list of the principal risks and uncertainties facing Ferrexpo's business that are listed below is based on the Board's current understanding.

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

All risks and their mitigations are actively considered monthly at the Group's Finance and Risk Management Committee meetings based on detailed analysis.

Ferrexpo operates in the mining industry where there is an inherent level of risk present due to the nature of its operations. In addition, the iron ore fines price (which forms a major component of the Group's received price) is volatile, while the Group's asset base is located in Ukraine, an emerging market. As such, Ferrexpo recognises and accepts the risks present in its business and looks to mitigate them where possible. In general, in 2018, the overall level of risk present was similar to prior years and movements in individual risks have not varied significantly compared to 2017. Risks relating to 2019 are discussed below.

The Board of Ferrexpo has ultimate responsibility for the identification of risks and associated mitigation strategies. The Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Marketing Officer manage specific risks on a day-to-day basis related to their functions.

1. Realised Price

The Group's realised price is principally impacted by demand for iron ore which is highly correlated to global demand for steel and steel mill profitability. In 2018, global steel mill profitability increased compared to 2017 levels, especially in the first nine months of the year. Profitability in the 4Q of the year, however, was impacted by rising trade tensions and slower economic activity, especially in China. This resulted in a fall in global steel mill margins. As of 31 January 2019, steel margins had improved in China; however, no improvement was seen in Europe as yet.

Despite the above, most market analysts have recently upgraded their iron ore price expectations for 2019. This follows the January 2019 tailings dam breach in Brazil and the subsequent reduction in mining volumes announced by the largest producer in Brazil (and the world) of an expected 60 million to 70 million tonnes annualized of current capacity closures as of 18 April 2019. Most of this tonnage was used to produce high grade iron ore.

In 2018, in line with previous years, the pricing formula used for long-term contracts in the pellet industry was, in general, based on the Platts 62% Fe iron ore fines prices, a negotiated pellet premium (usually agreed annually) and the cost of international freight (usually referenced to the C3 index) .

In 2019, it appears most pellet exporters, including Ferrexpo, have agreed with customers to base pellet pricing off the 65% Fe iron ore fines price rather than the 62% Fe iron ore fines price. This represents a change in precedent for the industry and allows producers of 65% Fe pellets, such as Ferrexpo, to directly capture the price premium for higher grade ore.

Ferrexpo's achieved price can vary significantly from period to period as it is dependent on the global price for 65% Fe iron ore fines, pellet premiums and freight (all of which Ferrexpo has little or no control over as a price taker).

1.1 Lower Iron Ore Prices (external risk)
Root Cause and Impact

A decline in the iron ore fines price will reduce Group revenue, profitability and cash generation. A reduction in cash generation could impact the Group's ability to fund maintenance and development capital investment [A]. Lower levels of maintenance investment could result in lower production volumes, higher production costs, reduced cash generation and a weakened balance sheet.

The 62% Fe iron ore fines price averaged US$69 per tonne in 2018 compared to US$71 per tonne in 2017. Most market analysts have recently upgraded their expectations for iron ore prices in 2019 based on supply disruptions expected from Brazil. Furthermore, it is expected that required upstream tailings dam remediation across the industry will likely last around three years, continuing to constrain supply.

Currently, a consensus of analyst forecasts for the average benchmark 62% Fe iron ore fines price in 2019 is approximately US$71 per tonne[1] and US$64 per tonne in 2020.

Steel demand and steel mill profitability have weakened which, together with increased scrap usage, could impact overall demand for iron ore and hence iron ore pricing. A weak demand environment would support demand for low grade iron ore as steel mills look to reduce their input costs and, therefore, reduce the premium paid for high quality ores and pellets.

For further information on iron ore prices and the market environment see pages 12-16.

Mitigation

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

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

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[1] Analyst consensus is based on price forecasts from Citi, Macquarie, Barclays, JPM, Credit Suisse, Deutsche Bank, Goldman Sachs, CRU, HSBC, Investec and UBS as of 2 April 2019.

1.2. Pellet Premiums and Pellet Supply (external risk)
Root Cause and Impact

Ferrexpo receives a pellet premium for its product in addition to the iron ore fines price. Currently, a substantial portion of its profitability is due to this premium. The average Atlantic pellet premium from 2011 to 2018 was US$38 per tonne.

Average pellet premiums in 2018 were 30% higher than in 2017 and traded at a ten-year high. In 2019 it is expected that pellet premiums will likely be in line with 2018; however, industry pricing will be based on the 65% Fe iron ore fines price rather than the 62% Fe iron ore fines price.

As the industry appears to be transitioning the pellet pricing formula to be based on the 65% Fe iron ore fines price, it is notable that in 2018, 2017 and 2016 the 65% Fe iron ore fines price traded at a US$21 per tonne, US$16 per tonne and US$5 per tonne respective price premium above the 62% Fe iron ore fines price.

Pellet premiums are primarily influenced by steel mill profitability. CRU expects global steel demand to remain stable in 2019. Pellet premiums may also be influenced by increasing requirements to reduce air emissions in the steel production process as well as a supply shortages following the tailings dam accident in Brazil in January 2019. This is likely to provide support to pellet premiums in the short to medium term.

Meanwhile, prohibitively high barriers to entry are unlikely to see significant new pellet supply entering the market in the short to medium term.

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

For further information on pellet premiums and the market environment see pages 12 to 16.

1.3. Seaborne Freight Rates (external risk)

Root Cause and Impact
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 while a reduction in freight rates will increase the net price received from a customer.

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

As Ferrexpo sells to international customers, the price it receives includes reference to C3 or other appropriate global benchmarks.

Freight rates are largely influenced by the price of oil and demand for capesize vessels from competing bulk producers. In 2018, the average C3 freight rate increased to US$18 per tonne from US$15 per tonne in 2017. In 2019, subject to oil prices, freight rates may be impacted by lower demand due to reduced iron ore shipments from Brazil given recent curtailments to production.

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

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.

2. Operating Risks

2.1. Operating Risks and Hazards incl. Mining, Processing and Logistics (Company specific risks)

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

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

Production stoppages will increase costs and lower output. It can also reduce the quality of the product and may lead to late delivery to customers. 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 balance sheet strength. 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 renew contracts in the future.

Mitigation
Since 2014, the Group has refurbished three out of its four pellet lines. In 2019, the Group will continue to invest in its repairs and maintenance programme, which will include the final pellet line shutdown for 75 days in 2H 2019.

In 2018, Ferrexpo spent US$66 million on sustaining capex (2017: US$79 million) and US$80 million on repairs and maintenance (2017: US$78 million).

Ferrexpo operates one tailings dam covering an area of 1,500 hectares. The dam is constructed on flat topography and the method of construction is the Modified Centreline methodology. The dam is split into four sections with each section subdivided into smaller sections of 400 meters by 400 meters. The walls of the dam and of the sections within the dam are constructed using engineered fill, including siliceous rock. Due to this structure, if a breach occurs the leakage is unlikely to occur from all sections at the same time. This means that the amount of possible damage should be limited. The dam has been designed by external consultants Ukrgiproruda, with biannual inspections by the Ukrainian mining regulator. Following the tailings dam breach in Brazil in January 2019, Ferrexpo has appointed an international consultant, to further review and verify the dam's design, construction and monitoring.

Ferrexpo has also appointed an international consultant to review the possibility of high wall pit failures.

Where possible, Ferrexpo owns its own logistics infrastructure. As of 31 December 2018, this included 2,252 rail cars, which reduces reliance on state rail cars for transportation of pellets to border points, 156 barges to transport pellets into Central Europe, and a 49.5% interest in the port of TIS Ruda on the Black Sea which guarantees the Group independent access to seaborne markets, avoiding reliance on the state port.

2.2. Health and Safety Risks (Company specific risk)

Root Cause and Impact
The mining and processing of iron ore is often associated with a hazardous working environment as it includes the use of explosives and the operation and repair of heavy machinery, amongst other things. Failure to provide a safe work environment for the Group's workforce

and failure to ensure an improved and sustained performance in safety behaviour can impact the Group's social licence to operate. Fatalities and lost time injuries also result in production stoppages as well as negatively impacting employee morale.

During 2018, there was one fatality (2017: one). A total of 25 lost time injuries occurred across the Group during the year compared to 23 in 2017. The lost time injury frequency rate per million man hours worked was 1.18 (2017: 1.17).

Mitigation
Most of the accidents reported have been traced back to non-compliance with internal safety procedures.

Actions taken during 2018 have been largely focused around contractors and FPM employees. Activities include:

- A focus on significant risk management;
- Significant incident and near miss reporting;
- Increased training throughout the year for safety advisers;
- Focus on improvement in the quality of accident investigations;
- Focus on FPM's maintenance areas to improve workplace conditions and housekeeping;
- Increase in external safety audits;
- Increased minimum safety standards for light vehicles and equipment;
- Employment of a safety consultant with significant international experience and implementation of a Supervisor Safety Leadership Training Programme;
- An important focus of safety training is to instil a culture of accountability. The goal of these workshops is to emphasise and ensure that all employees understand and appreciate the importance of strict adherence to safety procedures and that protection of our employees is paramount; and
- An increase in speed checks, alcohol testing and operator and maintainer competencies.

Total employee remuneration is partly linked to safety performance.

2.3. Operating Cost Increases (External and Company risk)

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

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

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

In the higher pellet premium environment the Group has taken the opportunity to increase its repair and maintenance activities to further improve equipment reliability and performance; this has continued into 2019 and likely to continue into 2020. The Group is also increasing its mining activity at FPM to access higher grade ore.

In 2018, the Group's C1 cash cost of production [A] increased from US$32.3 per tonne to US$43.3 per tonne. See pages 8 and 9 for a description of the factors impacting operating costs.

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

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

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

3. Country

3.1. Ukraine Country Risk (External risk)

Root Cause and Impact
Ukraine has been an independent country since 1991. During this time the country has witnessed four changes in government and two revolutions in 2004 and in 2014. It has also been subjected to the annexation of Crimea, and there is an ongoing conflict in Eastern Ukraine with over 12,000 deaths of Ukrainian nationals. The general political instability has negative social and economic consequences and is capable of damaging Ferrexpo's ability to operate without disruption in Ukraine. As of 21 April 2019, a new president of Ukraine was elected and parliamentary elections will be held in October 2019.

Economic weakness can reduce the government's ability to fund social services, leading to tensions within local communities. It can also impact the government's ability to meet payment obligations to exporters (such as VAT refunds) and/or lead to higher taxes (including increased royalty payments). Services provided by state monopolies such as the supply of electricity, gas and freight transportation can also be disrupted in this environment. This can affect Ferrexpo's ability to export product reliably.

The Group holds mining licences and other permits required to carry out mining operations. If mining licences were to be revoked or not renewed, Ferrexpo's ability to continue to produce pellets would be at risk.

Macro and political events in Ukraine can constrain Ferrexpo's ability to raise finance. It can also reduce availability of high skilled labour as emigration levels rise.

In December 2018, Moody's upgraded Ukraine's sovereign credit rating to Caa1 with a stable outlook. Moody's stated Ukraine's credit profile balanced the country's meaningful progress on reforms, a gradually improving external liquidity position, increasing resilience to geopolitical shocks and a moderating debt burden against a still weak rule of law, pervasive corruption, sporadic access to capital markets, and a short-term risk of a disorderly political transition.

Transparency International ranks Ukraine as 120th out of 180 countries in terms of the level of perceived corruption (with 180th being regarded as the most corrupt). This is the third year of improvement in Ukraine's ranking. There is a risk, however, that counterparties are involved in activities that are not in compliance with relevant international standards. Further, a weak judicial system can be susceptible to outside influences and can take an extended period of time for courts to reach final judgement.

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

In August 2018, Ferrexpo increased its 2017 Pre-Export Finance ("PXF") credit facility from US$195 million to US$400 million and extended the tenor from three to four years.

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

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

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

Ferrexpo is an important economic contributor to Ukraine and it is integrated into the local and national economy.

3.2. Counter Party Risk (External risk)

Independent Review of Charitable Donations to Blooming Land

Root Cause and Impact
Ukraine is a frontier emerging market that has undergone significant upheaval since the Euromaidan revolution in November 2013. This was followed by the annexation of Crimea by Russia in 2014 and the start of armed conflict in Eastern Ukraine, where over 12,000 Ukrainian nationals have died to date. During this period, the country went through a severe economic recession with real GDP declining 6.6% and 9.8% in 2014 and 2015 respectively. This was followed by a major banking crisis with over 85 banks declared insolvent by the National Bank of Ukraine while the local currency devalued 67% against the US Dollar from 1 January 2014 to 31 December 2015.

Ferrexpo's Corporate Social Responsibility ("CSR") programme in Ukraine was formally established in 2009 and focused on the areas surrounding the mines.

In 2013, given the severe upheaval in the country and to support its general social license to operate, the Group established a CSR programme on a national basis. A charity called Blooming Land which operates through three sub-funds (the "Charity") was used for this programme.

The Charity's activities included diabetes prevention, eyesight care and support for the elderly, including by hosting events subcontracted out to event managers. The interim conclusion is that Charity operated independently of Ferrexpo and it is not a related party of the Chief Executive Officer or of the Group's executive management.

For the year ended 31 December 2018, the Group made charitable contributions of US$9.5 million to Blooming Land (2017: US$24.0 million). Donations to the Charity ceased in May 2018. Donations to the Charity ceased in May 2018. From 2013 until May 2018, when donations were ceased, the Group made total contributions to the Charity of approximately US$110 million.

As with any CSR programme, there is a risk that funds donated could be misapplied, including through misappropriation. Depending on the nature of any such misappropriation or misapplication, there is a risk that the Group's financial statements might not fairly reflect the nature of the expenditures made to the Charity and may fail to make provision for fines, penalties or other liabilities. There is also a risk that related party transactions within the Charity are not disclosed to the Group. Due to uncertainty surrounding the status of the donations, further considerations are presented *in Note 29 Contingencies on page 149.*

The Board developed controls to cover donations to the Charity as set out in the 2017 full year accounts and continued to develop these controls prior to the Group ceasing donations in May 2018. During 2019 (*see Note 34 Events after the reporting period on page 156*) the IRC was formed and the circumstances leading up to its establishment are described in the *IRC Report on page 46*.

For further information see Chairman's Statement (page 6), Note 7 (page 106), Note 29 (page 149), Note 33 (page 156) and Note 34 (page 156) to the financial statements.

Mitigation
The Board has closely monitored the relationship between the Charity and the Group, and overseen the involvement of the Chief Executive Officer who, in his role, was the main communication between the Board and the Charity.

Enquiries were made over several years by the Group as part of its relationship with the Charity. The Group implemented a number of key controls to manage its relationship and expenditures which have been improved and developed in particular throughout 2016, 2017 and 2018.

Throughout the relationship with the Charity, various other steps have been taken, including a review by the Audit Committee covering the operation of the sub-funds in 2015 and site visits.

As part of the Group's procedures and outside the internal control framework an additional external review was carried out in May 2018 as to the relevance and reliability of the independent audited accounts of the Charity received by the Board for the year end 2017.

An Independent Review has been established by the Board to look into, amongst other things, whether Blooming Land's use of Ferrexpo's contributions was for the stated purpose. The review is ongoing.

4. Tax

4.1 Tax (External risk)

Root Cause and Impact
Ferrexpo is a large taxpayer in Ukraine and also pays tax internationally. The growing complexity of tax legislation around the world can result in unforeseen tax payments. Ferrexpo is subject to transfer pricing regulations both locally and internationally. The Base Erosion and Profit Shifting ("BEPS") project initiated by the G20 and OECD is likely to increase scrutiny of cross-border tax transactions and may result in challenges from different jurisdictions.

Legislation and regulations are not always clearly written and are subject to varying interpretations and inconsistent enforcement by local, regional and national Ukrainian tax authorities, and other governmental bodies. The uncertainty of application and the evolution of Ukrainian tax laws, including those affecting cross-border transactions, could result in additional tax payments having to be made by the Group which would reduce cash flows and impact total liquidity [A] levels.

Mitigation
Ferrexpo conducts transparent and open dialogue with local, regional and national tax authorities. Its tax strategy is in line with best international standards and it is in compliance with all known requirements. The Group regularly takes advice on tax matters from Ukrainian and international tax experts.

For further information see Note 8 of the financial statements.

5. Capital Allocation

Ferrexpo aims to maintain prudent leverage metrics with net debt to underlying EBITDA as of 31 December 2018 at 0.67 times. The Group's priority since 2015 has been to deleverage and it has repaid over US$500 million of gross debt since 1 January 2016. As such, the Board feels it is appropriate to readjust the use of available free cash flows from primarily deleveraging to include a more balanced focus on dividends and investment opportunities whilst ensuring its credit metrics remain strong.

5.1. Investment Opportunities (Company risk)

Root Cause and Impact
Ferrexpo evaluates and, if appropriate, enters into high net present value opportunities which it believes are potentially value accretive to the Group and can reduce future operating risk. There is a risk that Ferrexpo may make acquisitions or investments, which may not be accretive to earnings or otherwise meet its operational or strategic expectations. In addition, such an investment or acquisition may divert management's attention away from ongoing business activities.

FERREXPO PLC

Mitigation

Management has procedures in place to ensure any potential investment opportunity undergoes thorough due diligence and meets strict financial criteria. There is a Group Investment Committee which analyses hurdle return rates to ensure risk is appropriately mitigated both on project execution and in terms of the internal rates of return. All investment decisions are approved by the Board.

VIABILITY STATEMENT

The Board monitors the Group's risk management and internal control systems on an ongoing basis, and confirms that during the year it carried out a thorough assessment of the principal risks facing the Group, their potential impact and the mitigating strategies in place, as described on pages 19 to 27.

The principal risks include those that would threaten the Group's business model, future performance, liquidity or solvency.

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 global iron ore prices (the 65% Fe iron ore fines CFR China price and the pellet premium) and cost inflation. Based on 2019 expected production volumes of approximately 10.6 million tonnes, a US$5 per tonne fall in the Group's received price would, if not mitigated, reduce the Group's underlying EBITDA by US$5.3 per tonne. While a general production cost increase of 10% would decrease Group underlying EBITDA by US$4.8 per tonne and a 5% decrease in production volumes would decrease underlying EBITDA by US$2.6 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 capital investment, repairs and maintenance, dividends 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$500 million and it currently has a strong financial profile.

Viability Statement

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

Prospects

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

RESPONSIBLE BUSINESS

Ferrexpo's policy towards Responsible Business covers its efforts in Environmental, Social and Governance ("ESG") matters. High ESG standards underpin a sustainable business that benefits all stakeholders of the Group.

Through community engagement, environmental monitoring, compliance training and health and safety improvements, Ferrexpo aims to sustain a long-term future that not only develops its natural resources for its own benefit, but also for the shared benefit of those around us – employees and their families, local communities and businesses, the natural environment around the Company's mines, and tax revenues to national governments. Ferrexpo has once again been recognised in the Ukrainian government's published list of 'Top Taxpayers' and through its 40 years of continuous operation the Group has been able to maintain a constant presence in Central Ukraine, providing employment as the largest company in the Poltava Region.

During the year, the Group maintained a focus on product quality and increasing its output as well as enhancing its operating processes. It also focused on softer processes such as health and safety initiatives and compliance training, through which the Company continues to sustain its social licence to operate.

I would like to thank all of the Company's employees, contractors and other stakeholders for their collective efforts to ensure our progress in ESG reporting.

Yuriy Khimich, Chairman, Corporate Social Responsibility Committee

Governance and Management Framework

A key priority during the year was the development of a reporting system for corporate responsibility performance data. As a result, reporting became centralised and data has been collected through the Group's accounting system.

The CSR Committee, which is accountable for most of the areas covered by the Responsible Business Report, met four times in 2018, and assists the Board in its oversight of responsible business-related activities.

In 2018, the UK Corporate Governance Code was revised. One of the new provisions of the Code is to enable greater board engagement with the workforce to understand their views. As such, Ferrexpo's Board has agreed to develop an Employee Listening Programme which will be overseen by the CSR Committee going forward.

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

Governance Structure

<table>
<tr><td colspan="12" align="center">THE BOARD
Oversight of responsible business matters and performance</td></tr>
<tr><td colspan="12" align="center">CSR COMMITTEE[1]
Chairman – Yuriy Khimich Members – Steve Lucas, Kostyantin Zhevago, Bert Nacken, Greg Nortje, Viktor Lotous</td></tr>
<tr><td colspan="12" align="center">EXECUTIVE COMMITTEE
Focus on priorities and execution of responsible business activities</td></tr>
<tr><td colspan="3">Health & safety</td><td colspan="3">Community</td><td colspan="3">Workforce</td><td colspan="3">Environment & sustainable resources</td></tr>
<tr><td colspan="12" align="center">STRATEGIC RELATIONSHIPS – LICENCE TO OPERATE</td></tr>
<tr><td colspan="2">Employees and contractors</td><td colspan="2">Communities</td><td colspan="2">Suppliers</td><td colspan="2">Customers</td><td colspan="2">Capital providers and shareholders</td><td colspan="2">Government and regulators</td></tr>
</table>

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

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Non-Financial Information Statement

We aim to comply with the new Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The below table, and information it refers to, is intended to help stakeholders understand our position on key non-financial matters. This builds on existing reporting that we already do 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.

REPORTING REQUIREMENTS	POLICIES AND STANDARDS	ADDITIONAL INFORMATION	
ENVIRONMENTAL	• Environmental statement	Environment pages 33-35 www.ferrexpo.com/responsibility/environment	Environmental risk management pages 19-27
EMPLOYEES	• Ethics and Responsible Business Policy • Code of Responsibility • Health and Safety Policy www.ferrexpo.com/responsibility/people	Equality, inclusion & diversity pages 32-33 Health, safety & wellbeing pages 32-33 Learning & development pages 32-33 Responsible conduct & culture pages 35-37 Diversity, skills & composition pages 32-33	Board Diversity Policy page 55 People risk pages 19-27 Governance risk pages 19-27
HUMAN RIGHTS	• Human Rights Policy statement • Data Privacy Policy • Anti-Slavery and Trafficking Statement • Information and Cyber Security Policy	Equality, inclusion & diversity pages 32-33 Health, safety & wellbeing pages 32-33 Learning & development, pages 32-33 Responsible conduct & culture pages 35-37 Diversity, skills & composition page 32-33	
SOCIAL MATTERS	• Donations Policy • Helping communities www.ferrexpo.com/responsibility/community	Independent Review Committee pages 46-47 and page 148	Community risk pages 19-27 (see 3.1 and 3.2)
ANTI-CORRUPTION AND ANTI-BRIBERY	• Anti-bribery Policy • Anti-money Laundering and Counter Terrorist Financing Policy • Fraud Risk Management Policy	Customer privacy & data security pages 35-37 Responsible conduct & culture pages 35-37 Operational risk pages 19-27 www.ferrexpo.com/responsibility/governance	
PRINCIPAL RISKS AND IMPACT ON BUSINESS ACTIVITIES		Risk Management pages 19-27	
NON-FINANCIAL KPI	• Key Performance Indicators		

Engaging Our Stakeholders

Assessing key issues

Where issues are considered to be material to Ferrexpo stakeholders, they are included in the Group's priorities and managed as part of the responsible business strategy. The diagram opposite details the key issues:

Key to materiality matrix
- People
- Economic indicators
- Community
- Environment

INCREASING CONCERN TO STAKEHOLDERS

• Occupational health	• Employment and turnover • Contracts and collective bargaining	• Health and safety performance • Financial performance • Direct value generated
• Learning and development of personnel • Diversity • Resettlement and closure plans • Responsible purchasing	• Energy usage • Greenhouse gases and climate change	• Community recreational facilities • Sustainable usage of resources and Business Improvement Plan
	• Emissions • Water management • Waste generation	• Community projects • Code of conduct

INCREASING CURRENT OR POTENTIAL IMPACT ON FERREXPO

Our Approach to Being a Responsible Business

Operational Level	**Our responsible approach**		**Our stakeholders**
LOGISTICS WORKFORCE MARKETING PROCESSING RESOURCE BASE ——— MINING	**people** • Safety • Occupational health • Diversity • Local hiring • Training and development • Employment and turnover • Contracts and collective bargaining	**Economic indicators and business ethics** • Financial performance • Local investment (including purchasing) and recruitment • Direct value generated • Code of conduct • Responsible purchasing	GOVERNMENT INVESTORS SUPPLIERS WORKFORCE COMMUNITIES CUSTOMERS ——— CAPITAL PROVIDERS
	community • Community support donations • Government relations • Resettlement and closure plans	**environment** • Energy • Water • Greenhouse gases • Other air emissions • Land use and rehabilitation	

PEOPLE

Ferrexpo is a major employer in the Poltava Region and the Company's workforce represents a large proportion of the population of the local town of Horishni Plavni. Ferrexpo's success is therefore closely linked to the relationship it has with its workforce and it is important that the Company develops its workforce to achieve this goal.

The Ferrexpo team comprises 9,170 people globally, with the majority of this workforce located at our iron ore mines in Ukraine. As a business we aim to recruit and retain a talented workforce, to create a stable and consistent environment across our operations, as evidenced through the length of service for employees at the Company's operating assets in Ukraine – 58% of the workforce at FPM and 40% at FYM have worked with Ferrexpo for at least five years, representing increases on last year from 55% and 32% respectively. Ferrexpo aims to provide its employees with a fair and inclusive environment to work in, and to promote diversity where possible.

Safety and Wellbeing

It is with regret that the Company reports that a fatality occurred at its Ukrainian operations in October 2018, whereby a contractor engaged in maintenance work on the Company's pelletiser plant was involved in a fall from height incident. A thorough investigation into this incident has resulted in stricter guidelines for the maintenance of raised walkways, in addition to greater oversight of contractor safety by Ferrexpo's onsite management team.

An important focus for the Company was on safety throughout 2018, in an effort to improve safety statistics from the prior year. Two notable achievements were recognised in Ferrexpo's safety record in 2018 – FYM managed to operate without a lost time injury ("LTI") for 10 months of the year, and the Company's barging subsidiary on the Danube River, DDSG, registered a 50% reduction in the number of LTIs compared to previous years.

The Company's main operating entity, FPM however, noted a year-on-year deterioration in its lost time injury frequency rate ("LTIFR") from 1.03 to 1.28, due to an increase in employees involved in LTIs from 11 to 17. An analysis of these incidents has identified that road traffic accidents and interactions with heavy-lifting equipment as key areas for improvement, with a number of process improvements identified, such as an increase in the frequency of inspections of the condition of all slings and other heavy-lifting equipment. Furthermore, from January 2019, all vehicles at Ferrexpo's operations will be required to have safety belts fitted, which was not previously required under Ukrainian legislation.

Safety-related activities in 2018 focused on improved reporting procedures, such as ensuring that initial incident reports are available within 24 hours in order to identify risks quickly, and Serious Incident Reports ("SIRs") also now include potential serious incidents in order to capture as many risk areas as possible in the Company's risk registers. This improved reporting and risk identification can be seen in the increase in SIRs to 25 in 2018 (from ten), with deliverable action points from each report.

For a comparison of safety performance – Safe Work Australia, an Australian government agency, states that the industry standard for mining of metal ores in Australia is a LTIFR of 4.0. Ferrexpo therefore continues to maintain an injury rate below this benchmark.

Through improved risk identification processes and reporting, the Company also registered a 30% decrease in the severity rate of incidents in 2018, an important lead indicator for progress in safety.

Drug and Alcohol Testing

Ferrexpo operates in a region where drug and alcohol addiction is a serious social concern, and the Company maintains a strict zero-tolerance policy on the use of alcohol and recreational drugs in the workplace, with regular testing for employees, mandatory checks for new applicants and on-the-spot testing for anyone suspected of being under the influence during work hours. During 2018, a total of 3,889 checks were undertaken (2017: 3,731), with a failure rate of 4% in 2018 – down one third on the prior year. For employees considered eligible, the Company operates a rehabilitation programme to help those affected by alcohol and drug addiction, which follows internationally recognised frameworks for recovery, such as Alcoholics Anonymous and the 12 Steps Programme. As at the end of 2018, a total of 66 individuals classified as being 'at-risk' were being treated under this initiative (2017: 64 individuals).

Training

Over 11,500 training courses were completed by employees in 2018, the equivalent of 1.28 courses per employee, up 20% from 2017. The number of safety training courses undertaken rose by 17% to 4,433, as well as a significant increase in functional training (+146% to 4,943). The number of training hours per employee also rose by 26% to 27 hours in 2018.

The above increase in functional training is the result of several new training initiatives implemented, including environmental management (132 employees), and cross-functional training for employees to operate multiple pieces of mobile equipment such as excavators and light vehicles (385 people).

In line with the Company's focus on safety in 2018, new training courses were provided in first aid for 940 employees in the processing plant, risk identification and risk management (129 employees), as well as emergency medical assistance (71 employees).

Ferrexpo also provides training for contractors working at its operations, with 775 contractors trained in safety and other skills (2017: 1,143).

Diversity

Ferrexpo monitors diversity in its workforce, to help develop a balanced and positive working environment. Women represent 29% of the Company's workforce (2017: 29%), with the percentage of female managers declining slightly in 2018 following a grading project by the Company's HR function to grade all positions across the Group and reclassify management roles according to a specific grade. Female managers represented 18% of total managers in 2018 (2017: 20%). The Company has a number of ongoing initiatives to further the careers of women at Ferrexpo, details of which will be available in the Company's Responsible Business Report, which will be published later this year. In another area of diversity, 4% of the Company's workforce are registered disabled, in line with a government requirement in Ukraine.

KPIs

GOAL	PERFORMANCE
To operate fatality free	One fatality in 2018 (2017: 1)
Maintain injury frequency rate below peers	LTIFR maintained at same level as 2017 (1.18), compared to industry standard of 4.0.

[1] For more information on LTIFR statistics see: https://www.safeworkaustralia.gov.au/statistics-and-research/lost-time-injury-frequency-rates-ltifr

CASE STUDY
Lock-Out Tag-Out Systems

In an initiative to modernise and improve conditions for plant maintainers in its processing facilities, Ferrexpo is implementing the Lock-Out Tag-Out ("LOTO") system whereby maintainers can physically lock equipment in the off position whilst it is being repaired.

Control panels are also being moved to be located adjacent to equipment they control, in an effort to improve lines of sight for operators to see if equipment is being worked on. A major focus in 2019 will be to improve workers' visibility by replacing darker coloured Personal Protective Equipment ("PPE") with lighter, brighter versions of the same clothing.

For more information on Ferrexpo's approach to its workforce, please see the Company's Responsible Business Reports on the Company's website (www.ferrexpo.com).

ENVIRONMENT

Ferrexpo operations have a bearing on a wide range of environmental factors – air quality, water quality, land use and rehabilitation, and biodiversity, with the Company committed to monitoring each area and managing its footprint.

Carbon Dioxide Emissions

Carbon dioxide (CO_2) emissions from Ferrexpo's operations in Ukraine principally revolve around the consumption of three key consumables – the diesel that powers the Group's mining fleet in its mines, the electricity that drives the Group's processing plant, and the natural gas that heats the Company's pellets in its pelletiser. These three consumables accounted for 92% of Group CO_2 emissions in 2018 (2017: 92%). Additional sources of CO_2 from the Company's activities are consumed in the Company's barging subsidiary DDSG, which transports pellets to customers along the Danube River, as well as steam that is used for heating and is purchased from the local supplier.

Consumption of natural gas increased in 2018 as the Company increased the kiln temperatures in its pelletiser as part of a planned programme to increase pellet quality. Diesel consumption throughout the Group decreased by 3%, despite rock mining tonnes increasing by 4% during the year. This decrease in diesel usage relates to improved mining productivity and utilising a greater number of electric shovels at FPM, which represents over 80% of the Group's rock mining activities. Electricity is provided by the Ukrainian national grid, which continues to be modernised, with reduced reliance on older coal-fired power stations, meaning that the estimated carbon factor for electricity generated fell by 2% in 2018. Furthermore, total electricity consumption fell by 1% in 2018, meaning that electricity was the single largest contributor towards total Group CO_2 production falling in 2018.

Other Emissions

Ferrexpo closely monitors emissions at its operations in Ukraine, divided into two categories: stationary sources (processing and pelletising plants, tailings facilities, and waste dumps) and mobile sources (mining equipment and other sources).

Emissions from stationary sources in 2018 were as follows:

- NO_2 emissions rose by 21% to 3,493 tonnes as the Company increased kiln temperatures in 2018 to improve pellet quality, resulting in increased natural gas and sunflower husk consumption.
- SO_2 emissions rose by 41% to 1,894 tonnes after a trial to add lime to the ore as it is processed was halted, when it was discovered that the lime was causing excessive wear to the processing plant.
- Solid emissions fell by 8% in 2018 to 3,619 tonnes after the successful rehabilitation of waste dumps at FYM resulted in a reduction of dust emissions.

Emissions from mobile sources fell by 2% for the majority of gases, the result of a 2% to 4% decrease at FPM and a 1% to 2% increase at FYM.

Waste and Tailings Production

Ferrexpo operates its own tailings facility at its mining operations in Ukraine that has been in operation since 1974, and covers an area of over 1,500 hectares. The Company produced 9.7 million tonnes of tailings representing an 8% decrease on 2017. The tailings storage facility is a single dam facility, split into four sections, with each section comprising multiple smaller cells measuring 400m by 400m. The walls of the tailings facility are constructed using engineered fill, including siliceous waste from the mine, which has the required strength characteristics for use in such facilities. The dam has been designed by external consultant Ukrgiproruda, with biannual inspections by external consultants. Ferrexpo's tailings facility differs in its design from the valley fill type of facility often utilised by iron ore mines in Brazil.

Overburden removal increased by 4% to 88 million tonnes as the Company increased its focus on the Poltava mine to further improve pellet quality. Overburden is transported by haul truck to waste dumps that are designed by the Company's mine planning department, with designs approved by Ukrgiproruda.

Energy Consumption

Ferrexpo's mining and barging operations consumed 18.084 PJ of energy in 2018, a 1% increase on 2017, which corresponds to the equivalent of 604 MJ per tonne of pellets created (+4% vs. 2017).

Overall energy consumption increased as the Company increased the kiln temperature in its pelletiser in order to improve pellet quality. Sunflower husks continue to represent 19% of the pelletiser's energy mix.

Water Consumption and Treatment

The majority of Ferrexpo's water extraction relates to groundwater inflows and rainfall into its open pit mining operations in Ukraine, which directly relates to the level of precipitation incurred each year. Total water extraction rose by 5% in 2018 to 33.8 million cubic metres, with this increase related to the 50% increase in rainfall noted at the mine in 2018 (619mm). The majority (59%) of water extracted is immediately discharged as part of the Company's dewatering operations. FPM continues to reuse the majority of water it extracts (92%), which represents 38% of Group water extraction.

Ferrexpo closely monitors water quality at both its mining operations across a suite of 13 chemical indicators, and can confirm that it remained within the strict quality control limits set by the Ukrainian authorities throughout the year.

(All figures tonnes unless otherwise stated)	2018	2017	% change
Group CO_2 emissions	2,583,178	2,614,449	-1%
Scope 1 (direct)	566,877	554,763	+2%
Scope 2 (indirect)	1,925,670	1,974,997	-2%
Scope 3 (biofuels)	90,631	84,689	+7%
Pellets produced (million tonnes)	10.607	10.444	+2%
Intensity ratio (Scope 1 and 2 only)	**235**	**242**	**-3%**

KPIs

GOAL	PERFORMANCE
Reduce carbon footprint	Direct CO_2 emissions rose 2% but total Scope 1 and 2 emissions per tonne of pellets decreased by 3%
Increase percentage of renewable energy usage in fuel mix	Sunflower husks continue to represent 19% of energy mix in pelletiser, in line with 2017

For more information on Ferrexpo's environmental initiatives, please see the Company's Responsible Business Reports on the Company's website (www.ferrexpo.com).

ECONOMIC INDICATORS AND ETHICAL BUSINESS

Ferrexpo operates in a business environment that increasingly requires higher standards from leadership teams, and this is achieved through continuous improvements in compliance regulations and compliance training. Through good corporate governance, the Company can foster a strong bond with its stakeholders.

Direct Economic Value Generated

The Company generated revenues of US$1,300 million in 2018, and from which generated value for the national governments through taxes and royalties paid of US$73 million, in addition to support at the local level through US$86 million in wages and salaries, and doing business with local suppliers that operate in the communities located close to the mine.

Ferrexpo aims to do business with local companies in Ukraine where possible, to help support communities and develop the local economy through indirect jobs and the local multiplier effect. Examples of Ukrainian businesses that Ferrexpo has long-standing relationships with include local drilling contractors, the railway car manufacturing plant in Kremenchuk and the local clothing garment manufacturers in the town of Horishni Plavni.

Tax Compliance

Ferrexpo complies with the tax laws in each jurisdiction that it operates, in contributing to a number of economies globally. Every year the Company publishes a report on taxes paid to governments, with each report published in the first half of the year, the most recent being the report for 2017 that was published on 27 June 2018. The report for 2018 will be published in Q2 2019, in line with previous years.

Ethical Business
Ferrexpo's success depends on building trust and strong relationships with internal and external stakeholders by conducting business in a fair, transparent, legally compliant and ethical manner. High ethical standards apply to everyone across the Group without exceptions. It is important that Ferrexpo's business partners and stakeholders can rely on the Company's integrity and have confidence in their relationship with Ferrexpo.

Ferrexpo's compliance programme has been designed to promote ethical standards and compliance. It is aligned with Ferrexpo's strategy and business objectives and clearly articulates and assigns responsibility for compliance outcomes. Ferrexpo directs its compliance efforts and resources in accordance with the risks that the Company faces, which are reviewed and prioritised through a biannual risk assessment process. The presence and effectiveness of existing controls are verified by an independent internal audit function, which reports to the Board of Directors.

The Board of Directors oversees the Group's Compliance Programme directly and through its Committees, receives regular compliance reports. The elements of the compliance programme, including Ferrexpo's Code of Conduct and training, apply equally to the Board as well as to all Ferrexpo employees. In 2014, the Executive Compliance Committee was founded and meets regularly to oversee the compliance of the Group with applicable laws, regulations and ethical standards in relation to Ferrexpo's employees, neighbours, the environment and other stakeholders. In 2018, a Local Compliance Committee established to foster the culture of compliance at the Company's operations in Ukraine.

Ferrexpo has an independent compliance function led by the Group Compliance Officer including four local compliance officers in Ukraine and one at the Group's logistics subsidiary. Compliance teams regularly attend national and international compliance conferences to keep up to date with best practice in this field. The Group Compliance Officer establishes, reviews and monitors the Group's compliance programme.

The Company has instituted a Code of Conduct available publicly at Ferrexpo's website, which sets out the Company's requirements in relation to a number of areas such as Anti-bribery & Anti-corruption, Conflicts of Interest, Health & Safety and Human Rights. Ferrexpo's policies and procedures, developed and implemented across the Group, are based on the foundation of the Code of Conduct.

Ferrexpo believes that training is fundamental for an effective compliance programme. Ferrexpo's employees, directors and officers, as well as certain categories of contractors, receive training on various aspects of the Code of Conduct. Since the Company published its revised and updated Code on Corporate Responsibility and Business Ethics in 2015, a total of five newly created training courses in compliance have been introduced across the business, leading to the completion of over 2,500 modules by employees in 2018 alone. Two additional courses were initiated by Ferrexpo's Compliance Department in 2018, relating to anti-bribery and data privacy. Completion rates for the courses introduced in 2018 reached 84% as of December 2018, with the completion of the remaining employees targeted for 2019. For those who do not have access to e-learning, Ferrexpo's compliance teams convey compliance-related messages through posters, internal newspapers, the intranet, and other available communication channels.

Ferrexpo acknowledges that any improper conduct by its business partners could damage Ferrexpo's reputation and potentially expose the Company and individual employees to liability and penalties. Ferrexpo therefore has procedures in place to ensure that its potential business partners are carefully selected and are following anti-corruption laws, observe human rights, and that relationships with them do not breach any applicable sanction laws and regulations. In 2018, the Group has developed a Business Partners' Code of Conduct, which will be rolled out in 2019.

The Group has a system of reporting compliance and ethics-related concerns, available to all employees and third parties. Ferrexpo encourages its employees to raise any questions or concerns with their managers, another manager or with the Compliance Team. It is also possible to submit a query to compliance@ferrexpo.ch or through Ferrexpo Integrity Line available at http://ferrexpo.com/IntegrityLine and by telephone (with numbers for each country available via this link). Ferrexpo does not allow retaliation for raising concerns and will take disciplinary action up to and including dismissal for intimidation or harassment of individuals who report business conduct concerns.

External Transparency Initiatives

Ukraine continues to make progress with implementing the Extractive Industries Transparency Initiative ("EITI") since it joined in 2013, with EITI determining that the country has made 'meaningful' progress in its review published in June 2018. In September 2018, the Ukrainian parliament also passed the law "On ensuring transparency in extractive industries", which sets out legal principles for the collection, disclosure and dissemination of data on Ukraine's extractive industries.

KPIs

GOAL	PERFORMANCE
Supporting economies where we operate	Over US$150 million paid in taxes, royalties and salaries
Educate workforce in Code of Conduct and best practice principles	Further two additional compliance courses initiated in 2018, with completion rates on both new compliance courses reaching 84%

1 Source is: UkrStat (http://ukrstat.gov.ua/express/expr2019/02/17.pdf)

CASE STUDY

Compliance Week

Ferrexpo's compliance work in 2018 included face-to-face training sessions at the Company's operations in Ukraine. This has the clear advantage over online-based training as it enables compliance officers to adapt compliance teaching materials to their audience. In November 2018, the Company held its first site-wide 'Compliance Week', with Compliance training sessions at each of Ferrexpo's operating entities (FPM, FYM and FBM), together with the senior leaders of the Group, and holding daily briefings, which collectively resulted in face-to-face meetings with over 250 employees. Other activities included anti-corruption lessons at local schools and an anti-corruption art exhibition. One of the highlights of the Compliance Week was a Compliance Forum entitled 'Integrity in What We Do', which was hosted by Ferrexpo in tandem with the Ukrainian Network of Integrity and Compliance and Business Ombudsman Council. The forum featured presentations by Ferrexpo's employees and guest speakers about ethical leadership, case studies on the cost of non-compliance, and best practice in compliance programmes.

COMMUNITY

Ferrexpo's footprint in Ukraine is much more than mining and processing iron ore. The towns and villages located close to the mine rely on the Company for employment, as well as support for both local businesses and communities.

Ferrexpo's Corporate Social Responsibility ("CSR") programme in Ukraine was formally established in 2009 and focused on the areas surrounding the mines. The Group supports the local community and the country which is recovering from a deep recession caused by geopolitical tensions. Living standards have reduced considerably over recent years.

Ferrexpo's local community work and charitable donations can be divided into three key areas: (1) work done directly with local community projects, (2) direct transfers to vulnerable individuals in the local community requiring support (such as veterans and individuals requiring medical treatment), and (3) donations to Blooming Land, an independent third party responsible for the coordination of the Group's national CSR programme.

KPIs

GOAL	PERFORMANCE
Contribute to development, education and skills of local population	Direct assistance through Ferrexpo Charitable Fund of US$15.1 million (2017: US$28.4 million)
Provide targeted assistance	574 families and individuals provided with direct aid in 2018, in line with 2017 (575)

Total donations to these three areas amounted to US$15.1 million in 2018, compared to US$28.4 million in 2017.

Ferrexpo's engagement with the communities local to its mines does not focus on one area of society, instead the Company prefers to support a diverse and broad range of activities, from funding sports activities at local sports facilities, to supporting medical institutions, schools and kindergartens, to supplementing the local council's budget.

Specific local projects in 2018 include:

- The financial support of students at universities in Kremenchug, Dnipro and Kryvyi Rih, as well as students at higher educational colleges in Horishni Plavni, which are institutions from which the Company continues to recruit its future leaders.
- In terms of sports and recreation, Ferrexpo provides financial support to the local football club in Horishni Plavni, FC Gornyak, which currently has 200 children and teenagers involved in its youth teams. In addition, Ferrexpo has helped build and maintain indoor tennis facilities that are used extensively throughout the harsh winters in Ukraine. In total, Ferrexpo-supported sports facilities in Horishni Plavni registered 1,364 participants in sports competitions in 2018, with 34 professional trainers involved in a variety of sports.
- Financial support of the Organisation for the Protection of the Rights of Children with Disabilities ('Tenderness'), which cares for 95 children in local communities.
- Individual aid to those in need of medical treatments, assistance for utility bills and families with multiple children. The Company received applications from, and provided assistance to, 574 individuals and families under this programme in 2018, in line with its efforts in 2017.
- Ferrexpo's support for local sportsmen and sportswomen helped local individuals to succeed in 2018 – including gold and bronze models at the European Rowing Championships, gold medals at the shooting World Cup in Germany, and a number of first prizes at the All Ukrainian judo tournament held in Kiev.

Blooming Land Charity

In 2013, given the severe upheaval in the country and to support its general social license to operate, the Group established a CSR programme on a national basis. Blooming Land (the "Charity") was used for this programme and its activities included diabetes prevention, eyesight care and support for the elderly. *For further information see the Chairman's Statement on page 6 and the Independent Review Committee Report on page 46*.

As discussed in the Independent Review Committee Report, Ferrexpo is currently conducting an independent review in relation to the Group's relationship with the Charity. This includes reviewing certain irregularities which have been identified in copy banks statements and other documentation provided by the Charity, and also the application of funds by the Charity.

The Group will continue its current programme of charitable donations at a local level supporting individuals and communities surrounding the mines. These programmes are managed by FPM and supervised by the CSR Committee.

For further information

See Chairman's Statement (page 6), Principal Risks (page 25), Corporate Governance Report (page 39), Independent Review Committee Report (page *46*), Audit Committee Report (page 48) and Note 7 (page 106), Note 29 (page 149), Note 33 (page 156) and Note 34 (page 156) to the Financial Statements.

CORPORATE GOVERNANCE REPORT

Chairman's introduction

Dear Shareholder

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

The Board remains committed to maintaining good corporate governance practices throughout the Ferrexpo Group and is reviewing its existing arrangements in light of the revision of the UK Corporate Governance Code in 2018. 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.

The Board of Ferrexpo has constantly managed the risk facing the business. This includes taking into account the country of operation and all associated counterparty risks.

This year saw a particular focus on charitable donations. The Board has taken a number of steps to improve the control and oversight in this area, particularly since 2016 *(as detailed in Principal Risks on page 25 and the Audit Committee Report on page 48).*

As noted in the Independent Review Committee Report, the Board has established the Independent Review, which is being conducted to look into matters relating to or arising from the donations made to the Charity by the Group. The Committee is chaired by Mr Lisovenko and its other members are Mr Lucas, Ms Reilly and Mr Nacken. It is assisted by independent legal advisers in the UK and Ukraine and independent specialist forensic accounting experts (BDO).

At the time of writing, the work of the Independent Review Committee and its advisers in the UK and Ukraine remains ongoing.

Given the extensive disclosures on the Blooming Land Charity in this annual report, for ease of reading and to avoid repetition, the following cross references are listed:
See Chairman's Statement (page 6), Principal Risks (page 25), Responsible Business (page 29), Corporate Governance Report (page 39), Independent Review Committee Report (page 46), Audit Committee Report (page 48), and Note 7 (page 106), Note 29 (page 149), Note 33 (page 156) and Note 34 (page 156) to the financial statements.

Post year end, Simon Lockett resigned from the Board in January 2019. In February 2019, Lucio Genovese was re-appointed to the Board as a Non-executive Director. Lucio previously served on the Board from 2007 to 2014. The Board believes that Lucio's deep knowledge across commodities, including iron ore, as well as his extensive experience of operating in emerging markets, specifically in Russia and the former USSR, is of significant value to the Group.

Steve Lucas
Chairman
22 April 2019

Statement of Compliance
(In Accordance with Listing Rule 9.8.6R)
During the year to 31 December 2018 the Company applied all Main and Supporting Principles, and complied with the provisions, of the 2016 UK Corporate Governance Code (the "Governance Code", which is available at www.frc.org.uk).

Information Pursuant to the EU Takeover Directive
The Company has provided the additional information required by Rule 7.2.6 of the FCA's Disclosure and Transparency Rules (Directors' interests in shares; appointment and replacement of Directors; powers of the Directors; restrictions on voting rights and rights regarding control of the Company) in the Directors' Report and the Remuneration Report.

Information Pursuant to the EU Non-financial Reporting Directive
The information required by Rule 7.2.8A and B of the FCA's Disclosure and Transparency Rules (Board Diversity Policy) is provided in the Nominations Committee Report on page 54.

LEADERSHIP

Governance Structure

THE BOARD

Audit Committee	Remuneration Committee	Nomination Committee	Committee of Independent Directors (“CID”)	Corporate Safety and Social Responsibility Committee (“CSR Committee”)	Chief Executive Officer and Executive Committee[1]
Responsibilities include: • Monitoring integrity of financial statements. • Reviewing internal control and risk management systems. • Relationship with external auditor. **For more information** Audit Committee Report page 47	Responsible for reviewing and approving all aspects of remuneration for Executive Directors and members of the Executive Committee. **For more information** Directors’ Remuneration Report page 56	Responsible for identifying and nominating (for Board approval) candidates to fill Board vacancies, having due regard to the need for appropriate balance and diversity. As of January 2019, all nominations are being handled by the Board pending appointment of further Independent Non-executive Directors to the Committee. **For more information** Nominations Committee Report page 54	Responsibilities include: • Ensuring compliance with Chapter 11 of the Listing 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 41	Responsible for formulating and monitoring the implementation of the Group’s policy on CSR issues as they affect operations. **For more information** CSR section pages 29 to 38	Responsible for: • 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 page 62

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

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;
- 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 Committee of Independent Directors (“CID”), monitoring and authorising related party transactions.

Certain aspects of the Board’s responsibilities have been delegated to the Committees shown in the chart above to ensure compliance with the Act, FCA Listing Rules and the Governance Code. The terms of reference for each of the Audit Committee, Nominations Committee, Remuneration Committee and CSR Committee are available on the Company’s website at http://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.

FERREXPO PLC

Role Descriptions

The division of responsibilities between the Chairman and the CEO has been clearly established in writing and is agreed by the Board. A summary of the roles of the Chairman, the CEO, the Senior Independent Director, the independent Non-executive Directors and the Company Secretary is set out in the following table. The table also includes an overview of the role of the Executive Committee and of the CID. The roles of the Audit and Nominations Committees are set out later in this Corporate Governance Report, the role of the CSR Committee in the Strategic Report on page 29, and the role of the Remuneration Committee in the Remuneration Report on page 57.

Role	Description
Chairman	The Chairman is responsible for leadership of the Board, ensuring its effectiveness, setting its agenda, ensuring that it receives accurate, clear and timely information, and ensuring effective communication with shareholders. The Chairman also ensures that there is a constructive relationship between the Executive and Non-executive Directors. From time to time the Chairman holds meetings with the Non-executive Directors without the Executive Directors present.
CEO	The role of the CEO is to provide leadership of the executive team, to develop proposals for the Board to consider, and to oversee and implement Board-approved actions. Mr Zhevago has no other directorships of quoted companies. He has other business interests and is a member of the Ukrainian parliament.
Senior Independent Director	Simon Lockett was the Senior Independent Director until January 2019. The Board is currently recruiting for the vacancy. In conjunction with the other independent Non-executive Directors, the Senior Independent Director assists in communications and meetings with shareholders concerning corporate governance matters. He also chaired the Committee of Independent Directors. At least once a year, the Senior Independent Director meets the Non-executive Directors, without the Chairman present, to evaluate the Chairman's performance. The Senior Independent Director was available to discuss with shareholders any issues that the Chairman had 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 65); and monitor executive succession planning (for Board succession planning, see the Nominations Committee Report on page 54).
Company Secretary	The Company Secretary is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for advising the Board on governance issues and for ensuring, with the Chairman, that information reaches Board members in a timely fashion, so that they are alerted to issues and have time to reflect on them properly before deciding how to address them. All Directors have access to the advice and services of the Company Secretary.
Executive Committee	The Executive Committee is a key decision-making body of the Group, responsible for managing and taking all material decisions relating to the Group, apart from those set out in the Schedule of Matters Reserved for the Board. It has delegated responsibility from the Board for the execution of Board-approved strategies for the Group, for ensuring that appropriate levels of authority are delegated to senior management, for the review of organisational structures and for the development and implementation of Group policies. The Executive Committee meets regularly during the year.
Committee of Independent Directors	The CID is composed of the Senior Independent Director, the Chairman of the Board and the other independent Directors. The Committee considers and, if appropriate, authorises on behalf of the Board related party transactions within the terms of Chapter 11 of the Listing Rules of the Financial Conduct Authority and otherwise ensures compliance with Chapter 11 and with the Relationship Agreement entered into between Fevamotinico S.a.r.l., Mr Zhevago, The Minco Trust and the Company. The CID holds delegated authority to consider and, if appropriate, approve transactions where there is a risk of a conflict of interest for any member of the Board under the Companies Act 2006. The CID keeps under review the authorisation and approval process relating to such transactions (which have previously been reviewed in detail by the ERPMC (see "Conflicts of Interest" below under "Effectiveness")) and satisfies itself that, as required under the Relationship Agreement, related party transactions have been properly conducted on an arm's length basis on normal commercial terms and in compliance with Chapter 11, and that no disclosures have been omitted or misstated in the financial statements.

Board Composition

As of 31 December 2018, the Board (excluding the Chairman) comprised two non-independent Executive Directors and four Non-executive Directors, all of whom are considered by the Board to be independent in accordance with Provision B.1.1. of the Governance Code. This structure ensures that the Executive Directors are 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 2018 is presented in the table below:

Board member	Role	Audit	Remuneration	Nominations	CID	CSR[1]
S Lucas	Non-executive Chairman			••	•	•
K Zhevago	Chief Executive Officer					•
C Mawe	Chief Financial Officer					
S Lockett	Senior Independent Non-executive Director	•	•	•	••	
V Lisovenko	Independent Non-executive Director	•	•		•	
B Nacken	Independent Non-executive Director	•	••		•	•
M Reilly	Independent Non-executive Director	••	•		•	

1 The CSR Committee also includes some members of senior management; see the Strategic Report on page 29.
• Committee member.
•• Committee Chairman.

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

LEADERSHIP

Board Activity in 2018

Five scheduled Board meetings were held in 2018, all in Switzerland (supplemented by other meetings, telephone conferences and written resolutions as required from time to time). Regular matters discussed at these meetings included:

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

Matters reviewed as required included:

- review of half year or annual results, going concern and viability, dividend policy/recommendations, investor presentation;
- Board/Chairman/Director performance evaluation;
- review of AGM statement, and proxy agency comments/recommendations;
- annual review of bank relationships within and outside Ukraine; and
- annual review of treasury policy.

The Board also held sessions at which the relevant executive heads of department led a more detailed discussion on aspects of operations, finance, HR and management succession planning, sales and marketing, and communications. In 2018, this included a presentation by the Chief HR Officer to members of the Remuneration Committee to consider the implications of changes to the Corporate Governance Code.

The Board visited the Group's operations in Horishni Plavni (formerly known as Komsomolsk) between 3 and 5 October 2018. During that time the Board inspected various parts of the operations, received various presentations from executive management in respect of operations and strategy, and held an informal meeting at which many of its standard agenda items were covered.

The Board meets for dinner on the evening immediately prior to each scheduled Board meeting. This provides an opportunity for Directors to discuss key matters in a more informal setting, and therefore assists in promoting an open and constructive relationship between members of the Board.

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

EFFECTIVENESS

Board Balance and Independence

The composition of the Board is regularly reviewed by both the Nominations Committee and the Board itself. The Board is considered to have maintained, throughout the period of refreshment between 2015 and 2018, a proper balance in terms of skills, experience, independence and knowledge of the Company. As at the date of this report, there is a Chairman, two Executive Directors and four independent Directors, and the Board and Committee structure is such that decision making is not dominated by a single individual or small group.

Controlling Shareholder – Relationship Agreement

Kostyantin Zhevago is a beneficiary of The Minco Trust, which owns 100% of Fevamotinico S.a.r.l., the majority shareholder in the Company. Consequently, Mr Zhevago, The Minco Trust and Fevamotinico S.a.r.l. (collectively "the Controlling Shareholder") have entered into a Relationship Agreement with the Company in order to ensure that the Group is capable of carrying on its business independently, that transactions and relationships between the Group, Fevamotinico S.a.r.l., The Minco Trust and Mr Zhevago are at arm's length and on normal commercial terms, and that there shall be at all times a majority of Directors independent of Fevamotinico S.a.r.l., The Minco Trust and Mr Zhevago on the Board (the "Relationship Agreement"). Under the Relationship Agreement Mr Zhevago would be entitled, if he was not the CEO, to appoint himself or another person as his representative Director. The Relationship Agreement terminates if, inter alia, the shareholding of Mr Zhevago and his associates in the Company falls below 24.9%. This Relationship Agreement complies fully with the UK Listing Rules. The Board monitors compliance with the Relationship Agreement through the Committee of Independent Directors (see under "Conflicts of Interest" below), which reviews the work of the Executive Related Party Matters Committee ("ERPMC") (both bodies are independent of Mr Zhevago), with the CID reviewing the minutes of the ERPMC and all related party transactions with regard to the Class Tests and the potential need to consult the Sponsor. The ERPMC is authorised to approve transactions that are in the ordinary course of business, without unusual terms; others are referred to the CID. More generally, the CID keeps under review the independence of the Board and compliance with the Governance Code, as the Relationship Agreement requires.

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

- Ferrexpo has entered into a Relationship Agreement with its Controlling Shareholder, as required by LR 9.2.2A R (2)(a).
- Ferrexpo has complied with the independence provisions contained in the Relationship Agreement during 2018.
- So far as Ferrexpo is aware, the Controlling Shareholder and its associates have also complied with the independence provisions during 2018.
- So far as Ferrexpo is aware, the procurement obligation set out in LR 9.2.2B R (2)(a) (which requires the Controlling Shareholder to procure the compliance of the "non-signing Controlling Shareholders" (in this case, the other beneficiaries of The Minco Trust) and their associates with the independence provisions) has also been complied with during 2018.

Conflicts of Interest

The Board has an established procedure (see "Controlling Shareholder – Relationship Agreement" above) to deal with Directors' conflicts of interest and the recording, reporting and, where appropriate, approval of related party transactions and review of relevant disclosures. This procedure is in line with published guidance, the Articles and the provisions in section 175 of the Companies Act 2006 on conflicts of interest. Schedules of a Director's actual or potential conflicts and related party transactions have been compiled based on disclosures made by the Director. These are updated and reviewed on a regular basis by the Executive Committee, the ERPMC (which is composed of certain members of the Executive Committee and other members of senior management not including Mr Zhevago) and the Committee of Independent Directors ("CID"). Any changes to the schedules are noted, and confirmed as correct, at the next Board meeting. The CID has delegated authority to carefully consider and (if deemed appropriate in the circumstances) approve on behalf of the Board transactions where there is a risk of a conflict of interests. This procedure operates effectively in identifying potential conflicts and ensuring that they are managed appropriately and that conflicted individuals are not involved in the relevant decision-making process. The Group aims to follow emerging best practice in this area.

Training and Professional Development

The Chairman is responsible for agreeing training and development requirements with each Director to ensure they have the necessary skills and knowledge to continue to contribute effectively to the Board's discussions. All Directors receive updates given to the Board as a whole on changes and proposed changes in laws and regulations affecting the Group, as and when necessary. In February 2018, the Chairman of the Remuneration Committee had a training session with Deloitte. 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 to which they feel this is necessary. During the year, as in previous years, the Board spent two days visiting the site in Ukraine. In addition, training may be provided by the Group's advisers in respect of specific areas of interest to the Board, including general economic and market conditions, developments in corporate governance regulations and best practice and any other matters as agreed by the Chairman.

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.

As Lucio Genovese re-joined the Board it was agreed that no formal programme of induction was required on appointment but Mr Genovese will be updated on relevant matters as required.

Information Flow

The Chairman is responsible for ensuring that all Directors receive timely and accurate information in order to enable them to discharge their obligations effectively. Working with the Company Secretary, the Chairman ensures that agendas, briefing notes and reports for each Board meeting are agreed and distributed to the Board in advance and in sufficient time to allow proper consideration of their contents. The papers include reports on the Group's operations, and take into account the factors set out in section 172 of the Companies Act 2006 (Directors' duty to promote the success of the Company), and such factors are also considered by the Executive Committee when making any proposals and recommendations to the Board. Decisions made by the Board are set within the framework of the Directors' statutory duty to promote the success of the Company for the benefit of its members as a whole.

Minutes of each Board and Committee meeting are prepared shortly after the meeting and their contents agreed with the Chairman (or relevant Committee Chairman) before being circulated more widely to the Board where appropriate. Actions arising from the meetings are recorded and communicated as appropriate, and updates on outstanding actions are discussed at subsequent meetings. Directors have the right to request that any concerns they have are recorded in the appropriate Committee or Board minutes.

Time Commitment

Non-executive Directors would normally expect to spend at least two days a month, on average, on Ferrexpo's affairs, and in the case of the Senior Independent Director, the Committee Chairmen and in particular the Chairman of the Board, considerably more than that. The attendance of the Directors at Board and Committee meetings during 2018 is shown in the table below.

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 2018.

Board and Committee Attendance in 2018

Director	Board Scheduled	Audit	Rem	Nom	CID	CSR
S Lucas	5/5			2/2	5/5	1/4
K Zhevago	5/5					4/4
C Mawe	5/5					
V Lisovenko	5/5	5/5	4/4		5/5	
S Lockett	5/5	4/5	4/4	2/2	5/5	
B Nacken	5/5	5/5	4/4		5/5	4/4
M Reilly	5/5	5/5	4/4		5/5	

Performance Evaluation

The annual performance evaluation of the Board and its Committees was carried out internally in 2017–2018 by the Chairmen of these bodies. The evaluation process involved the completion of questionnaires by Board and Committee members, with responses collated and analysed by the Chairmen with assistance from the Company Secretary. The Chairman of the Board then discussed the feedback from the questionnaires, and the comments made, with each Director individually before relaying the conclusions to the Board. There was also an externally facilitated evaluation (the Company's second) that was conducted between August and November 2018, the report of which was reported to the Board in November. The evaluation was conducted by External Board Evaluation Ltd and it has no other connections to the Group. The process consisted of a series of one-to-one interviews. All the Directors were interviewed along with senior executives of the organisation. This led to the production of a number of observations and recommendations followed by to "next step" actions and dissemination to non-Board member participants.

The 2018 evaluation concluded that the Board and its Committees continued to work effectively; that the Board was high quality and well engaged and well equipped to deal with challenges faced by the business; and that there is an open culture which responds well to constructive challenge. Contentious issues are discussed and debated and the CEO encourages full and frank discussion. The process revealed areas that could be improved. These included greater interaction between the Board, the Executive Committee and the senior management team; more timely provision of information in order to confront and tackle known issues; improved prioritisation of matters for Board time; and greater Board contribution to the development and testing of strategy.

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

INDEPENDENT REVIEW COMMITTEE REPORT

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

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

The Independent Review is being conducted by a sub-committee of the Board ("IRC") with assistance from external advisers. The IRC is chaired by Vitalii Lisovenko and its other members are Steve Lucas, Mary Reilly and Bert Nacken.

Further detail on the background to the Group's relationship with the Charity is set out in Principal Risks, 3.2 Counterparty Risks on page 25.

Steps Resulting in the Establishment of the IRC

The Board suspended donations to the Charity in May 2018 as a result of continued delays in receiving information surrounding the Charity's activities, which the Charity regarded as beyond the normal requirements expected of a Ukrainian charity, and whilst it awaited the outcome of a review into the 2017 audited financial statements of the Charity.

As part of the half year review, transactions between the Charity's sub-funds and Khimreaktiv LLC, a related party of the Group's Chief Executive Officer, were identified. These were clarified and the funding flows were disclosed in the half year accounts. *For further information see Note 33 of the Financial Statements.*

As part of the full year audit process, later in August 2018, a number of irregularities were reported to the Board including inconsistencies in copy bank statements provided by the Charity to the Group's auditors.

These inconsistencies were reviewed by the Committee of Independent Directors ("CID") and the Board, however, the explanations provided by the Charity were considered incomplete and unsatisfactory and could not be independently verified. Following an inability under local law, in the view of the Charity, to provide the original bank statements, the Independent Review was established in February 2019 led by the IRC.

Terms of Reference

The IRC operates under terms of reference prepared with input from its legal advisers and has been approved by the Board. These authorise the IRC to review and progress all matters relating to or arising from the charitable donations made the Charity by the Group, including:

- reviewing the initial discrepancies in the copy bank statements brought to the attention of the Board and determining the action and further review needed as a result of the explanations provided by the Charity;
- gaining assurance over the use of the Group's funds donated to the Charity including where possible the end recipients of the donations and the purposes for which the donations have been used. The Group has made donations to the Charity over the last 6 years totalling US$110 million;
- reviewing the relationship and transactions between the Charity and Khimreaktiv LLC (an entity connected with Rosava which in turn is controlled by Kostyantin Zhevago, the Chief Executive Officer and ultimate majority shareholder of the Group);
- determining whether any significant influence as defined under IAS 24 may exist between Ferrexpo's CEO and the Charity; and
- considering any potential legal or regulatory exposures of the Group and assessing what claims (if any) the Group may have against third parties or other persons relating to the matters arising from the Group's relationship with the Charity.

The IRC operates independently of the Group's CEO. An Executive Director will attend a meeting of the IRC only when formally requested to do so by the IRC, and in cases where the IRC considers that the Executive Director can provide additional information which is relevant to the IRC's decision making process.

Activity of the IRC
Since its formation, the IRC has met regularly. The activities of the IRC have included defining the scope of the Independent Review, appointing appropriately qualified independent forensic accountants (BDO LLP) and legal counsel in the UK (Herbert Smith Freehills) and Ukraine (Arzinger and Asters) and reviewing interim reports provided by the before mentioned advisers. Additionally, the IRC through its advisors has conducted interviews with key Group personnel, reviewed key documents and approvals (including the copy bank statements provided by the Charity to Deloitte), and secured electronic documents for review and undertaken visits to some of the sites of the charitable events.

The IRC has considered the relationship of the CEO and the Group executive management with the Charity, including the CEO's business network, and concluded, based on the interim findings of the Independent Review to date and representations from the Chief Executive Officer, that neither the CEO nor the Group's executive management control or exercise significant influence over the Charity as defined under applicable accounting standards or under Chapter 11 of the Listing Rules and, as a result, the Charity is neither a related party of the CEO nor of the Group's executive management..

The IRC has made progress in receiving explanations regarding the differences contained in the copy bank statements, together with explanations for other inconsistencies identified by BDO, which might provide credible explanations for some of the differences and inconsistencies. However, the credibility of these explanations can only be assessed by access to certified bank statements. As at the date of this report, the Company has not yet been provided access to these.

The IRC has also received third party evidence (including governmental confirmations) to explain some but not all of the possible discrepancies identified by BDO in the application of funds by the Charity. The IRC is undertaking further work to corroborate this evidence and to evaluate those discrepancies.

At this stage, the IRC cannot conclude as to the ultimate use of all of the funds by the Charity, however, there are indications that some could have been misappropriated. Further work is required before any final conclusions can be drawn.

For further information
See Chairman's Statement (page 6), Principal Risks (page 25), Responsible Business (page 29), Corporate Governance Report (page 39), Audit Committee Report (page 48), and Note 7 (page 106), Note 29 (page 149), Note 33 (page 156) and Note 34 (page 156) to the financial statements.

Vitalii Lisovenko
Chairman of the Independent Review Committee
22 April 2019

AUDIT COMMITTEE REPORT

I am pleased to present to you the Report of the Audit Committee for 2018. As usual, and in accordance with Provision C.3.4 of the Governance Code, the Board asked the Audit Committee to advise it as to whether the Annual Report and Accounts are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy. In providing our advice (which is set out under "Financial Reporting" on page 53), we were mindful of ensuring that the Annual Report and Accounts are read in the context of the current circumstances facing the Company.

This report sets out the following information:
- The composition of the Audit Committee and the balance of skills and experience represented on it.
- The Committee's activities in 2018.
- Key estimates and critical judgements exercised by the Committee.
- Ferrexpo's systems of internal controls and risk management.
- The assessment of the external auditors' independence and effectiveness.
- The "fair, balanced and understandable" assessment.

Our Viability Statement is set out in the Strategic Report on page 28.

During the year, the Audit Committee met five times and reviewed the Annual Report and associated preliminary year-end results and the interim results, focusing on key areas of judgement and complexity and accounting policies. An important matter covered in these meetings was charitable donations made to Blooming Land (the "Charity"). At every meeting, the Audit Committee reviewed the progress of the implementation of improved controls around the donations to Blooming Land and requested detailed information from the Charity in order to understand how the donations from the Group were utilised to further its CSR policies.

For details of the relationship with the Charity
See Chairman's Statement (page 6), Principal Risks (page 25), Responsible Business (page 29), Corporate Governance Report (page 39), Independent Review Committee Report (page 46), and Note 7 (page 106), Note 29 (page 149), Note 33 (page 156) and Note 34 (page 156) to the financial statements.

The Audit Committee and the Board have taken a number of steps to improve the control and oversight of the Charity particularly since 2016. The Board suspended donations to the Charity in May 2018 as a result of delays in receiving information requested by the Group, and while the Group awaited the outcome of a review into the 2017 audited financial statements of the Charity.

In accounting for the Charity, a critical judgement relates to control of the Charity. After detailed analysis, including work carried out by the IRC, the Audit committee considered that the Charity operates independently of Ferrexpo.

The internal control and risk management procedures at Ferrexpo are set out later in this report and the main risks themselves are on pages 19 to 27 of the Strategic Report. Throughout the year, the Committee has robustly assessed the principal risks facing the business.

The significant issues and judgements considered by the Committee in respect of the 2018 Annual Report are set out on page 50. 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 is given in the relevant notes to the financial statements of the significant areas in which estimates and critical judgements had to be made. In order to satisfy itself that the accounting for these issues was reasonable and appropriate, and that disclosure in the financial statements was suitable and clear in each case, 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, the Group Financial Controller and, if relevant, operational management, and with the auditors at the Committee's meetings. These discussions were also informed by the Committee members' own expertise, particularly with regard to the economic and financial situation in Ukraine and operating practice in other large mining companies. At the end of this process, the Committee was satisfied with the accounting treatment and disclosure of each issue and with management's exercises of critical judgement as disclosed in Note 4 on page 102.

Mary Reilly
Chairman of the Audit Committee
22 April 2019

Membership and Meetings
During the year, the Audit Committee comprised four independent Non-executive Directors: Mary Reilly (Chairman of the Committee), Simon Lockett (who resigned from the Board as of 28 January 2019), Vitalii Lisovenko and Bert Nacken. All members of the Audit Committee (and especially Bert Nacken with his long experience of the mining industry) are considered to possess appropriate knowledge and skills relevant to the activities of the Group, and Mary Reilly is considered to have recent and relevant financial experience, including of accounts and auditing, due to her career as an audit partner with Deloitte LLP and her experience as a member of the audit committees of other companies. The Audit Committee met on five occasions during 2018. The attendance record of the Committee members is shown in the table on page 48.

In addition to its members, other individuals and external advisers, and the Chairman of the Board, may be invited to attend meetings of the Committee at the request of the Committee Chairman. The Committee regularly meets the external auditors at the end of its scheduled meetings, without Executive Directors or management being present.

Activity During 2018

Key activities of the Audit Committee during 2018 are set out below.

Date	Matters discussed
February	• Reviewed community support donation disclosures, controls and audit reports. • Received an update on Blooming Land. • Received an update of the 2017 audit. • Reviewed a presentation on the going concern and long-term viability assessments. • Reviewed risk register. • Reviewed compliance report. • Reviewed an update on Directors' Interests and Related Parties.
March	• 2017 year-end review. • Reviewed significant risks. • Reviewed auditors' responsibility statement. • Reviewed auditors' independence statement. • Reviewed risk register. • Considered the auditors' opinion. • Reviewed Annual Report. • Reviewed Viability Statement. • Reviewed Internal Controls. • Reviewed Audit Committee report. • Reviewed auditors' draft reports. • Reviewed compliance report. • Reviewed an update of the Audit Committee terms of reference. • Received an update on community support donations including Blooming Land.
May	• Received an update on community support donations including Blooming Land. • Reviewed Internal Audit recommendations. • Reviewed the Internal Audit Plan. • Reviewed Internal Audit quality survey results. • Updated Internal Audit charter. • Reviewed risk register. • Reviewed compliance report. • Reviewed Directors' Interests and Related Parties table. • Reviewed preliminary audit plan 2018.
July	• Reviewed risk register. • Reviewed external audit – half year results. • Reviewed community support donations including Blooming Land and outstanding matters previously requested by the Board. • Reviewed related party transactions.
November	• Received an update on Blooming Land. • Considered KPI assessment of external auditors. • Reviewed external audit planning report. • Received an update on Viability Statement. • Reviewed Whistleblowing Report. • Reviewed Preliminary Internal Audit Plan 2019. • Reviewed risk register. • Noted compliance report. • Reviewed Directors' Interests and Related Parties table.

Key Estimates and Critical Judgements

The significant issues and judgements considered by the Committee in respect of the 2018 Annual Report are set out below:

Issues	Judgements/actions taken
Operating expenses: nature of the Group's community support donations (Financial Note 7)	In the absence of conclusive evidence that funds have not been used as intended, the Group has judged that it remains appropriate for it to present its community support donations to the Charity as such in the consolidated financial statements within operating expenses on the basis that all material donations made by the Group have been applied as previously reported by the Charity to the Group.
Related party disclosures - completeness and arm's length nature (Financial Note 33)	The Board concluded that neither the Group nor the Chief Executive Officer controls or exercises significant influence over Blooming Land or its sub-funds (the "Charity") pursuant to relevant accounting standards IFRS 10 Consolidated financial statements and IAS 28 Investments in joint ventures and associates or under Chapter 11 of the UK Listing Rules. The appropriateness of the Group's related party transactions and the completeness and accuracy of the disclosures in Note 33 was reviewed by the Committee of Independent Directors ("CID").
Taxation: tax legislation in Ukraine (Financial Note 11)	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.
Property, plant and equipment: deferred stripping costs (Financial Note 13)	The Committee endorses the estimates underlying management's decision to capitalise US$11.8 million of pre-production stripping during the financial year 2018 in order to ensure availability of ore in future periods.
Inventories: lean and weathered ore (Financial Note 16)	The Committee notes that stocks of "lean" and weathered ore have continued to increase, but accepts that it is still the Group's intention to process them once additional processing capacities are available.

Internal Control and Risk Management

The Board has overall responsibility for the Group'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 Group's objectives. Because of the limitations inherent in any system of internal control, this system is designed to meet the Group's particular needs and the risks to which it is exposed, rather than eliminate risk altogether. Consequently it can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The day-to-day responsibility for managing risk and the maintenance of the Group's system of internal control is collectively assumed by the Executive Committee. Key risk and control issues are reviewed regularly by the Executive Committee, Finance and Risk Management Committee ("FRMC"), CSR Committee and Audit Committee. On behalf of the Board, the Executive Committee and FRMC have established a process for identifying, evaluating and managing the significant risks faced by the Group. This process was followed throughout 2018 and up to the date of approval of this Annual Report. The Group has also adopted a risk-based approach in establishing the Group's system of internal control and in reviewing its effectiveness. To assist in managing key internal risks, it has established a number of Group-wide procedures, policies and standards and has set up a framework for reporting matters of significance.

Controls over Community Support Donations

In 2018, Ferrexpo continued to support communities on a local and national basis (see "Responsible Business" section of the Strategic Report on pages 29 to 38) Community support activities take place exclusively in Ukraine, and donations were made within a Board-approved framework agreed annually at the time of setting the budget; they are subject to the internal control and approval limits applicable within the individual subsidiaries of the Group, which are set by the Board.

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

Donations to Blooming Land (the "Charity) were approved to the Board and were not considered part of the remit of the CSR Committee.

In relation to Blooming Land, controls included:

- Board approval of the use of the Charity.
- Board approval of the annual budgeted expenditure.
- Board or CID approval from late 2015 of individual payments to the Charity and from September 2017 approval of individual payments to the Charity by the Non-executive Directors or a committee of Non-executive Directors.

- A requirement for all expenditure to be supported by third party documentation.
- A requirement for any independent charities supported by Ferrexpo to provide fully audited accounts;
- Confirmation by Blooming Land of receipt, application and end use of funds for relevant community support purposes for each payment, typically US$500,000.
- Confirmation by Blooming Land, its three Sub-Funds and the sub-contracted event managers, of compliance with relevant local and international legislation.
- Consideration of relevant due diligence on the charities involved, including third-party checks on the relevant managers and funds.
- Receipt and consideration of reporting by an independent firm of Ukrainian auditors on the financial statements of Blooming Land.
- Verification of individual charitable event expenditures on a sample basis.
- Attendance at certain charitable events by Ferrexpo and third parties.

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

Developments in 2018

The Board had taken a number of steps to improve the control and oversight of the Charity in 2017. The following additional controls were introduced in 2018:

- A Governance Framework for 2018, setting out the respective roles and responsibilities for the Board, the Board's sub-committees and management in relation to charitable donations.
- A 'decision-making checklist' to assist with the assessment of funding requests received from Blooming Land and whether to subsequently approve such requests.
- A requirement for all expenditure to be supported by third party documentation.
- A requirement for any independent charities supported by Ferrexpo to provide fully audited accounts.
- A letter requested and received from Blooming Land providing further details on its activities and explanations for the use of event managers.

Donations to the Charity were suspended in May 2018 as a result of delays by the Charity in providing requested information to the Group, and while the Group awaited the outcome of a review into the Charity's 2017 audited financial statements. Blooming Land had also failed to implement certain control improvements requested by the Group.

On 4 February 2019, Ferrexpo announced an independent review into matters relating to the Group's donations to the Charity. At this stage, the Independent Review Committee cannot conclude as to the ultimate use of all of the funds by the Charity, however, there are indications that some could have been misappropriated. Further work is required before any final conclusions can be drawn.

For further information see Chairman's Statement (page 6), Principal Risks (page 25), Responsible Business (page 29), Corporate Governance Report (page 39), Independent Review Committee Report (page 46), and Note 7 (page 106), Note 29 (page 149), Note 33 (page 156) and Note 34 (page 156) to the financial statements.

Internal Controls – General

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

- Regular review of risk and identification of key risks at the Executive Committee which are reviewed by the Audit Committee and by the Board.
- The Executive Compliance Committee ("ECC"), an executive sub-committee which meets regularly (eight times in 2018), is charged, on behalf of the Executive Committee or Audit Committee, as appropriate, with ensuring that systems and procedures are in place to comply with laws, regulations and ethical standards. The ECC is attended by the Group Compliance Officer and, as necessary, by the local compliance officers from the operations, who present regular reports and ensure that the ECC is given prior warning of regulatory changes and their implications. The ECC enquires into the ownership of potential suppliers deemed to be "high risk", and oversees the management of conflicts of interests below Board level and general compliance activities (including under the UK Bribery Act 2010, the Modern Slavery Act, the Criminal Finances Act, and the EU General Data Protection Regulation).

- Clearly defined organisational and reporting structure and limits of authority for transaction and investment decisions, including any with related parties.
- Clearly defined processes for the review and approval of related party listings and transactions and appropriate review and approval from the CID and its delegated management sub-committee the ERPMC. Additional procedures are in place locally to ensure the completeness and arm's length nature of related party transactions, such as background checks and tender processes.
- Clearly defined information and financial reporting systems, including regular forecasts and an annual budgeting process with reporting against key financial and operational milestones.
- Investment appraisal underpinned by the budgetary process, where capital expenditure limits are applied to delegated authority limits.
- The Investment Committee (an executive sub-committee) which meets as required in order to consider and approve capital expenditures within limits delegated by the Executive Committee and the Board.
- A budgetary process and authorisation levels to regulate capital expenditure. For expenditure beyond specified levels, detailed written proposals are submitted to the Investment and Executive Committees and then, if necessary, to the Board for approval.
- The Finance and Risk Management Committee ("FRMC") (an executive sub-committee) reviews financial information and management accounts, and meets regularly.
- Clearly defined treasury policy (details of which are given in Note 26 to the financial statements on pages 137 to 145) monitored and applied in accordance with pre-set limits for investment and management of the Group's liquid resources, including a separate treasury function.
- Internal audit by an in-house auditor based in Ukraine (see below) who monitors, tests and improves internal controls operating within the Group at all levels and reports directly to the Chairman of the Audit Committee, and to the CFO for line management purposes.
- A standard accounting manual is used by the finance teams throughout the Group, 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 Group'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 Audit Committee.

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 register, and may request more detailed investigations into specific areas of concern if appropriate.

The Committee and the Board continued to keep the Bank F&C situation under review throughout the year (see Note 29 to the financial statements on page 150).

Full details of the Group's policy on risk and uncertainties are set out in Note 26 to the financial statements on pages 137 to 145. See also the Principal Risks section of the Strategic Report on pages 19 to 27.

Internal Audit

There is an internal audit function with a Group-wide remit, and the Head of Internal Audit, who has mining and international experience, reports directly to the Chairman of the Audit Committee and administratively 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 2018 assessment, with the rigour of the audit projects and with management's response to the Head of Internal Audit's findings. An internal audit programme for 2019 was approved by the Audit Committee in November 2018.

An internal audit programme for 2018, approved by the Audit Committee, focused on the operational risks relating to the sales and marketing, fuel management, repair and maintenance, HR, compliance, IT, high wall failure, and fraud risk assessment. The Committee received a report from the Head of Internal Audit twice during the year, and reviewed the progress of the internal audit plan with the 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 Group's internal control systems, and therefore form 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 Group's external auditors when performing their role in the Group's reporting to shareholders.

The effectiveness of the audit process and the overall performance, independence and objectivity of the auditors are reviewed annually at the end of the annual reporting cycle by the Audit Committee, taking into account the views of management. The outcome of the March 2018 review was relayed to the relevant partners of Deloitte LLP. This review takes the form of an assessment (using a questionnaire) of the auditors' performance under various headings: the robustness of the audit, the quality of delivery, and the calibre of the audit team. The auditors also provide to the Audit Committee information about policies and processes for maintaining independence and monitoring compliance with relevant current requirements, including those regarding the rotation of audit partners and staff, the level of fees that the Group pays in proportion to the overall fee income of the firm, and other regulatory requirements. The Committee reviewed these arrangements during the year and believes that they are still appropriate.

The Company has complied with the Statutory Audit Services Order issued by the UK Competition and Markets Authority for the financial year ended 31 December 2018.

Non-audit Services

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

Fees for audit-related and non-audit-related services performed by the external auditors during 2018 are shown in Note 7 to the financial statements on page 106.

Financial Reporting

The Board has asked the Committee to advise whether it considers the 2018 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 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 Governance Code. The Viability Statement is set out in the Strategic Report on page 28 and a statement setting out the Board's assessment of the Company as a going concern is contained in the Directors' Report on page 76 and Note 2 to the financial statements on page 98.

Whistleblowing Policy

The Audit Committee is responsible for reviewing the Group's whistleblowing arrangements, and receives regular reports from the Head of Internal Audit which detail any new whistleblowing incidents and, where appropriate, steps taken to investigate such incidents.

NOMINATIONS COMMITTEE REPORT

Dear shareholder

I am pleased to present the Nominations Committee Report for 2018.

The Committee met formally twice during the year. At these meetings the Board composition and refreshment of the Board was discussed as well as the Group's Diversity and Inclusion programme. It was also agreed to undertake an externally facilitated Board performance evaluation for the year to 31 December 2018 (for further information see Performance Evaluation on page 45).

During the year, members of the Committee were active in interviewing candidates for various Board roles and in recommending the appointment of Lucio Genovese who joined the Board in February 2019.

The Committee is currently searching for a Non-executive Director to succeed Simon Lockett, who resigned from the Board on 29 January 2019, as the Senior Independent Director. It is expected that an appointment will be made during 2019. As a result of Mr Lockett's resignation, as of the date of this report, the Committee is currently composed of the Chairman of the Board.

The Nominations Committee remains composed of an independent Non-executive Director and the Chairman of the Board.

Steve Lucas
Chairman of the Nominations Committee
22 April 2019

Membership and Meetings

The Nominations Committee is chaired by Steve Lucas and its other member was Simon Lockett. The Nominations Committee meets at least once a year, as required by its terms of reference, and met formally twice in 2018 besides holding periodic meetings with search agents and interviews with candidates.

Appointment Process and Succession Planning

The Committee is aware of the Governance Code recommendation that non-executive membership of the Board should not extend beyond nine years in an independent capacity.

During the year, the Committee discussed and interviewed for various positions on the Board. Executive search consultants were used in the search. After consulting the Nominations Committee about the skills and experience required, the consultants drew up a long list of candidates from which a short list was chosen to be invited for interview by the Nominations Committee. The Nominations Committee then recommended Lucio Genovese as the preferred candidate and he was interviewed by other members of the Board before being formally appointed on 12 February 2019.

The executive search consultants used in relation to the appointment of Lucio Genovese were Odgers Berndtson, which has no other connection with the Company.

Re-election

Lucio Genovese, who was appointed to the Board on 12 February 2019, will stand for election by shareholders at the Company's AGM in May 2019. In accordance with the provisions of the 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 boardroom diversity in terms of cultural and professional background, expertise and gender, and believe that the present composition of the Board is satisfactory according to those criteria, although it is always seeking to improve on existing diversity where possible. The Committee seeks to apply this policy by ensuring that all available suitable candidates are taken into account when drawing up short lists of candidates for appointment to the Board, and seeks only to engage executive search consultants who have signed up to the Voluntary Code of Conduct for executive search firms. The final decisions to make appointments to the Board are, however, made on merit against objective criteria, so as to ensure that the strongest possible candidates for the role are recruited.

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

Management and Staff Diversity

As stated under "Diversity" in the "People" section of the Strategic Report on page 33, Ferrexpo's policy is to employ a diverse workforce.

Gender Diversity

Currently 29% of the workforce is female. 18% of management positions are held by women, and our aim is to increase this figure to 24% by 2021. Efforts to increase the representation of women more generally are expected to be assisted by a recent change in Ukrainian law to allow women to be employed in certain operational roles from which they were previously excluded. During the year, Ferrexpo Belanovo Mining was very proud to train the first women in Ukraine to be heavy duty truck drivers. Five women completed their training programmes and in December 2018 transferred to the FPM, FYM and FBM mining departments to be employed as dump truck drivers.

Additionally, in 2018 some of FPM's community support programmes were aimed at helping women.

Disability

In Ukraine, Ferrexpo is required by law to ensure that registered disabled people make up at least 4% of its workforce. This requirement was met in 2018.

RELATIONS WITH SHAREHOLDERS

The Chairman is responsible for ensuring that the views of shareholders are communicated to the Board as a whole, and reports on his discussions with shareholders as part of the standard agenda for scheduled Board meetings. Information about the views of major investors is provided to the Board on a regular basis by the CEO, the CFO and the Head of Investor Relations. J.P. Morgan Cazenove, the Group's brokers, also provide regular reports to the Board on changes to the shareholdings of the Group's major investors.

The Executive Directors and other senior executives maintain appropriate contact with institutional shareholders on a range of issues affecting the Group's performance, and meet with institutional investors and analysts following the announcement and presentation of the annual and interim results. The Chairman, the CEO, the CFO and the Head of Investor Relations meet major shareholders and analysts regularly to discuss performance, strategy and governance, and the Senior Independent Director and other Non-executive Directors are available for discussions with shareholders if required. The Board uses the Annual General Meeting ("AGM") each year to communicate with shareholders and welcomes their participation. The Chairmen of the Audit, Remuneration and Nominations Committees normally attend the AGM and are ready to answer questions from shareholders, as required. Notice of the AGM and related papers are sent to shareholders at least 20 working days before the meeting. The voting results of the AGM are available on the Company's website following the meeting.

Information on matters of interest to investors can be found on the Group's website at www.ferrexpo.com.

The Board approved this report on 22 April 2019.

Steve Lucas
Chairman

REMUNERATION REPORT

A Statement to Shareholders from the Chairman of the Remuneration Committee[1][1]

On behalf of the Board, I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2018.

As in previous years, this report is split into two distinct sections. The first sets out Ferrexpo's remuneration policy which was approved by shareholders at the 2017 AGM; and is reproduced in full for ease of reference and to provide context to the decisions taken by the Committee during the year. The second reviews how the Company's remuneration policy was implemented in 2018 and will be implemented in 2019. This section will be subject to an advisory vote at the forthcoming AGM. The elements subject to audit are highlighted throughout.

In 2018, the iron ore market was notably less volatile and iron ore pellet demand remained strong with pellet premiums rising 30% above 2017 levels. The Group's production volumes rose by 2% compared with 2017, and reflected planned pellet line refurbishment in 2Q and higher levels of required fixed plant maintenance. Higher commodity input prices, local inflation and increased mining and maintenance activities beyond management control impacted the Group's C1 cash cost of production which increased by 34% to US$43.3 per tonne (2017: US$32.3 per tonne). Sales volumes were also hampered by temporary logistics difficulties in respect of railage to the port and low water levels on the Danube River. The Committee believes that this performance is fairly reflected in executive remuneration outcomes for the year, as set out in this report and taking into consideration the specific arrangements regarding Mr Zhevago (the "CEO") outlined below.

It is the policy of the Board to align executive and shareholder interests by linking a high proportion of executive remuneration to performance, basing rewards on a balanced portfolio of performance measures, and assessing remuneration packages against the relevant market to ensure that Ferrexpo can attract, motivate and retain talented executives. The CEO's incentive is derived entirely from his shareholding in the Company, and his remuneration is paid to him at a flat rate of US$240,000 per year. The Board considers that his large shareholding in the business is sufficient to strongly align the CEO's interests with those of other shareholders.

In determining bonus outcomes under the Short Term Incentive Plan ("STIP") for 2018, the Committee took account that some factors affecting the outcomes of the Business scorecard were beyond the direct control of executives but noted with deep regret that a fatality was experienced at Ferrexpo Poltava Mining ("FPM") in 2018. The overall outcome under the STIP ranged from 55.6% to 83.5% of maximum, including 75.2% of maximum for the Chief Financial Officer ("the CFO"), Mr Mawe. This outcome includes the application of a negative 5 per cent Modifier on the overall STIP outcome for all executives in consideration of the tragic fatality and the impact on business outcomes arising from higher production costs and lower than planned sales.

No significant changes were made to the implementation of the remuneration policy during the year, but in light of recent changes to the UK Corporate Governance Code, the Committee will be considering the introduction of a post-employment shareholding guideline as part of its review of the Company's remuneration policy during 2019. The Committee has already introduced a two-year holding period on vested LTIP shares with clawback provisions, for awards granted from 2018 onwards. This extends incentive time horizons and provides further alignment with shareholder interests. In total, this results in a five-year combined LTIP vesting and holding period.

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

From a disclosure perspective, we have included Schedule 8 revisions around enhancing the pay scenario chart disclosure (see page 60) and quantifying the impact of share price appreciation on long-term incentive outcomes (see page 64).

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. During the year the Remuneration Committee did not exercise any upwards or downwards discretion with respect to the vesting of any element of the remuneration package.

BERT NACKEN
Chairman of the Remuneration Committee
22 April 2019

PART A: POLICY SECTION (NOT SUBJECT TO AUDIT)

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 Executive Directors, the members of the Executive Committee, and the Company Secretary as well as their specific remuneration packages, including pension rights and, where applicable, any compensation payments. In determining such policy, the Committee is expected to take into account all factors which it deems necessary to ensure that members of the senior executive management of the Group are provided with appropriate incentives to encourage strong performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.

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

Key Principles of the Remuneration Policy

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

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

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

Executive Director Policy Table

This section of our report summarises the policy for each component of Executive Director remuneration which was effective from the date of the 2017 AGM for both current and future Executive Directors (but see also "Remuneration Policy for New Appointments" on page 61). The framework governing the LTIP was approved by shareholders at the 2018 AGM.

The Chief Executive's remuneration package includes an honorarium of US$240,000 per year (net of applicable income taxes) with no performance-related pay as described earlier in this report, and his incentive is derived entirely from his shareholding in the Company.

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The Board considers this large shareholding in the business to be a significant factor in aligning the performance of the CEO with other shareholders' interests, and is satisfied that this structure is appropriate. At the current time, most of the policies set out below, other than those related to benefits and pensions, are therefore not applicable to the current CEO and apply exclusively to the CFO. The principles below are, however, also considered as a framework for any future Executive Director appointments and apply where appropriate to the members of the Executive Committee.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Fixed Pay **Base Salary** To attract and retain talent by ensuring base salaries are competitive in the market in which the individual is employed.	Base salaries are reviewed annually, with reference to the individual's role, experience and performance; business performance; salary levels for equivalent posts at relevant comparators; cost of living and inflation; and the range of salary increases applying across the Group.	Base salary increases are applied in line with the outcome of the review, which will not exceed 5% p.a. (or, if higher, the applicable inflation rate) on an annualised basis over the period over which this policy applies. Increases above this level may be applied where appropriate to reflect changes in the scale, scope and responsibility attaching to the role and market comparability.	Business and, where relevant for current Executive Directors, individual performance are considerations in setting base salary.
Pension To provide retirement benefits.	Executive Directors will, as appropriate, be offered membership of a scheme which complies with relevant legislation (where necessary, additional pension entitlements will be provided) or cash in lieu of pension.	The employer contribution will be a percentage of pensionable salary and associated benefits (excluding variable pay). The employer contribution will normally be up to 15% of salary subject to compliance with local statutory requirements.	Not performance related.
Benefits Competitive in the market in which the individual is employed.	Benefits are paid to comply with local statutory requirements and as applicable to attract or retain executives of a suitable calibre. They include life insurance and medical insurance. Where appropriate, additional benefits may be offered, including, but not limited to, allowances for accommodation, relocation, tax advice and legal advice.	Benefits' values vary by role and eligibility and costs are reviewed periodically. Increases to the existing benefits will not normally exceed applicable inflation. Increases above this level may be applied, where appropriate, to reflect changes in role, scope, location and responsibility.	Not performance related.
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, expanding geographically.	Targets are set at the start of the year against which performance is measured. The Committee determines the extent to which these have been achieved. The Committee can exercise discretion to adjust the formulaic outcome within the limits of the plan for factors outside of management control where it believes the outcome is not truly reflective of performance or in line with overall Company performance. Payments are typically made in cash; however, the Committee may determine that a portion of the bonus be deferred and be in the form of cash or shares. Malus and clawback provisions will apply in the event of a material misstatement of results, a failure of risk management, a material calculation error or gross misconduct.	Maximum opportunity of 150% of salary. The target opportunity is up to two-thirds of maximum and the threshold opportunity is up to one-third of maximum.	Performance related. Performance measures can include financial, non-financial and personal achievement criteria measured over one financial year. Details of the performance measures and weightings for the STIP in 2018 are set out in Part B under "2018 STIP outcome". 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	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.	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	Vesting of LTIP awards is subject to the Company's relative TSR against a comparator group over a period of at least three years and

Purpose and link to strategy	Operation	Opportunity	Performance metrics
encouraging them to see themselves not just as managers, but as part-owners of the business.	Subsequent dividends on shares held by participants are paid in shares. For LTIP awards from 2018 onwards a two-year holding period applies to Executive Directors' vested LTIP shares. Malus and clawback provisions will apply in the event of a material misstatement of results, a failure of risk management, a material calculation error or gross misconduct.	but will not exceed 300% of salary. The threshold opportunity is 20% of maximum.	continued employment. In addition, for any shares to vest, the Committee must be satisfied that the recorded TSR is a fair reflection of Ferrexpo's underlying business performance. Details of the performance targets for the LTIP are set out in Part B under "LTIP granted in 2018". The Committee reviews the LTIP performance conditions, in advance of granting each LTIP cycle. Over the life of this policy relative TSR will be retained as the primary performance measure.

Rationale for Performance Measures

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

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

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

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

Remuneration of Senior Executives Below the Board

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

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

Payments Resulting from Existing Awards

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

Non-executive Director Policy Table

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

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Fees			
To attract and retain talent by ensuring fees are market competitive and reflect the time commitment required of Non-executive Directors in different roles.	Annual fee for the Chairman. Annual base fee for Non-executive Directors. Additional fees are paid to the Senior Independent Director and the Chairmen of the Committees as well as for representation on subsidiary Boards, where appropriate, to reflect additional responsibility. Fees are reviewed from time to time, taking into account the time commitment, responsibilities and fees paid by comparable companies, and also taking into consideration geography and risk profile.	Changes to Non-executive Director fees are applied in line with the outcome of the review undertaken by the Chairman and Executive Directors. The maximum aggregate fees, per annum, for all Non-executive Directors allowed by the Company's Articles of Association is £5,000,000.	Not performance related.

Additional fees may be payable to Non-executive Directors in exceptional circumstances, e.g. if there is a material increase in time commitment. Non-executive Directors are not eligible to participate in any incentive plans, or receive benefits or any additional elements of remuneration to that stated above.

Pay-for-Performance: Scenario Analysis

The CEO does not participate in any incentive plan, for the reasons stated in the introduction to this report. Under all scenarios, therefore, his remuneration remains as set out in Section B of this report. For the CFO, who is the remaining Executive Director, the graph below provides estimates of the potential future reward opportunity and the potential split between the different elements of remuneration under four different performance scenarios: "Below threshold", "Target" and "Maximum" and "Maximum assuming 50% share price growth".

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

Scenario	STIP	LTIP	Fixed pay
Maximum assuming 50% share price growth	Maximum STIP (150% of salary)	Performance warrants full vesting and share price increase of 50% versus the share price at grant	Base salary, pension and benefits as at 1 January 2019
Maximum	Maximum STIP (150% of salary)	Performance warrants full vesting[1]	
Target	On-target STIP (100% of salary)	Performance warrants threshold vesting (20%)[1]	
Below threshold	No STIP payable	Threshold not achieved (nil)	

1 Excludes increase in value arising from share price growth.

Potential reward opportunities illustrated above are based on the policy and current practice, applied to the base salary in force at 1 January 2019. For the STIP, the amounts illustrated for the CFO are those potentially receivable in respect of performance for 2019. For the LTIP, awards do not normally vest until the end of three years following the beginning of the year in which they were granted. The LTIP award opportunity for the CFO above is assumed to be of similar monetary value as the award made but which he declined in 2018. It should also be noted that the Committee reviews the efficacy of the LTIP prior to grant each year, which could affect the LTIP awards made to the CFO in 2019.

Remuneration Policy for New Appointments

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

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

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

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

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

Details of Executive Directors' Service Contracts

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

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

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

Under the service contracts, the Executive Directors are entitled to 25 working days' paid holiday per year.

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

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

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

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

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

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

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

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

Details of Non-executive Directors' Letters of Appointment
The Chairman and Non-executive Directors have each entered into a letter of appointment with the Company. The Non-executive Directors are each appointed for an initial period of three years, and their appointments may then be renewed on a three-yearly basis, subject to re-election when appropriate by the Company in 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
S Lucas	Chairman	19 May 2016	Annual re-election
B Nacken	Non-executive Director	1 August 2014	Annual re-election
V Lisovenko	Non-executive Director	28 November 2016	Annual re-election
M Reilly	Non-executive Director	27 May 2015	Annual re-election
L Genovese[1]	Non-executive Director	12 February 2019	Election

1 Lucio Genovese was appointed to the Board on 12 February 2019 and will stand for election at the 2019 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: REMUNERATION IN 2018 (SUBJECT TO AUDIT)

The following section provides details of how the remuneration policy was implemented during the year. Throughout this report, the remuneration of Mr Zhevago and Mr Mawe (the Executive Directors) is disclosed in local currencies to facilitate year-on-year comparisons, uninfluenced by exchange rate fluctuations.

Committee Membership in 2018

The Committee comprises four independent Non-executive Directors. Bert Nacken is the Chairman of the Committee. The other members are Mary Reilly, Vitalii Lisovenko and Simon Lockett. The Committee met four times during the year. Attendance at meetings by individual members is detailed in the Corporate Governance Report on page 45. A summary of the topics discussed at meetings in 2018 is detailed below:

- Review of remuneration of members of the Executive Committee, including salaries, STIP and LTIP policy.
- Review of incentive outcomes.
- Review of pension arrangements across the Group.
- Review of the policy governing recovery provisions relating to incentive awards.
- Review of feedback from the 2018 AGM voting season.
- Review of general market considerations surrounding executive remuneration packages and structure.
- Review of changes in the UK Corporate Governance Code and implications for the operation of the Committee.
- Performance evaluation of the Committee.

The CEO and the Chief Human Resources Officer (the "CHRO") usually attend meetings of the Committee at the invitation of the Chairman of the Committee, and the Company Secretary acts as secretary to the Committee. No Director is present when his own remuneration is being discussed.

Advisers

The Committee currently retains Mercer | Kepler to provide advice on remuneration policy, with particular emphasis on the structure of long-term incentives for senior management and the provision of benchmark reports on executive and non-executive remuneration. Mercer | Kepler is a member of the Remuneration Consultants Group and adheres to its code of conduct. To help ensure a consistent approach to remuneration across the Group, Mercer | Kepler also provided advice to the Company in respect of matters relating to the remuneration of other employees. Other than remuneration advice, no other services were provided by Mercer | Kepler. Kepler's parent company, Mercer, advised the Group on international healthcare plans. The fees paid to Mercer | Kepler in respect of work carried out for the Committee in 2018 totalled £18,925 based on time and materials. The Committee evaluates the support provided by its advisers periodically and is satisfied that Mercer | Kepler provides independent and objective remuneration advice to the Committee and does not have any connections with Ferrexpo which may impair its 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 2018 and the prior year.

	K Zhevago (CEO)		C Mawe (CFO)	
All figures shown in currency of payment	**2018**	2017	**2018**	2017
1 Salary	**US$240,000**	US$240,000	**CHF651,525**	CHF651,525
2 Benefits	**nil**	nil	**CHF191,339**	CHF167,790
3 STIP	**–**	–	**CHF735,000**	CHF728,644
4 LTIP	**–**	–	**£291,975**	£395,685
5 Pension	**CHF10,941**	CHF14,662	**CHF68,922**	CHF65,326
Total	**US$240,000 plus CHF10,941**	US$240,000 plus CHF14,662	**CHF1,646,786 plus £291,975**	CHF1,613,285 plus £395,685
6 Total (single currency)	**US$251,195**	US$254,891	**CHF2,028,018**	CHF2,115,062

The figures have been calculated as follows:

1 Base salary: amount earned for the year.

2 Benefits: the taxable value of benefits received in the year (accommodation allowance and healthcare).

3 STIP: this is the total bonus earned on performance during the year. Further details are provided on pages 66 to 68.

4 LTIP: the market value of shares that vested on performance to 31 December of the relevant year (2018: 100% vested on performance; 2017: 100% vested on performance). The market value is based on the share price on the date of vesting: 31 December 2018 of 194.65 pence. Further details are provided on page 68. The impact of share price appreciation on the value of the LTIP is reflected in the CFO LTI Value at Vesting chart on below.

5 Pension: valued in accordance with sections 230 to 232 of the Finance Act 2004 for cash balance arrangement schemes. Other formulae (such as 20 times the increase in the value of accrued benefit over the year) are not considered appropriate since this is not a classic defined benefit scheme (see "Pensions and Other Benefits" below), and for expatriate staff the pension is repaid as a lump sum on leaving the country.

6 Average exchange rates: 2018 – US$1 = CHF0.9773, CHF1 = £0.7659; 2017 – US$1 = CHF0.9846, CHF1 = £0.7890.

CFO LTIP Value at Vesting

Date of grant	Number of shares	Vesting percentage	Share price at date of grant[1]	Share price at date of vesting	Value based on grant price	Value based on vesting price	Impact of share price appreciation
21/04/2015	135,000	100%	75p	293.1p	£101,250	£395,685	£294,435 (74%)
20/04/2016	150,000	100%	29.8p	194.65p	£44,700	£291,975	£247,275 (85%)

1 The grant price used for the purpose of the table above is the three-month average share price during the prior financial year to the year of grant, in line with the face value methodology used in the Remuneration Report.

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 2018 and the prior year.

	All figures shown in currency of payment, US$000			
	2018		2017	
	Fees	**Total**	Fees	Total
Non-executive Directors[1]				
S Lucas[2]	**440**	**440**	440	440
M Reilly[3]	**170**	**170**	170	170
B Nacken[4]	**170**	**170**	170	170
V Lisovenko	**135**	**135**	135	135
S Lockett[5]	**190**	**190**	92	92
Former Non-executive Directors				
M Field[6]	**0**	**0**	73	73
O Baring[7]	**0**	**0**	158	158

1 The Non-executive Director base fee is US$135,000 p.a. and US$35,000 p.a. for chairmanship of a Committee. This fee structure became effective on 1 September 2016.
2 Steve Lucas receives a Chairman fee of US$440,000 p.a.
3 Mary Reilly receives an additional fee of US$35,000 p.a. for her role as Chairman of the Audit Committee.
4 Bert Nacken receives an additional fee of US$35,000 for his role as Chairman of the Remuneration Committee.
5 Simon Lockett resigned from the Board on 28 January 2019. In 2018, in addition to a Non-executive Director base fee, he received fees of US$55,000 p.a. since 1 September 2017, for his role as Senior Independent Director.
6 Sir Malcolm Field joined the Board on 10 March 2016 and during 2017 he received a time pro-rated additional fee of US$35,000 p.a. for his role as Chairman of the Bank F&C Review Committee. He also received a fee of US$4,625 in 2017, calculated on a time spent basis, in respect of work carried out on the Bank F&C review. He retired from the Board on 25 May 2017.
7 Oliver Baring retired from the Board on 23 November 2017. He received, in addition to a Non-executive Director base fee until his retirement, additional fees of US$60,000 p.a. for his role as Senior Independent Director until 30 August 2017.

Implementation of Remuneration Policy

Salary

Base salaries are reviewed annually, with reference to the individual's role, experience and performance; business performance; salary levels at relevant comparators; and the range of salary increases applying across the Group. During the year the Committee considered pay levels against international mining comparators and other FTSE-listed companies of similar size with executives based in similar geographic locations. Following this review the Committee decided not to increase executive salaries in 2018. Mr Zhevago's remuneration also remained unchanged at US$240,000.

		Base salary at:		
Executive Director	Position	**1 January 2019**	1 January 2018	Increase
K Zhevago	CEO	**US$240,000**	US$240,000	0%
C Mawe	CFO	**CHF651,525**	CHF651,525	0%

Pensions and Other Benefits – Audited

The Group does not operate a separate pension scheme for Executive Directors. Mr Mawe and Mr Zhevago are members of the Ferrexpo AG pension plan, which is a mandatory insurance scheme under Swiss law, provided for all employees of Ferrexpo AG, to which the Company contributes an average of 6% of their annual base salaries. Contributions operate according to a sliding scale, increasing as the employee gets older to a maximum of 10%.

	Normal retirement date	Increase in value for 2018 less Director's contribution (CHF000)	**Total cash value at end of 2018 (CHF000)**
K Zhevago	07.01.2039	11	**93**
C Mawe	31.01.2027	69	**903**

No additional benefit is receivable on early retirement.

Mr Zhevago is entitled to, but in 2018 made no claim in respect of, 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. Ferrexpo AG provides Mr Mawe with

CHF167,790 of accommodation allowance and CHF23,549 of health insurance per annum which is subject to periodic review in line with CPI inflation.

Pension and other benefits will operate as set out in the Executive Director remuneration policy earlier in the report.

2018 STIP Outcome – Audited

The Company, as a single product producer of iron ore pellets with a focused customer portfolio, sets its performance targets to ensure that the CFO and senior executives are motivated to enhance shareholder value both in the short term and over the longer term. Key performance targets for 2018 were set for the CFO and senior executives and were weighted to reflect the contribution of the individual to the achievement of that target. Targets during the year related to financial performance, operational performance, and sales and product marketing performance, as well as personal targets relating to operational and financial management objectives. Safety (behavioural safety initiatives and improvements in risk management and lost time accident statistics) was included as a modifier, decreasing the total result in the event of a fatality.

In last year's report, detailed targets and objectives were not disclosed prospectively as they were considered to be commercially sensitive at that time. We indicated that retrospective disclosure of these targets would be given in this year's report where this is no longer the case, and this is included in the table below. Financial and operational targets were normalised, as in previous years, to take account of market and raw material cost price developments and mining plans as appropriate, to the extent that these were not under the direct control of management.

Target STIP opportunity (as a percentage of salary) may be varied as appropriate to take account of changes in role, responsibility or scope.

No payment is made under the STIP if performance is below threshold. For the CFO, threshold performance earns a bonus of 50% of salary, on-target performance 100% and stretch performance 150%.

The level of achievement against each of the targets for 2018, as determined by the Committee for the CFO, is summarised below.

Business Scorecard (60% of STIP)

KPI	Measure/target	Weighting for CFO %	Threshold 50%	Target 100%	Stretch 150%	Scorecard outcome	Assessment	Max as a % of salary	Bonus awarded as a % of salary
Financial	Underlying cash EBITDA (US$)	15%	433	452	533	459	Above target	22.5%	15.7%
	NOPAT (US$)	15%	283	326	368	337	Above target	22.5%	16.9%
Operational	Production volume (Mt)	5.0%	10,395	10,595	10,995	10,506	Above threshold	7.5%	3.9%
	Full cash costs (C1) (US$/t)	5.0%	47.6	46.6	44.6	47.5	Threshold	7.5%	2.8%
	FPM Total movement cost (US$/t)	5.0%	2.18	2.04	1.91	1.99	Above target	7.5%	5.9%
	FYM Total movement cost (US$/t)	5.0%	1.99	1.86	1.75	1.90	Threshold	7.5%	4.2%
Sales and Marketing	Realised DAP/FOB price (US$)	5.0%	-5.0	-3.0	-1.5	0.70	Stretch achieved	7.5%	7.5%
	Seaborne freight per wmt compared to C3 (US$/t)	5.0%	4.5	3.0	1.5	0.82	Stretch achieved	7.5%	7.5%
		60.0%						**90.0%**	**64.4%**
Safety	Zero harm – 5% deduction due to fatality						Discretionary modifier		-5.0%
							Scorecard outcome		**59.4%**

The Committee considered the CFO's performance against Financial, Operational, Sales and Marketing targets during 2018. The Committee noted that production volumes in 2018 were impacted by planned pellet line refurbishments and higher than expected required maintenance. Temporary rail logistics problems and low water on the Danube River impeded sales which caused a drag on financial targets despite these targets being adjusted upwards to take account of actual market and raw material input cost price developments which were beyond the direct control of management. The Committee also noted with deep regret that a fatal incident was experienced at FPM in the year when a contractor fell while working at height. This loss has had an immense impact on all involved and the Board continues to work closely with executive management to build leadership capability and improve safety performance. As a result of this incident the Committee applied a penalty of (-5%) to the overall scorecard outcome for the CFO.

Taking into consideration all these factors, the Committee determined an overall business scorecard result for the CFO of 59.4% of salary.

Personal Objectives (40% of STIP)

KPI	Objectives	Weighting for CFO %	Threshold 50%	Target 100%	Stretch 150%	Scorecard outcome	Assessment	Max as a % of salary	Bonus awarded as a % of salary
Personal objectives	Minimise additional tax arising from tax audits	10.0%	Adjustment of plus 12% tax due	Adjustment of plus 7% of tax due	Adjustment of plus 2% tax due	Stretch achieved	Tax charge less than plus 2%	15.0%	15.0%
	Refinance 2019 bond	10.0%	Comparative terms to peers and not more than +5% above LIBOR	Better than market terms given to peers and not more than +4.5% above LIBOR	Significantly better than market terms given to peers and not more than +4.0% above LIBOR	Target	PXF facility arranged and 2019 Bond fully financed at 4.5% above LIBOR	15.0%	10.0%
	Cash management to mitigate price risk	10.0%	No mitigation needed	Cash issues (Opex and Capex) discussed with Exco and effective solutions developed with part implementation to mitigate financial impact of production volumes and/or sales shortfall	Cash issues (Opex and Capex) discussed with Exco and effective solutions developed and 100% of actions taken to mitigate financial impact of production volumes and/or sales shortfall	Above target	Working capital effectively managed with specific and effective actions taken and Exco fully involved in managing highlighted Opex and Capex issues	15.0%	13.5%
	Enable budgeted dividend payments approved by the Board	10.0%	Lowered to mitigate risk	On schedule	Ahead of schedule	Stretch achieved	Group cash balance effectively managed to enable the payment of normal and special dividend ahead of schedule to shareholders	15.0%	15.0%
Total		**40.0%**						**60.0%**	53.5%
Total STIP	**(Composite result of business scorecard and personal objectives achievement)**							**150.0%**	112.9%

The Committee considered the CFO's personal performance against his personal targets during 2018 as shown above and confirmed a result of 53.5%. The Committee confirmed that the CFO had achieved all his personal targets relating to managing the Group's overall tax position, refinancing the Group's bond due in 2019, and management of the Group's cash position which enabled the payment of normal and special dividends to shareholders. The Committee also considered that the CFO had continued to take actions to deleverage the Group's balance sheet, reducing working capital and had achieved various compliance-related targets in the normal course of his duties. It was also noted that the CFO had, through various personal actions, contributed towards an increase in the Group's credit rating by the main rating agencies and had enhanced relationships with banking partners, thus enabling a new PXF facility and trade finance facilities to be arranged.

Taking into account his overall scorecard results and achievement of specific personal targets, the Committee awarded a total cash bonus of 112.9% of salary to the CFO.

STIP Framework for 2019

The STIP framework for 2019 is in line with the principles of the remuneration policy and the 2018 framework. Financial and operational targets, including cost reduction measures and personal KPIs, continue to be set as in previous years. Mr Mawe's 2019 STIP opportunity is 150% of salary for maximum performance, and 100% for target performance. The measures and weightings for the STIP in 2019 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. The CEO does not participate in the STIP.

KPI	Weighting for CFO
Financial (EBITDA, NOPAT)	30.0%
Operational (production, sales volume)	30.0%
Personal	40.0%
Total	**100.0%**

2016 LTIP Award Vesting – Audited

The performance period for the 2016 LTIP awards ended on 31 December 2018. The 2016 LTIP rewarded TSR outperformance of a tailored comparator group, as set out below. Under the 2016 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 Mercer | Kepler. From 1 January 2016 to 31 December 2018, Ferrexpo's TSR outperformance was 11.9% p.a. resulting in 100% of the 2016 LTIP awards vesting.

Executive Director	Interests held	Vesting	Interests vesting	Vesting date	Vesting share price	Value
Chris Mawe	150,000	100%	150,000	31/12/2018	194.65p	£291,975

LTIP Granted in 2018 – Audited

The 2018 LTIP intended grant to Mr Mawe had a face value of 46% of salary. As outlined in the Chairman's statement, the CFO declined receiving an LTIP award for the year.

The constituents of the index for the last three cycles are summarised in the table below:

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

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

TSR is calculated on a common currency basis to ensure that comparisons with international comparators listed overseas are fair, with a TSR share price averaging period of six months to help improve the comparison of the management long-term incentive in relation 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 2018

This Directors' Remuneration Report is published prior to the grant date of awards under the LTIP, which are normally made in April. In advance of grant, the Committee will review the efficacy of the LTIP to ensure that it remains relevant. Details of awards made in 2019 will be set out in next year's Annual Report on Remuneration. The awards will be subject to recovery provisions and a two-year holding period following the three-year performance period.

Non-executive Directors (Including the Chairman)

The Non-executive Directors' fees are reviewed each year in light of the time commitment and level of involvement that Non-executive Directors are required to devote to the activities of the Board and its Committees, market practice, and surveys by Mercer | Kepler. Fees payable were reviewed and reduced in 2016 and 2017. For 2019, fees for incoming NEDs will be reduced to align with market benchmarks. The fee rates applicable for existing NEDs and new appointments from 2019 is disclosed below:

Role	From 1 January 2019 Annual fee for incoming NEDs	From 1 January 2019 Annual fee for existing NEDs	From 1 September 2017 Annual fee
Existing fees:			
Chairman fee	**US$440,000**	**US$440,000**	US$440,000
Non-executive Director base fee	**US$100,000**	**US$135,000**	US$135,000
Committee Chairman fee	**US$20,000**	**US$35,000**	US$35,000
Senior Independent Director fee	**US$35,000**[1]	**US$55,000**[2]	US$55,000

1. Fee includes US$20,000 for chairmanship of the Committee Independent Directors ("CID") and US$15,000 for acting as the Senior Independent Director ("SID").
2. The additional fee for the SID includes US$35,000 for chairmanship of the CID and a fee of US$20,000 for acting as the SID.

Directors' Shareholdings – Audited

Total interests of the Directors in office (and connected persons) as at 31 December 2018:

	At 31 December 2018	At 31 December 2017
K Zhevago[1]	**296,077,944**	296,077,944
C Mawe	**254,309**	115,437
S Lucas	**0**	0
V Lisovenko	**0**	0
S Lockett	**50,000**	0
B Nacken	**20,000**	20,000
M Reilly	**0**	0

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.

Executive Directors and members of the Executive Committee are encouraged to build up a holding of shares of equivalent value to a year's salary (in the case of Executive Directors) or six months' salary (for other members of the Executive Committee). Executives will be encouraged to retain their vested LTIP shares on an after-tax basis until the applicable guideline level is achieved. As at 22 April 2019, being a date not more than one month prior to the date of notice of AGM, the Executive Directors' shareholdings are as follows:

	Shareholding requirement (% salary)	Owned outright	Subject to performance[1]	Current shareholding[2] (% salary)	Guideline met?
K Zhevago	100%	296,077,944	–	–	Yes
C Mawe	100%	254,309	300,000	99.2%	No

1 Performance awards are nil-cost options. Further details of shares subject to performance are provided below.
2 Based only on shares owned outright at 31 December 2018 and a share price of 194.65 pence.

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

	At 1 January 2018	Granted (2018 award)	Exercised	Lapsed	Total at 31 December 2018	Price on date of award (pence)	Date from which exercisable	Expiry date
C Mawe	135,000[1]		135,000	0	0	67	01.01.18	21.04.25
	150,000[2]				150,000	37	01.01.19	25.04.26
	150,000				150,000	148.6	01.01.20	04.05.27
Total					**300,000**			

1 This award has vested 100% under the TSR performance condition described above. At the date of vesting (31 December 2017) the market price of a share was 293.10 pence.
2 This award has vested 100% under the TSR performance condition described above. At the date of vesting (31 December 2018) the market price of a share was 194.65 pence.

With the exception of the reinvestment of the January 2019 special dividend to purchase 3,117 shares for Mr Mawe, there have been no changes in the interests of the Directors from the end of the period under review to 22 April 2019. Total outstanding (i.e. awarded but not yet vested) awards granted under the LTIP as at the end of 2018 are equivalent to 0.05% of issued share capital.

Exit Payments Made in Year – Audited

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

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Payments to Past Directors – Audited

Lucio Genovese retired from the Board on 1 August 2014 and has subsequently been reappointed on 12 February 2019. In 2018, for his role as a Non-executive Director of Ferrexpo AG he received a fee of US$40,000 p.a. Wolfram Kuoni retired from the Board on 28 November 2016 and, in 2018, for his role as the Chairman of Ferrexpo AG, he received a fee of US$100,000 p.a. No other payments were made to past Directors in the year.

Percentage Change in CEO Remuneration Compared to Other Employees

The table below sets out the percentage increase in salary, taxable benefits and annual bonus for the CEO between 2017 and 2018 compared to that for other employees.

	CEO	Other employees[1]
Salary	0%	1.9%
Taxable benefits	0%	0%
Annual bonus	n/a	33.7%

1 Refers to senior executives.

Relative Importance of Spending on Pay

The table below shows Ferrexpo's dividend and total employee pay expenditure (this includes pension and variable pay, including STIP and fair value of LTIP, but not social security) for the financial years ended 31 December 2017 and 31 December 2018, and the percentage change.

US$ million	**2018**	2017	Year-on-year change
All-employee remuneration	**73**	55	32.8%
Distributions to shareholders[1]	**97**	58	65.6%

1 Includes dividends and share buybacks.

Comparison of Company Performance and Executive Director Pay

The graph below shows the value, at 31 December 2018, of £100 invested in Ferrexpo's shares on 31 December 2008 compared with the current value of the same amount invested in the FTSE 250 and All-Share indices or in the shares of the LTIP comparator group. The FTSE 250 and All-Share indices are chosen because Ferrexpo was a constituent member of the FTSE 250 for most of the period.

HISTORICAL TSR PERFORMANCE

Growth in the value of a hypothetical £100 holding over the ten years to 31 December 2018.

Chief Executive Officer's Pay

US$000	2009	2010	2011	2012	2013	2014	2015	2016	2017	**2018**
K Zhevago										
Single figure total remuneration	322	341	348	291	243	243	243	243	255	**251**
STIP vesting (% max)	K Zhevago did not participate in the STIP									
LTIP vesting (% max)	K Zhevago did not participate in the LTIP									

Statement of Shareholder Voting

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

	For		Against		Withheld
	No.	%	No.	%	No.
Remuneration policy (at 2017 AGM)	434m	97.4%	12m	2.6%	1.4m
2017 Annual Report on Remuneration (at 2018 AGM)	483m	98.0%	10m	2.0%	0m

Other transactions involving Directors are set out in Note 33 (related parties) to the financial statements. This report was approved by the Board on 22 April 2019.

Signed on behalf of the Board

BERT NACKEN
Chairman of the Remuneration Committee

DIRECTORS' REPORT

Introduction

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

The Directors present their Annual Report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 31 December 2018. There have been no significant events since the balance sheet date, other than the proposed dividend disclosed in Note 12 to the financial statements. Information about the Group's strategy, business model and likely future developments is included in the Strategic Report on pages 5 to 38.

Information about the use of financial instruments by the Group is given in Note 26 to the financial statements.

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 9.8.4 R(1))	See financial statements Note 13	116
Details of long-term incentive schemes (LR 9.8.4R (4))	Remuneration Report	56-72
Contracts of significance (LR 9.8.4R (10))	See financial statements Note 33. Transactions with FC Vorskla are considered to be contracts of significance under the Listing Rules	153
Details of waivers of dividends by shareholders (LR 9.8.4R (12) and (13))	The employee benefit trust contains 2.3 million Ferrexpo Ordinary Shares for satisfying existing and future awards under management incentive schemes. A dividend waiver is in place in respect of these shares	-
Relationship Agreement with controlling shareholder (LR 9.8.4R (14)). Also see Note 33: Related party disclosures	Corporate Governance Report	43
Disclosures concerning greenhouse gas emissions	Strategic Report	35
Financial instruments	The Group does not hold any derivative financial instruments. Group policy on financial instruments is set out in Note 26 to the financial statements	137
Events since the balance sheet date	See financial statements Note 34	156
Statement of Directors' responsibilities in respect of the Annual Report and Accounts	Corporate Governance Report	78
Information that fulfils the requirements of DTR 7.2 (other than DTR 7.2.6)	Corporate Governance Report	39

Dividends

Results for the year are set out in the consolidated income statement on page 93.

The Directors recommend a final dividend of 6.6 US cents per Ordinary Share. Subject to shareholders approving this recommendation at the Annual General Meeting ("AGM"), the dividend will be paid in UK Pounds Sterling on 1 July 2019 to shareholders on the register at the close of business on 14 June 2019. Shareholders may receive UK Pounds Sterling dividends by direct bank transfer, provided that they have notified the Company's registrars in advance. Shareholders may also elect to receive dividends in US Dollars (the procedure for this is set out in the Notice of the AGM).

In recognition of the progress made by the business in 2018, the Directors have also announced a special dividend of 6.6 US cents per share for payment on 14 May 2019 to shareholders on the register at the close of business on 3 May 2019. The dividend will similarly be paid in UK Pounds Sterling with an election to receive US Dollars.

Directors

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

- Vitalii Lisovenko
- Simon Lockett (retired 28 January 2019)
- Steve Lucas
- Chris Mawe
- Bert Nacken
- Mary Reilly
- Kostyantin Zhevago
- Lucio Genovese (appointed 12 February 2019)

All of the Directors will retire at the forthcoming AGM and, being eligible, will offer themselves for re-election.

Details of the remuneration of the Directors, their interests in shares of the Company and their service contracts are contained in the Remuneration Report on pages 56 to 72.

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 who 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.

Disclosures Required by Statute

Employees

Information on the Group's employment policies can be found in the Strategic Report on pages 32-33. Employee numbers are stated in Note 28 to the financial statements. The Group employs fewer than 250 staff in the United Kingdom and so does not disclose its policies on employee involvement or employing disabled people. However, it will give fair consideration to applications for employment from disabled people.

Political Donations

The Group made no political donations during the year.

Share Capital and Rights Attaching to the Company's Shares
The Company has a single class of Ordinary Shares of 10 pence each.

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 30 to the financial statements.

Variation of Rights
Subject to the provisions of the Act, the rights attached to a class of shares may be varied or abrogated either with the consent in writing of the holders of at least three-quarters of the nominal amount of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class validly held in accordance with the Articles.

Transfer of Shares
Any share in the Company may be held in uncertificated form and, subject to the Articles, title to uncertificated shares may be transferred by means of a relevant system. Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the Uncertificated Securities Regulations 2001 and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

Subject to the Articles, any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The Board may decline to register a transfer of a certificated share if it is not in the approved form. The Board may also decline to register any transfer of any share which is not a fully paid share. The Board may decline to register a transfer of any of the Company's certificated shares by a person with a 0.25% or greater interest if such a person has been served with a notice and has failed within 14 days to provide the Company with information concerning interests in those shares required to be provided under the Act, unless the transfer is shown to the Board to be pursuant to an arm's length sale.

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or that may result in restrictions on voting rights.

Repurchase of Shares
Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Act. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

The Company was given authority to make market purchases of up to approximately 10% of its existing Ordinary Share capital by a resolution passed on 25 May 2018. This authority will expire at the conclusion of the Company's 2019 AGM. A special resolution to renew the authority will be proposed at the forthcoming AGM. Details of the resolution renewing the authority to purchase Ordinary Shares are set out in the Notice of AGM enclosed with this report.

The Company did not make use of the authority mentioned above during 2018.

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 Companies Act 2006 and has failed within 14 days to provide the Company with information concerning interests in those shares required to be provided under the Act.

Voting

At a general meeting of the Company, every member has one vote on a show of hands and, on a poll, one vote for each share held. Under the Act, members are entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote at a general meeting. A member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting as a corporate representative.

Restrictions on Voting

No member is entitled to vote at any general meeting in respect of any shares held by him if any call or other sum outstanding in respect of that share remains unpaid. Currently, all issued shares are fully paid. In addition, subject to the Articles, no member shall be entitled to vote if he has failed to provide the Company with information concerning interests in those shares required to be provided under the Act.

Shares Held in the Employee Benefit Trust ("EBT")

The trustees of the Company's EBT may vote or abstain from voting on shares held in the EBT as they think fit and in doing so may take into account both financial and non-financial interests of the beneficiaries of the EBT or their dependants.

Deadline for Voting Rights

The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the meeting. The Directors will also specify in the notice of any general meeting a time, being not more than 48 hours before the meeting, by which a person must be entered in the register of members in order to have the right to attend and vote at the meeting The Directors may decide, at their discretion, that no account should be taken of any day that is not a working day when calculating the 48-hour period.

Substantial Shareholdings

As at 31 December 2018, the Company had been advised, in accordance with the Disclosure 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 31 March 2019, 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 facility agreement relating to a Dollar revolving pre-export finance ("PXF") facility up to US$500 million (US$400 million of commitments) 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. As at 31 December 2018, US$195 million of the facility were drawn.

As of 31 December 2018, total committed PXF facilities available were US$400 million, of which US$195 million had been drawn under the 2017 facility.

Corporate Bonds Due 2018 and 2019

Under the conditions of the Notes issued in February and July 2015, if Kostyantin Zhevago or certain related persons ceases to own directly or indirectly at least 30% of the issued and allotted share capital of the Company; if any person (other than Kostyantin Zhevago or certain related persons) becomes the beneficial owner of shares in the Company carrying more than 50% of the voting rights normally exercisable at a general meeting; or if the allotted share capital of the Company ceases to be listed on certain approved markets, then any Noteholder will have the right to require the repurchase of its Notes at a purchase price in cash equal to 101% of the principal amount plus accrued and unpaid interest.

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 43). The Relationship Agreement ceases to apply if Ferrexpo's shares cease to be listed and traded on the London Stock Exchange, or if the holding of Fevamotinico S.a.r.l., The Minco Trust or Mr Zhevago individually or collectively falls below 24.9% of the issued share capital of the Company and they are no longer a controlling shareholder for the purposes of the UK Listing Rules.

Going Concern

The Group's business activities, together with the risk factors likely to affect its future development, performance and position, are set out on pages 16 to 27. The Viability Statement is set out in the Strategic Report on page 28. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Performance Review on pages 7 to 12. In addition, Note 26 of the notes to the consolidated financial statements on pages 137 to 145 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 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.

Statement on Disclosure of Information to Auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information (as defined in the Act) of which the Group's auditors are unaware, and that each Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information (as defined) and to establish that the Group's auditors are aware of that information.

Amendments to Articles of Association

The Articles may be amended by special resolution in accordance with the Act.

AGM
The AGM of the Company will be held at 11.00am on 7 June 2019 at The Great Hall, J.P. Morgan, 60 Victoria Embankment, London EC4Y 0JP. A separate letter from the Chairman summarising the business of the meeting and the Notice convening the AGM will be sent to shareholders with this Annual Report.

The Strategic Report on pages 4 to 38 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 22 April 2019.

For and on behalf of the Board

Steve Lucas
Chairman

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement by the Directors under the UK Corporate Governance Code

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Article 4 of the IAS Regulation, and have also chosen to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 (Reduced Disclosure Framework). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of their profit or loss for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 (Reduced Disclosure Framework) has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in Respect of the Annual Report and Accounts

We confirm that to the best of our knowledge:

(a) the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

(b) the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the 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, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Directors' Report (including Corporate Governance Report) comprises the information on pages 38 - 77.

This responsibility statement was approved by the Board of Directors on 22 April 2019 and is signed on its behalf by:

Steve Lucas
Chairman

Chris Mawe
Chief Financial Officer
22 April 2019

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FERREXPO PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
Qualified opinion
In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report:

- the financial statements give a true and fair view of the state of Ferrexpo plc (the 'Parent Company') and its subsidiaries (together the 'Group') affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent Company statements of financial position;
- the consolidated and Parent Company statement of cash flows;
- the consolidated and Parent Company statement of changes in equity;
- the related consolidated notes 1 to 34; 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 qualified opinion
We have been unable to obtain satisfactory audit evidence or explanations in respect of the following matters:

1. **Corporate Social Responsibility ('CSR') donations advanced to Blooming Land Charitable Foundation ("Blooming Land")**
   We have been unable to obtain satisfactory audit evidence or explanations to conclude whether the USD 9.5 million of CSR donations advanced to Blooming Land in the year ended 31 December 2018, and USD 24.0 million in the year ended 31 December 2017, was expended by Blooming Land on legitimate business payments for charitable purposes. The directors suspended payments to Blooming Land in May 2018. The cumulative CSR payments made to Blooming Land by the Group since 2013 total approximately $110 million. Depending on the nature of any misappropriation or misapplication that might or might not emerge and is concluded on, the risk is that the Group's financial statements i) might not fairly present the nature of the expenditures made; ii) might omit liabilities for any related breaches of laws and regulations involving the Group; and/or iii) might omit related party or other disclosures that ought to have been made.

   In August 2018, Deloitte received from Blooming Land additional copy bank statements and inconsistencies were identified between those and copy bank statements received previously in July 2018, which raised concerns as to the credibility and reliability of all other information and documentation previously provided by Blooming Land. To date, Blooming Land has not provided the original or certified copy bank statements to Ferrexpo, citing confidentiality constraints. Blooming Land has provided explanations for these inconsistencies, including the cyber-attacks against Ukrainian financial institutions in June 2017 which they stated caused these irregularities in the copy bank statement data. Our knowledge of the effects of the cyber-attack on other companies and the systems by which bank statements are generated raised concerns whether these explanations are credible.

In relation to the direct donations of materials reported by Blooming Land as having been made to institutions in Ukraine, we received cost breakdowns and source documents supporting the stated expenditure for a sample selected by us but Blooming Land has not provided the requested details of the recipient parties or any supporting documents evidencing receipt by them.

In the final quarter of 2018, we identified from public records in Ukraine that certain criminal legal proceedings have been launched in Ukraine under which Blooming Land has been directed by the relevant court to provide documents.

We reported all of these concerns to the board of directors and our recommendation that an independent forensic investigation be launched. In February 2019, the Group established an Independent Review Committee (IRC) with the mandate set out on page 46, which includes reviewing the discrepancies in the copy bank statements; gaining assurance over the ultimate use of funds donated to Blooming Land; reviewing the relationship between Blooming Land and Khimreaktiv (an entity controlled by the Group's CEO); whether significant influence or control over Blooming Land exists; and the extent of any potential legal or regulatory exposures. The IRC commissioned an independent forensic investigation (referred to as an Independent Review by the Company) led by legal counsel in the UK and Ukraine and independent forensic accountants.

The forensic investigation is ongoing, such that the inconsistencies in the copy bank statements provided by Blooming Land are not yet resolved. Further, the independent forensic accountant has identified discrepancies with regard to the application of funds by the Blooming Land and there are indications from their work to date that some element of the funds could have been misappropriated. As noted on page 47, the IRC has noted that they cannot conclude as to the ultimate use of all of the funds and that there are indications that some could have been misappropriated and accordingly we are also unable to conclude as to the ultimate use of all the funds by Blooming Land and whether the Group's payments to Blooming Land are appropriately presented and disclosed.

2. **Whether Blooming Land is a related party of the Group**

The directors have reached an interim conclusion that neither the Group, nor its CEO and majority shareholder, have significant influence or control over Blooming Land. In reaching this conclusion the directors have considered the relationship of the CEO with Blooming Land, including the CEO's business network, and have placed reliance on the CEO's representation, as set out on page 47 that he believes that he does not. Were this to be otherwise, Blooming Land would be a related party of the Group.

The investigation into Blooming Land has identified a significant number of potential associations and linkages adjacent to the CEO. Whilst not individually definitive, when taken together with other factors, including the multiple capacities in which the Group's CEO could interact with Blooming Land (including as CEO of Ferrexpo, but also as a principal for Khimreaktiv and the controlling shareholder in Ferrexpo), we did not consider that we had obtained sufficient appropriate audit evidence to conclude whether the Group CEO did not hold significant influence, held significant influence or exercised control. Accordingly we are unable to conclude whether the associated related party transaction disclosures are complete and accurate for the current and prior periods.

Had we been able to obtain sufficient appropriate evidence in respect of the above matters, adjustments might have been necessary to the financial information and disclosures for the years ended 31 December 2018 and 31 December 2017.

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 qualified opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • CSR payments and whether Blooming Land is a related party of the Group (see basis for qualified opinion section above) • Related party disclosure (other than in relation to Blooming Land) • Management override of controls • Taxation – transfer pricing Our assessment of the Group's key audit matters is consistent with 2017, except for; i) the inclusion of management override of controls due to the matters and uncertainties noted in the basis for qualified opinion above; and ii) the taxation key audit matter now only relates to transfer pricing due to a further reduction in the probability of a previously unrecognised deferred tax asset being recorded.
Materiality	The materiality that we used for the Group financial statements was USD 18.1 million which was determined as 5% of the three-year average of profit before tax and special items. Performance materiality was set at 50% of materiality.
Scoping	We utilised Deloitte global member firms ("Component Auditors") to report on the operations of the assessed components, comprising the three mining and processing entities in Ukraine and the Swiss and Middle East marketing companies. Our audit scope results in all major operations of the Group being subject to audit work, covering in excess of 99% of the Group's revenue, 94% of the Group's profit before tax and 94% of the net assets.
Revisions to our planned audit approach	As a result of the matters and uncertainties noted in the basis for qualified opinion, as required by International Standards on Auditing (UK), we performed a reassessment of our audit risks and approach, including fraud risks. Following which: i) we involved Deloitte forensic specialists in our audit to review the scope and independence of the Independent Review, and to assist in our analysis of its findings and conclusions. These specialists also supported us in performing due diligence procedures over certain counterparties identified during the audit; ii) additional specific procedures were performed, in particular in relation to the risk areas of related parties and management override as outlined in the relevant Key Audit Matters section of this report; iii) the extent of existing procedures were increased through reducing performance materiality of the group and components; iv) the group scoping was revised with previously out of scope entities being subject to additional specified procedures in relation to their external revenue balance; v) we performed a reassessment over our work on controls with particular emphasis on management review controls over significant account balances; vi) we changed our overall audit approach such that we no longer place any reliance on controls and adopted a fully substantive audit; and vii) we performed increased procedures on capitalisation of expenditure and certain expenses accounts including evaluating the business need and pricing for the services obtained and obtained audit evidence for the receipt of the underlying goods or service.

Conclusions relating to going concern, principal risks and viability statement

Going concern We have reviewed the directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements. We considered as part of our risk assessment the nature of the group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, the directors' assessment of forecast covenant compliance and evaluated the directors' plans for future actions in relation to their going concern assessment. We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.	**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**
Principal risks and viability statement Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to: • the disclosures on pages 19-27 that describe the principal risks and explain how they are being managed or mitigated; • the directors' confirmation on page 28 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or • the directors' explanation on page 28 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**

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.

In addition to the matters described in the basis for qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Related party disclosure (other than in relation to Blooming Land)

Key audit matter description	The Group enters into a substantial number of related party transactions and has reported an expense of USD 48.1 million and other income of USD 1.0 million, of which USD 27.7 million and USD 0.9 million respectively relates to transactions with counterparties that are controlled by the Group's majority shareholder and CEO. Our risk assessment and audit approach reflected the matters and uncertainties set out in the basis for qualified opinion, including the limitation of scope in relation to whether the Group's CEO and majority shareholder has significant influence or control over Blooming Land, and the previously unreported related party transaction in the year ended 31 December 2017 which was identified and disclosed during the Interim review for the six months ended 30 June 2018 as set out in note 33. There was therefore considered to be a key audit matter due to the heightened risk of undisclosed related party transactions and transactions entered into that are not transacted on an arm's length basis and not disclosed as such. This risk was considered greatest in the Ukrainian operations because of the developing regulatory environment. Refer to Key Estimates and Critical Judgements section in the Report of the Audit Committee on page 50. The related party disclosures are set out in note 33 to the Financial Statements and the Company's controls and processes are described in the Report of the Audit Committee on page 51.
How the scope of our audit responded to the key audit matter	We reviewed and evaluated management's process for identifying and recording related party transactions and reviewed the design and implementation of management's controls around the approval of related party transactions both at the level of the Group and the individual entities. We challenged the adequacy of the Company's processes and controls in this area and its response to the previously unreported related party transaction. We reviewed the minutes of meetings of the Board of Directors and relevant sub-committees to assess whether there are any new related party transactions entered into in 2018 that are significant or outside the normal course of business. We used forensic tools to profile the counterparties for all transactions entered into by Ferrexpo in Ukraine during 2018 in order to identify those of greatest audit interest. For these 128 and the 6 new counterparties in the year we performed detailed background checks using forensic experts in the UK and Ukraine to assist in the design and execution of our audit procedures. We performed independent searches of the CEO and majority shareholder's other business interests to test the completeness of the related party list. We obtained the list of related parties confirmed by the Board of Directors and did not identify any counterparties on the list which were not included in the related party disclosures. We reviewed an increased sample of underlying contracts to understand the nature and commerciality of any new or significant related party transactions and assessed whether they are executed on arm's length basis.

	In relation to the $10.7 million paid for the sponsorship of FC Vorskla, which is wholly owned by the Group's CEO and majority shareholder, we have benchmarked the amounts paid versus the commercial income of other football clubs in Ukraine. In relation to the $9 million of this amount, which is paid to FC Vorskla Cyprus, an entity owned by a trust in turn controlled by the Group's CEO, we saw a confirmation from a representative of the football club confirming the use of funds. We reviewed disclosure of related party balances and transactions to determine whether they were in compliance with IAS 24.
Key observations	With the exception of the matters discussed in the basis for qualified opinion section above, the results of our testing were satisfactory and we concur that the related party transactions and balances are appropriately disclosed in the financial statements.

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. We assessed an increased potential management override risk, as a result of the matters and uncertainties noted in the basis for qualified opinion, in relation to the purchase to pay controls, which we considered to be the most pervasive risk area for misappropriation of assets and undisclosed or non-commercial related party transactions, and overstatement of reported profit by manipulation of key estimates or journal entries. Related party disclosure was also assessed as a separate key audit matter.
How the scope of our audit responded to the key audit matter	As a result of the increased potential management override risk, we have performed the following procedures (in addition to other specific procedures performed which are outlined in the other Key Audit Matters and basis of qualified opinion section of this report): • We performed an account balance by account balance review for all operating and capital payments, to determine balances where substantive analytical procedures are no longer appropriate and supplemented those procedures with tests of detail. We also deliberately increased unpredictability in our audit procedures. We increased our testing over the nature of legal, consultancy and agency spend given the higher fraud risk that exists for these balances. We increased our reliance on directly obtained third party evidence, such as direct revenue and debt confirmation and reduced our reliance on management representations. • We increased unpredictability in our audit procedures surrounding the testing of journal entries by reassessing the selection criteria we applied in our data analytics tools as a result of our revised risk assessment. This included additional risk characteristics reflecting the CSR payments such as the updated related party list and searching for additional keywords of interest resulting in additional samples being substantively tested. • We held additional discussions with a broader range of senior management, being the Chief Operating 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 changed our overall audit approach such that we no longer place any reliance on the operating effectiveness of controls and adopted a fully substantive audit with no control reliance approach. In line with the initial audit plan, prior to the reassessment of audit approach, we also performed the following in order to address the risk of management override: • 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 judgments 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; and • 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.

Taxation – transfer pricing

Key audit matter description	The Group prices its sales between its subsidiaries using international benchmark prices for comparable products covering product quality and applicable freight. The Group judge these to be on terms which comply with applicable legislation. In August 2017, the State Fiscal Service of Ukraine ("SFS") commenced a tax audit 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 for the years 2013-2015. The SFS issued its official tax audit report to the Group on 27 December 2018 with a claim representing a total exposure of $16.2 million. The Group submitted its objection to the SFS findings on 25 January 2019. The SFS rejected management's responses on 11 March 2019 and management intend to initiate legal proceedings. Ferrexpo assessed the risk of loss in relation to the claim as possible and has accordingly disclosed, rather than provided for, the $16.2 million. The Group evaluated the risk of further claims being received in respect of other entities or additional years, concluding that such exposure was remote. Significant judgement is required in applying the transfer pricing rules and in determining the probability of any loss in connection with the Ukrainian tax audit and therefore this has been identified as a key audit matter. This matter is described in note 11 to the Financial Statements. The taxation disclosure including accounting policies and description of key sources of estimation uncertainty are set in Note 11 and considered by the Audit Committee on page 50 of the annual report.
How the scope of our audit responded to the key audit matter	We involved tax specialists in Ukraine to assess appropriateness of the transfer pricing policies and documentation in place prepared by management.

	On a sample basis, we verified the calculation of prices for transactions that occurred in 2018 to be in line with the transfer pricing policy. We reviewed the arguments set out in the statement of claim and underlying calculations, other correspondence with the SFS and the calculations of the assessed risk with assistance from UK tax and transfer pricing specialists. In addition, we have reviewed recent similar cases in Ukraine and the results of court proceedings. We reviewed the disclosure of these taxation balances to determine whether they were in compliance with IAS 12.
Key observations	The results of our testing were satisfactory and we concur that the tax provisions and disclosures are appropriate.

Our application of materiality

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. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	**Parent Company financial statements**
Materiality	USD 18.1 million (2017: USD 16.5 million)	USD 15.8 million (2017: USD 14.4 million)
Basis for determining materiality	We have determined materiality by using 5% of a three-year average (2016 – 2018) of profit before tax and special items. There were no special items in 2018 or 2017. In the 2016 they comprised USD 2.5 million of inventory, property, plant and equipment, receivables and prepayments and other write offs and USD 8.5 million of allowance for the Bank Finance & Credit restricted cash balance. In 2017 we used 5% of a two-year average (2016 – 2017) of profit before tax and special items in determining our materiality.	1.5% of Parent Company's net assets (2017: 1.5%)
Rationale for the benchmark applied	The profit before tax for the years 2016-2018 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 extended to a three-year average in 2018 following benchmarking to peer companies.	We consider the chosen benchmark to be appropriate due to the nature of company's operations being a holding company of the Group.

We set our 2018 performance materiality of $9m (2017: $11.5m) at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we considered the increased risk arising from the CSR payments to Blooming Land and the subsequent investigation. Group performance materiality therefore is set at 50% of group materiality for the 2018 audit (2017: 70%).

We agreed with the Audit Committee that we would report to them all audit differences in excess of USD 900,000 (2017: USD 825,000) 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.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and the Parent Company and their environments, including internal control, and assessing the risks of material misstatement. The Group's parent entity and finance company are UK based, while the head office and marketing companies are based in Switzerland and the primary mining operations are located in Ukraine.

As a result of the matters and uncertainties noted in the basis for qualified opinion, we performed an extensive reassessment of our audit and fraud risks following which:

i) we involved Deloitte forensic specialists in our audit to review the scope and independence of the Independent Review, and to perform analysis of its findings and conclusions. These specialists also supported us in performing due diligence procedures over certain counterparties identified during the audit;
ii) additional specific procedures were performed, in particular in relation to the risk areas of related parties and management override as outlined in the relevant Key Audit Matters section of this report;
iii) the extent of existing procedures were increased through reducing performance materiality of the group and components;
iv) the group scoping was revised with previously out of scope entities such as the bunkering and logistics operations being subject to additional specified procedures in relation to their external revenue balance;
v) we performed a reassessment over controls with particular emphasis on management review controls over significant account balances.
vi) we changed our overall audit approach such that we no longer place any reliance on controls and adopted a fully substantive audit;
vii) we performed increased procedures on capitalisation and certain expenses accounts including evaluating the business need and pricing for the services obtained and obtained audit evidence for the receipt of the underlying goods or service.

Considering operational and financial performance and risk factors, we focussed our assessment on the significant components and performed full scope audits of the Ukrainian FPM and FYM components and Ferrexpo plc entity along with specified group level audit procedures on the material external balances at the Swiss marketing entities FAG and FME (being revenue and receivables), the non-operating Ukrainian FBM component, Ferrexpo Finance plc and for the first time the Bunkering and Logistics businesses. Our full scope and specified audit procedures cover revenue (in excess of 99% of Group total), profit before tax (94% of Group total) and net assets (94% of Group total).

The remaining 21 components represent a 9% reduction of the Group's profit before tax and individually do not represent more than a 3% reduction 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 USD 9.1 million to USD 14.5 million (2017: USD 6.6 million to USD 10.7 million).

The Group audit team was involved in the audit work performed by the component auditors in Ukraine and Switzerland through a combination of our global planning conference call meetings, a visit to the Ukrainian team and operations, provision of referral instructions (including detailed supplemented procedures following the revised risk assessment), review and challenge of related component inter-office reporting and of findings from their work (which included the audit procedures performed to respond to risks of material misstatement), attendance at component audit closing conference calls and weekly interaction on audit and accounting matters which arose.

Ferrexpo plc company only and Ferrexpo Finance plc are registered in the United Kingdom hence the audit and specified procedures were carried out by the Group audit team.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

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.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of directors

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of group and local management, internal audit, the Group's internal and external legal counsel and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, pensions, IT, forensic and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: CSR payments, related party disclosure, taxation-transfer pricing, revenue recognition, valuation of lean ore inventories, cost capitalisation and management override of controls; and
- obtaining an understanding of the legal and regulatory frameworks that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements. The key laws and regulations we considered in this context included 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.

Audit response to risks identified

As a result of performing the above, we identified CSR payments, taxation – transfer pricing, related party disclosure and management override of controls as key audit matters. The basis for qualified opinion and key audit matters sections of our report explains the matters in more detail.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations described as having a direct effect discussed above;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Ukrainian State Fiscal Service;
- with respect to revenue recognition, we obtained direct third party confirmations of all iron ore sales during the year with detailed substantive procedures performed for any unreconciled differences and reviewed customer agreements, including identifying any pricing outliers;
- with respect to valuations of lean ore inventories:
  - We audited the significant assumptions within the lean ore valuation calculations with reference to external third party support;
  - We assessed the Group's ability to complete key capital projects, including the processing facility expansion programme ("Section 9"), and the economic feasibility of processing lean ore versus the opportunity cost of processing higher grade ores; and
- In relation to capital projects, the Group audit team visited the mine in 2018 and observed the progress of key capital projects. We also enhanced our detailed testing on capitalised expenditure and prepayments by: increasing the sample size of transactions, challenging the commercial rationale for the transactions selected, obtaining documentary support for the delivery of goods or services, checking that the cash payments were made to the correct supplier bank accounts and challenging whether the costs incurred qualified to be capitalized under IAS 16.

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.

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

Adequacy of explanations received and accounting records

Arising solely from the limitation on the scope of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Under the Companies Act 2006 we are required to report to you if, in our opinion: • 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 nothing to report in respect of these matters.**
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.**

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the members at the Annual General Meeting on 27 May 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods.

The period of total uninterrupted engagement of the firm is 2 years, covering years from our appointment through to the year ending 31 December 2018.

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).

Statement pursuant to section 837(4) of the Companies Act 2006

Respective responsibilities of directors and the auditor

In addition to their responsibilities described above, the directors are also responsible for considering whether the company, subsequent to the balance sheet date, has sufficient distributable profits to make a distribution at the time the distribution is made.

Our responsibility is to report whether, in our opinion, the subject matter of our qualification of our auditor's report on the Ferrexpo plc financial statements for the year ended 31 December 2018 is material for determining, by reference to those financial statements, whether the distribution proposed by the company is permitted under section 830 and section 831 of the Companies Act 2006. We are not required to form an opinion on whether the company has sufficient distributable reserves to make the distribution proposed at the time the distribution is made.

Opinion

In our opinion the subject matter of the above qualification is not material for determining by reference to these financial statements whether the final dividend for the year ended 31 December 2018 of $116 million proposed by the company is permitted under section 830 and section 831 of the Companies Act 2006.

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.

Christopher Thomas
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
22 April 2019

FERREXPO PLC

CONSOLIDATED INCOME STATEMENT

US$000	Notes	Year ended 31.12.18	Year ended 31.12.17
Revenue	6	**1,274,030**	1,197,494
Operating expenses	5/7	**(844,470)**	(717,354)
Other operating income	8	**3,314**	3,238
Operating foreign exchange (losses)/gains	9	**(5,295)**	6,661
Operating profit		**427,579**	490,039
Share of profit from associates	32	**5,360**	5,527
Profit before tax and finance		**432,939**	495,566
Net finance expense	10	**(39,332)**	(54,766)
Non-operating foreign exchange (losses)/gains	9	**(1,585)**	9,033
Profit before tax		**392,022**	449,833
Income tax expense	11	**(56,801)**	(55,361)
Profit for the year		**335,221**	394,472
Profit attributable to:			
Equity shareholders of Ferrexpo plc		**333,616**	392,929
Non-controlling interests		**1,605**	1,543
Profit for the year		**335,221**	394,472
Earnings per share:			
Basic (US cents)	12	**56.9**	67.1
Diluted (US cents)	12	**56.7**	66.9

FERREXPO PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US$000	Notes	**Year ended 31.12.18**	Year ended 31.12.17
Profit for the year		**335,221**	394,472
Items that may subsequently be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**12,178**	(41,415)
Income tax effect	11	**(2,007)**	4,557
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**10,171**	(36,858)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement gains/(losses) on defined benefit pension liability	21	**875**	(9,172)
Income tax effect	11	**–**	1,556
Net other comprehensive income/(loss) not being reclassified to profit or loss in subsequent periods		**875**	(7,616)
Other comprehensive income/(loss) for the year, net of tax		**11,046**	(44,474)
Total comprehensive income for the year, net of tax		**346,267**	349,998
Total comprehensive income attributable to:			
Equity shareholders of Ferrexpo plc		**344,587**	348,686
Non-controlling interests		**1,680**	1,312
		346,267	349,998

FERREXPO PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$000	Notes	As at 31.12.18	As at 31.12.17
Assets			
Property, plant and equipment	13	**701,376**	623,359
Goodwill and other intangible assets	14	**39,609**	36,858
Investments in associates	32	**7,037**	5,947
Inventories	16	**217,688**	175,831
Other non-current assets	15	**32,104**	10,501
Income taxes recoverable and prepaid	11	**–**	5,454
Deferred tax assets	11	**27,946**	40,408
Total non-current assets		**1,025,760**	898,358
Inventories	16	**144,919**	96,645
Trade and other receivables	17	**85,695**	88,327
Prepayments and other current assets	18	**27,344**	17,514
Income taxes recoverable and prepaid	11	**61**	14
Other taxes recoverable and prepaid	19	**44,837**	23,192
Cash and cash equivalents	24	**62,996**	97,742
Total current assets		**365,852**	323,434
Total assets		**1,391,612**	1,221,792
Equity and liabilities			
Issued capital	30	**121,628**	121,628
Share premium		**185,112**	185,112
Other reserves	30	**(2,010,080)**	(2,020,864)
Retained earnings (restated - see Note 12)		**2,568,187**	2,329,591
Equity attributable to equity shareholders of Ferrexpo plc		**864,847**	615,467
Non-controlling interests		**2,050**	370
Total equity		**866,897**	615,837
Interest-bearing loans and borrowings	5/25	**197,258**	186,294
Defined benefit pension liability	21	**21,444**	20,514
Provision for site restoration	22	**1,940**	2,070
Deferred tax liabilities	11	**352**	381
Total non-current liabilities		**220,994**	209,259
Interest-bearing loans and borrowings	5/25	**204,600**	305,412
Trade and other payables (restated - see Note 12)	20	**34,292**	32,420
Accrued liabilities and contract liabilities	23	**32,693**	27,554
Income taxes payable	11	**20,571**	23,715
Other taxes payable (restated - see Note 12)	19	**11,565**	7,595
Total current liabilities		**303,721**	396,696
Total liabilities		**524,715**	605,955
Total equity and liabilities		**1,391,612**	1,221,792

The financial statements were approved by the Board of Directors on 22 April 2019.

Steve Lucas
Chairman

Christopher Mawe
Chief Financial Officer

FERREXPO PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

US$000	Notes	Year ended 31.12.18	Year ended 31.12.17
Profit before tax		**392,022**	449,833
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		**62,094**	46,392
Interest expense	10	**37,832**	53,044
Interest income	10	**(891)**	(372)
Losses on disposal of property, plant and equipment		**5,701**	7,754
Cash elements included in losses on disposal of property, plant and equipment		**(372)**	(2,953)
Write-offs	7	**1,489**	407
Share of profit from associates	32	**(5,360)**	(5,527)
Movement in allowance for doubtful receivables	17	**222**	576
Movement in site restoration provision	22	**(162)**	1,070
Employee benefits	21	**3,642**	(1,632)
Share-based payments	27	**674**	586
Operating foreign exchange losses/(gains)	9	**5,295**	(6,661)
Non-operating foreign exchange losses/(gains)	9	**1,586**	(9,033)
Other adjustments		**(7,657)**	(6,458)
Operating cash flow before working capital changes		**496,115**	527,026
Changes in working capital:			
Increase in trade and other receivables		**(12,785)**	(3,024)
Increase in inventories		**(87,999)**	(78,892)
Increase/(decrease) in trade and other accounts payable		**1,903**	(27,317)
Increase in other taxes recoverable and payable (incl. VAT)	19	**(17,530)**	(511)
Cash generated from operating activities		**379,704**	417,282
Interest paid		**(42,768)**	(48,576)
Income tax paid	11	**(43,509)**	(13,721)
Post-employment benefits paid		**(1,702)**	(1,539)
Net cash flows from operating activities		**291,725**	353,446
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	13/14	**(135,113)**	(102,953)
Proceeds from disposal of property, plant and equipment and intangible assets		**800**	138
Interest received		**827**	358
Dividends from associates		**4,137**	4,982
Net cash flows used in investing activities		**(129,349)**	(97,475)
Cash flows from financing activities			
Proceeds from borrowings and finance	25	**214,317**	–
Repayment of borrowings and finance	25	**(308,817)**	(238,670)
Arrangement fees paid		**(5,817)**	(4,042)
Dividends paid to equity shareholders of Ferrexpo plc		**(96,559)**	(58,316)
Net cash flows used in financing activities		**(196,876)**	(301,028)
Net decrease in cash and cash equivalents		**(34,500)**	(45,057)
Cash and cash equivalents at the beginning of the year		**97,742**	144,751
Currency translation differences		**(246)**	(1,952)
Cash and cash equivalents at the end of the year	24	**62,996**	97,742

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US$000	Issued capital (Note 30)	Share premium (Note 30)	Other reserves (Note 30)	Retained earnings (Note 12)	Total capital and reserves	Non-controlling interests (Note 31)	Total equity
	Attributable to equity shareholders of Ferrexpo plc						
At 1 January 2017	121,628	185,112	(1,984,758)	2,002,153	324,135	(847)	323,288
Profit for the year	–	–	–	392,929	392,929	1,543	394,472
Other comprehensive loss	–	–	(36,692)	(7,550)	(44,242)	(230)	(44,472)
Total comprehensive (loss)/income for the year	–	–	(36,692)	385,379	348,687	1,313	350,000
Effect from increase of shareholding in subsidiary	–	–	–	26	26	(96)	(70)
Share-based payments (Note 27)	–	–	586	–	586	–	586
Equity dividends to shareholders of Ferrexpo plc	–	–	–	(57,967)	(57,967)	–	(57,967)
At 31 December 2017	**121,628**	**185,112**	**(2,020,864)**	**2,329,591**	**615,467**	**370**	**615,837**
Application of new IFRSs (Note 3)	–	–	–	989	989	–	989
At 1 January 2018 – after application of new IFRSs	**121,628**	**185,112**	**(2,020,864)**	**2,330,580**	**616,456**	**370**	**616,826**
Profit for the year	**–**	**–**	**–**	**333,616**	**333,616**	**1,605**	**335,221**
Other comprehensive income	**–**	**–**	**10,110**	**861**	**10,971**	**75**	**11,046**
Total comprehensive income for the year	**–**	**–**	**10,110**	**334,477**	**344,587**	**1,680**	**346,267**
Share-based payments (Note 27)	**–**	**–**	**674**	**–**	**674**	**–**	**674**
Equity dividends to shareholders of Ferrexpo plc (Note 12)	**–**	**–**	**–**	**(96,870)**	**(96,870)**	**–**	**(96,870)**
At 31 December 2018	**121,628**	**185,112**	**(2,010,080)**	**2,568,187**	**864,847**	**2,050**	**866,897**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Corporate information

Ferrexpo plc (the "Company") is incorporated and registered in England, which is considered to be the country of domicile, with its registered office at 55 St James's Street, London SW1A 1LA, UK. Ferrexpo plc and its subsidiaries (the "Group") operate two mines and a processing plant near Kremenchug in Ukraine, have an interest in a port in Odessa and sales and marketing activities around the world including offices in Switzerland, Dubai, Japan, China, Singapore and Ukraine. The Group also owns logistics assets in Austria which operate a fleet of vessels operating on the Rhine and Danube waterways and an ocean-going vessel which provides top off services and operates on international sea routes. 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 and ultimately owned by The Minco Trust, of which Kostyantin Zhevago, the Group's Chief Executive Officer, is a beneficiary. At the time this report was published, Fevamotinico held 50.3% (2017: 50.3%) of Ferrexpo plc's issued share capital.

Note 2: Basis of preparation

The consolidated financial statements of Ferrexpo plc and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

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 76 for further information.

Basis of consolidation

The consolidated financial statements comprise the financial statements for Ferrexpo plc and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared as at the same reporting date as Ferrexpo plc's, using consistent accounting policies.

Subsidiaries acquired are fully consolidated from the date the Group obtains effective control. Similarly, subsidiaries disposed of are deconsolidated from the date on which the Group ceases to hold effective control. A change in the ownership interest of a subsidiary without obtaining or losing control is accounted for as an equity transaction.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Business combinations

On the acquisition of a subsidiary, the business combination is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregated amount of the consideration transferred, measured at the date of acquisition. The consideration paid is allocated to the assets acquired and liabilities assumed on the basis of fair values at the date of acquisition. Acquisition costs are expensed when incurred and included in general and administrative expenses.

Functional and presentational currencies

Based on the economic substance of the underlying business transactions and circumstances relevant to the parent, the functional currency of the parent has been determined to be the US Dollar, with each subsidiary determining its own functional currency based on its own circumstances. The Group has chosen the US Dollar as its presentational currency. The functional currency of Ukrainian subsidiaries, which is where the Group's main operations are based, is the Ukrainian Hryvnia.

Foreign currency translation

For individual subsidiary company accounts, transactions in foreign currencies (i.e. other than the functional currency) are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the rate of exchange ruling at the reporting date and non-monetary assets and liabilities at the historic rate. Foreign exchange differences arising on translation are recognised in the income statement.

For presentation of the Group's consolidated accounts, if the functional currency of a subsidiary is different to the presentational currency as at the reporting date, the assets and liabilities of this entity are translated into the presentational currency at the rate ruling at the reporting date and the income statement is translated using the average exchange rate for the period based on the officially published rates by the National Bank of Ukraine ("NBU"). The foreign exchange differences arising are taken directly to a separate component of equity. On disposal of a foreign entity the deferred cumulative amount of exchange differences recognised in equity relating to the particular foreign operation is recognised in the income statement.

Note 3: New accounting policies

New standards and interpretations adopted

The accounting policies and methods of computation adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017 except for the adoption of new amendments and improvements to IFRSs effective as of 1 January 2018.

New standards and interpretations adopted with an impact on the Group's consolidated financial statements

IFRS 9 *Financial instruments*

The Group applied IFRS 9 *Financial instruments*, as revised in July 2014, for the first time as of 1 January 2018 and elected to apply the modified retrospective method in accordance with the transition provisions set out in the standard. The new standard became effective as of 1 January 2018 and replaces IAS 39 and includes a new expected credit loss impairment model, changes to the classification and measurement requirements of financial assets and financial liabilities as well as to hedge accounting. Additionally, the Group adopted as of 1 January 2018 the consequential amendments to IFRS 7 *Financial instruments: Disclosures*.

The impact from the application of IFRS 9 on the Group's consolidated financial statements is predominantly related to the expected credit loss impairment model as the new standard established a new approach for the assessment of loans and receivable balances, including trade receivables, with a focus on the risk of default in the future rather than based on incurred losses in the past. Classification and measurement of financial instruments is unchanged on application of the new standard and the Group does not intend to apply hedge accounting under IFRS 9.

IFRS 15 *Revenue from contracts with customers*

The Group applied IFRS 15 *Revenue from contracts with customers*, as amended in April 2016, for the first time as of 1 January 2018. The Group, in accordance with the transition provisions set out in IFRS 15, elected to apply the modified retrospective method, under which comparative financial information is not restated. The new standard establishes the principles for the disclosure of useful information in the financial statements about the nature, amount, timing and uncertainties of revenue and cash flows arising from contracts with customers. Under IFRS 15 the revenue recognition model changed from one based on the transfer of risk and reward of ownership to the transfer of control of ownership. The Group's revenue is predominantly derived from sales of iron pellets, where the point of recognition is dependent on the contractual sales terms based on the International Commercial terms ("Incoterms"). As the time of the transfer of risks and rewards coincides with the transfer of control, the timing and the amount of revenue recognised is not affected for the majority of the Group's sales. For the Incoterms Cost, Insurance and Freight ("CIF"), and Cost and Freight ("CFR"), the Group must contract for and pay the freight necessary to bring the goods to the named port of destination. Consequently, the freight service on sales contracts with 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 tables below and on the following page provide the details of the cumulative effects from the application of the new standards on the consolidated statement of financial position as of 1 January 2018 and the consolidated statement of financial position and the consolidated income statement as at 31 December 2018.

US$000	**Balance as at 01.01.18**	Effect from application of IFRS 15	Effect from application of IFRS 9	Year ended 31.12.17
Consolidated statement of financial position				
Assets				
Trade and other receivables	**88,109**	–	(218)	88,327
Prepayments and other current assets	**24,727**	7,213	–	17,514
Liabilities				
Accrued liabilities and contract liabilities	**(33,560)**	(6,006)	–	(27,554)
Equity				
Retained earnings	**(2,330,580)**	(1,207)	218	(2,329,591)

As disclosed above, the portion of revenue earned under sales contracts with CIF and CFR Incoterms, representing the obligation to perform freight services, is deferred and recognised over time as this obligation is fulfilled, along with the associated costs. The effect from the expected credit loss impairment model to be applied under the new standard is primarily calculated based on publicly available ratings default risks of the Group's customers with outstanding receivable balances as at the end of a reporting period. There are no non-current receivable balances to be considered in the computation of the Group's expected credit loss as all of the Group's receivable balances are classified as current based on the agreed terms and conditions.

	Notes	**As reported as at 31.12.18**	Effect from application of IFRS 15	Effect from application of IFRS 9	Balance without effect from new IFRSs
Consolidated income statement					
Freight revenue related to sales of iron ore pellets and concentrate	6	**74,929**	1,369	–	73,560
Operating expenses	7	**(844,470)**	(3,207)	(35)	(841,228)
Consolidated statement of financial position					
Assets					
Trade and other receivables		**85,695**	–	(253)	85,948
Prepayments and other current assets		**27,344**	(3,207)	–	30,551
Liabilities					
Accrued liabilities and contract liabilities		**(32,693)**	1,369	–	(34,062)

The table above shows the impact on the operating result from the application of the new accounting standards only. The impact from the separate presentation of the total freight revenue related to the sales of iron pellets and concentrate is shown in Note 6 Revenue. The adoption of the new accounting standards has not had any material impact on basic and diluted earnings per share.

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

- IFRIC 22 *Foreign currency transactions and advance considerations* clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.
- Amendment to IFRS 2 *Share-based payments: Classification and measurement of share-based payments* clarifies the classification of share-based payment transactions with net settlement features, the measurement of cash-settled share-based payment transactions that include a performance condition and of modifications of share-based payment transactions from cash-settled to equity-settled.
- Annual improvements to IFRS standards 2014-2016 cycle contains amendments to IFRS 1 *First-time Adoption of IFRS* and IAS 28 *Investments in associates and joint ventures*.

New standards and interpretations 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.

IFRS 16 *Leases*
The new standard was issued in January 2016, replacing the previous leases standard, IAS 17 *Leases*, and related interpretations. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases for the customer ("lessee") and the supplier ("lessor"). IFRS 16 eliminates the classification of leases as either operating or finance as is required by IAS 17. Instead, it introduces a single lessee accounting model requiring a lessee to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. Currently, the Group leases land and buildings under operating leases. The vast majority of these operating leases are for land used for the extraction of ore and are not within the scope of IFRS 16 and will be accounted for under IFRS 6 *Exploration for and evaluation of mineral resources*. The Group expects that the new standard will primarily result in the recognition of right-of-use assets and liabilities in respect of long-term rental contracts for several of its office premises, land not used for the direct extraction of ore as well as for lease equipment. This new standard applies to annual reporting periods beginning on or after 1 January 2019 and the Group does not intend to early adopt this standard. If the new standard were applied as of 31 December 2018, right-of-use assets and corresponding lease liabilities of US$7,645 thousand would have been recognised without an effect on the operating result at this point of time. Depreciation of right-of-use assets and resulting finance expense under the new standard are not expected to be materially different to the operating lease expense recognised in the past.

IFRIC 23 *Uncertainty over income tax treatments*
The interpretation was issued in June 2017 and clarifies the accounting treatment for uncertainties in income taxes. The new interpretation is to be applied to the determination of taxable results, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12, and becomes effective for financial years beginning on or after 1 January 2019 subject to EU endorsement. The Group does not expect a material impact on its consolidated financial statements from this new interpretation.

Annual Improvements to IFRS Standards 2015-2017 Cycle
The improvements are effective for the financial year beginning on 1 January 2020 and contain amendments to IAS 12 *Income taxes* and IAS 23 *Borrowing costs*. The Group does not expect a material impact on its consolidated financial statements from these annual improvements.

Amendments to IFRS 9 *Financial instruments: Prepayment features with negative compensation*
The amendments are effective for the financial year beginning on 1 January 2019 and clarify the classification of particular pre-payable financial assets and the accounting for financial liabilities following a modification. The Group does not expect a material impact on its consolidated financial statements from these amendments.

Amendments to IAS 19 *Employee benefits: Plan amendment, curtailment or settlement*
The amendments are effective for the financial year beginning on 1 January 2020 and provide guidance, in the case of plan amendment, curtailment or settlement, on the measurement of the current service cost and the net interest for the period after the remeasurement. Furthermore, they clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group does not expect a material impact on its consolidated financial statements from these amendments.

Amendments to *References to the Conceptual Framework in IFRS standards*
The revised Conceptual Framework was issued in March 2018 and is effective for the financial year beginning on 1 January 2020 subject to EU endorsement. The amendments introduce a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability and clarifications in areas such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Group is in the process of performing the impact assessment.

The Group does not expect an impact on its consolidated financial statements from all other standards, interpretations and amendments issued at the reporting date, but not yet to be adopted for these financial statements.

Note 4: Use of critical estimates and judgements
The preparation of consolidated financial statements in conformity with IFRS 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 16 Inventories – lean and weathered ore

Critical judgements
- Note 7 Operating expenses – nature of the Group’s community support donations
- Note 11 Taxation – tax legislation in Ukraine
- Note 33 Related party disclosures – completeness

Note 5: Segment information
The Group is managed as a single segment, which produces, develops and markets its principal product, iron ore pellets, for sale to the metallurgical industry. While the revenue generated by the Group is monitored at a more detailed level, there are no separate measures of profit reported to the Group’s Chief Operating Decision Maker (“CODM”). In accordance with IFRS 8 *Operating segments*, the Group presents its results in a single segment, which are disclosed in the income statement for the Group.

Management monitors the operating result of the Group based on a number of measures, including underlying EBITDA, gross profit and net debt.

Underlying EBITDA and gross profit

The Group presents the underlying EBITDA as it is a useful measure for evaluating its ability to generate cash and its operating performance. The Group's full definition of underlying EBITDA is disclosed in the Glossary on page 172.

US$000	Notes	**Year ended 31.12.18**	Year ended 31.12.17
Profit before tax and finance		**432,939**	495,566
Losses on disposal of property, plant and equipment		**5,701**	7,754
Share-based payments	27	**674**	586
Write-offs	7	**1,489**	407
Depreciation and amortisation		**62,094**	46,392
Underlying EBITDA		**502,897**	550,705

US$000	Notes	**Year ended 31.12.18**	Year ended 31.12.17
Revenue	6	**1,274,030**	1,197,494
Cost of sales	7	**(507,939)**	(411,490)
Gross profit		**766,091**	786,004

Net debt

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

US$000	Notes	**As at 31.12.18**	As at 31.12.17
Cash and cash equivalents	24	**62,996**	97,742
Interest-bearing loans and borrowings – current	25	**(204,600)**	(305,412)
Interest-bearing loans and borrowings – non-current	25	**(197,258)**	(186,294)
Net debt		**(338,862)**	(393,964)

The Group made debt repayments of US$308,817 thousand during the year ended 31 December 2018 (2017: US$238,602 thousand). Net debt is an Alternative Performance Measure ("APM"). Further information on the APMs used by the Group, including the definitions, is provided on pages 165 to 167.

In the current period, management has reviewed the presentation of the accrued interest and has reclassified it from interest-bearing loans and borrowings to accrued liabilities in order to better reflect the nature of this balance in the presentation. US$9,358 thousand have been re-presented for the comparative year ended 31 December 2017 to be on a consistent basis and reducing the net debt by these amounts.

Disclosure of revenue and non-current assets

The Group does not generate significant revenues from external customers attributable to the UK, the Company's country of domicile. The information on the revenues from external customers attributed to the individual foreign countries is given in Note 6 Revenue. The Group does not have any significant non-current assets that are located in the country of domicile of the Company. The vast majority of the non-current assets are located in Ukraine.

Note 6: Revenue

Accounting policy

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria are to be met before revenue is recognised:

Sale of goods including sales of pellets and fuel from bunker business

Revenue is recognised when the control of the goods has passed to the buyer and can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes. Revenues related to provisionally priced sales are initially recognised at the estimated fair value of the consideration receivable based on the forward price at each reporting date for the relevant period outlined in the different contracts.

The control of goods passes when title for the goods passes to the customer as determined by the terms of the sales agreement. 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.

The freight services under CIF and CFR Incoterms meet the criteria of a separate performance obligation and a portion of the revenue earned under these contracts, representing the obligation to perform freight service, is deferred and recognised over time as this obligation is fulfilled, along with the associated costs. The freight revenue related to the sales of iron ore pellets made under CIF and CFR Incoterms is shown separate from the revenue from sales of iron ore pellets and concentrate.

The Group has no unsatisfied or partially unsatisfied performance obligations relating to contracts with customers with original expected duration of more than one year. The Group has therefore taken advantage of the practical expedient provided in IFRS 15 in respect of the transaction price allocated to the remaining performance obligations.

Logistic services

Revenue from logistic services rendered is recognised 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.

The details on the first-time adoption of IFRS 15 *Revenue from contracts with customers* are provided in Note 3 New accounting policies.

FERREXPO PLC

Revenue for the year ended 31 December 2018 consisted of the following:

US$000	**Year ended 31.12.18**	Year ended 31.12.17
Revenue from sales of iron ore pellets and concentrate	**1,146,734**	1,062,871
Freight revenue related to sales of iron ore pellets and concentrate	**74,929**	63,447
Total revenue from sales of iron ore pellets and concentrate	**1,221,663**	1,126,318
Revenue from logistics and bunker business	**48,778**	68,449
Revenue from other sales and services provided	**3,589**	2,727
Total revenue	**1,274,030**	1,197,494

The information of the comparative year in respect of the separate presentation of the freight revenue related to sales of iron ore pellets and concentrate have been re-presented to be on a consistent basis with the current period. There has been no restatement of the underlying financial information.

Revenue in the amount of US$6,006 thousand were included in the contract liability balance at the beginning of the period and recognised in the consolidated income statement during the year ended 31 December 2018.

Export sales of iron ore pellets and concentrate by geographical destination showing separately countries that individually represented more than 10% of export sales in either the current or prior year were as follows:

US$000	**Year ended 31.12.18**	Year ended 31.12.17
Central Europe	**565,820**	536,836
Austria	***290,825***	*328,377*
Others	***274,995***	*208,459*
Western Europe	**193,540**	170,295
Germany	***172,108***	*155,508*
Others	***21,432***	*14,787*
North East Asia	**221,985**	198,165
Japan	***127,336***	*120,053*
Others	***94,649***	*78,112*
China & South East Asia	**176,135**	142,812
China	***125,315***	*123,531*
Others	***50,820***	*19,281*
Turkey, Middle East & India	**64,183**	78,210
Turkey	***64,183***	*78,210*
Total exports	**1,221,663**	1,126,318

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 168 to 172.

During the year ended 31 December 2018 sales made to three customers accounted for 40% of the revenues from export sales of ore pellets and concentrate (2017: 45%).

Sales to one customer that individually represented more than 10% of total sales in either the current or prior year amounted to US$290,825 thousand (2017: US$328,377 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 income statement when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Expenses are recognised in the income statement on the basis of a direct association between costs incurred and specific items of income. When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined, expenses are systematically allocated to the accounting period in which the economic benefits are expected to arise.

Critical judgements

Nature of the Group's community support donations

The preparation of the consolidated financial statements for the year ended 31 December 2018 required management to determine the nature of the Group's community support donations. In light of the ongoing Independent Review, it is currently considered that some of the funds donated to Blooming Land (the "Charity") could have been misappropriated. For further information see Independent Review Committee Report ("IRC") on page 46.

In the absence of conclusive evidence that funds have not been used as intended, the Group has judged that it remains appropriate for it to present its community support donations to the Charity as such in the consolidated financial statements within operating expenses on the assumption that all material donations made by the Group have been applied as previously reported by the Charity to the Group.

If the IRC based on new facts reaches a different view to the above critical judgement this may require additional or alternative disclosures and, under certain circumstances, this may expose the Group to regulatory and other actions resulting in potential legal claims or penalties, fines or other liabilities. For further information see Note 29 Commitments, contingencies and legal disputes on page 149.

Operating expenses for the year ended 31 December 2018 consisted of the following:

US$000	**Year ended 31.12.18**	Year ended 31.12.17
Cost of sales	**507,939**	411,490
Selling and distribution expenses	**260,422**	219,703
General and administrative expenses	**45,246**	41,954
Other operating expenses	**30,863**	44,207
Total operating expenses	**844,470**	717,354

Operating expenses include:

US$000	Notes	Year ended 31.12.18	Year ended 31.12.17
Inventories recognised as an expense upon sale of goods		**481,366**	367,161
Employee costs (excl. logistics and bunker business)		**79,471**	53,293
Inventory movements		**(34,801)**	(1,846)
Depreciation of property, plant and equipment		**61,377**	45,920
Amortisation of intangible assets		**718**	472
Royalties and levies		**29,742**	19,610
Costs of logistics and bunker business		**50,270**	63,127
Audit and non-audit services		**3,166**	1,342
Community support donations	33	**15,130**	28,384
Write-offs		**1,489**	407
Losses on disposal of property, plant and equipment		**5,701**	7,754

Further information in respect of the Group's community support donations is provided in the Chairman's Statement (page 6), Principal Risks (page 25), Responsible Business (page 29), Corporate Governance Report (page 39), Independent Review Committee Report (page 46), Audit Committee Report (page 50) and Note 29 Commitments, contingencies and legal disputes, Note 33 Related party disclosures and Note 34 Events after the reporting period to the consolidated financial statements.

Write-offs for the year ended 31 December 2018 primarily consisted of obsolete inventories and property, plant and equipment as outlined below:

US$000	As at 31.12.18	As at 31.12.17
Write-off of inventories	**1,072**	368
Write-off of property, plant and equipment	**395**	39
Write-off of receivables and prepayments	**22**	–
Total write-offs	**1,489**	407

Auditor remuneration

US$000	Year ended 31.12.18	Year ended 31.12.17
Audit services		
Ferrexpo plc Annual Report	**2,827**	1,008
Subsidiary entities	**182**	191
Total audit services	**3,009**	1,199
Audit-related assurance services	**150**	140
Total audit and audit-related assurance services	**3,159**	1,339
Non-audit services		
Other services	**7**	3
Total non-audit services	**7**	3
Total auditor remuneration	**3,166**	1,342

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. Recognised in the 2018 audit services figure is US$192 thousand subsequently agreed in relation to 2017.

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 2018 consisted of the following:

US$000	**Year ended 31.12.18**	Year ended 31.12.17
Lease income	**397**	386
Other income	**2,917**	2,852
Total other income	**3,314**	3,238

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 2018 consisted of the following:

US$000	**Year ended 31.12.18**	Year ended 31.12.17
Operating foreign exchange (losses)/gains		
Revaluation of trade receivables	**(4,922)**	7,113
Revaluation of trade payables	**(358)**	(394)
Other	**(15)**	(58)
Total operating foreign exchange (losses)/gains	**(5,295)**	6,661
Non-operating foreign exchange (losses)/gains		
Revaluation of interest-bearing loans	**95**	10,136
Conversion of cash and cash equivalents	**(801)**	(1,497)
Other	**(879)**	394
Total non-operating foreign exchange (losses)/gains	**(1,585)**	9,033
Total foreign exchange (losses)/gains	**(6,880)**	15,694

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 rate of the most relevant currencies of the Group compared to the US Dollar.

	Average exchange rate		Closing exchange rate	
US$	**As at 31.12.18**	As at 31.12.17	**Year ended 31.12.18**	Year ended 31.12.17
UAH	**27.200**	26.597	**27.688**	28.067
EUR	**0.847**	0.887	**0.874**	0.838

Exchange differences arising on translation of non-US Dollar functional currency operations (mainly in Ukrainian Hryvnia) are included in the translation reserve. See Note 30 Share capital and reserves for further details.

Note 10: Net finance expense

Accounting policy

Finance expense

Finance expense is expensed as incurred and includes the interest on loans and borrowings measured at amortised cost and interest on defined benefit plans.

Borrowing costs incurred in respect of the financing of construction or production of a qualifying asset are capitalised up to the date when the asset is ready for its intended use. See also Note 13 Property, plant and equipment for further details.

Finance income

Finance income comprises interest income on funds invested and the effect of unwinding discounts recorded in previous periods. Interest income is recognised as it accrues using the effective interest method.

Finance expense and income for the year ended 31 December 2018 consisted of the following:

US$000	**Year ended 31.12.18**	Year ended 31.12.17
Finance expense		
Interest expense on loans and borrowings	**(43,468)**	(53,560)
Less capitalised borrowing costs	**8,125**	3,637
Interest on defined benefit plans	**(2,390)**	(2,094)
Bank charges	**(778)**	(2,537)
Other finance costs	**(1,713)**	(584)
Total finance expense	**(40,224)**	(55,138)
Finance income		
Interest income	**843**	364
Other finance income	**49**	8
Total finance income	**892**	372
Net finance expense	**(39,332)**	(54,766)

The presentation of the interest expense on loans and borrowings has been changed in the current period to reflect an interest expense measured at amortised cost using the effective interest rate method by presenting the effect from the amortisation of prepaid arrangement fees in interest expense on loans and borrowings and not in bank charges as done in the previous periods. In order to be consistent with the presentation in the current period, the amount of US$7,013 thousand has been reclassified from bank charges to interest expense on loans and borrowings for the comparative year ended 31 December 2017. The total finance expense remained unchanged.

Note 11: Taxation

Accounting policy

Current income tax

Current income taxes are computed based on enacted or substantively enacted local tax rates and laws at the reporting date and the expected taxable incomes of the subsidiaries for the respective period.

Current income taxes are recognised as an expense or income in the consolidated income statement unless related to items recognised in the consolidated statement of comprehensive income or directly in equity or if related to the initial accounting for a business combination.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognised for taxable temporary differences if it is probable that they will become taxable. Deferred income tax assets are generally recognised for deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

No deferred assets or liabilities are recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction, other than in a business combination, which affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognised in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets in relation to temporary differences on such investments and interests are recognised to the extent that it is probable that there are sufficient taxable profits available against which the benefits of the temporary differences can be utilised and that they are expected to reverse in the foreseeable future.

Deferred tax assets are recognised on temporary differences and available tax loss carry forwards when it is more likely than not that they will be recovered in a future period.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilised. Additionally, unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Income tax effects on items directly recognised in other comprehensive income or equity are also recognised in other comprehensive income or equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Critical judgements

Tax legislation in Ukraine

The Group prices its sales between its subsidiaries using international benchmark prices for comparable products covering product quality and applicable freight costs. The Group judges these to be on terms which comply with applicable legislation. In August 2017, the State Fiscal Service of Ukraine (“SFS”) commenced a tax audit for the period from 1 September 2013 to 31 December 2015 at the

Group's major subsidiary in Ukraine with a focus on cross-border transactions in terms of its pellet sales to another subsidiary of the Group. In accordance with the current legislation, the SFS has completed this audit within 18 months from commencement and issued its official tax audit report on 27 December 2018, claiming a tax adjustment totalling UAH448 million (US$16,180 thousand). The Group's major subsidiary in Ukraine submitted its objections to the findings of the SFS on 25 January 2019 and following further discussions between the parties during February 2019, the SFS issued the formal claim on 12 March 2019 according to its earlier tax audit report. The Group's Ukrainian subsidiary is going to initiate legal proceedings and to file a claim to the first court instance in Poltava on 22 March 2019. As the Group considers that it has complied with applicable legislation for all cross-border transactions and periods, the Group expects to successfully defend its methodology applied to determine the prices between its subsidiaries. Consequently, no provision has been recorded as at 31 December 2018. The SFS may commence new audits on other cross-border transactions within the Group or on other periods and the Group also expects to successfully defend its pricing methodology against any further claims should they arise.

The income tax expense for the year ended 31 December 2018 consisted of the following:

US$000	**Year ended 31.12.18**	Year ended 31.12.17
Current income tax		
Current income tax charge	**44,086**	45,423
Amounts related to previous years	**(569)**	(4,154)
Total current income tax	**43,517**	41,269
Deferred income tax		
Origination and reversal of temporary differences	**13,284**	14,092
Total deferred income tax	**13,284**	14,092
Total income tax expense	**56,801**	55,361

The amounts relating to the prior year shown in the table above for the comparative year ended 31 December 2017 are predominantly related to effects from final tax assessments received in Switzerland during the year ended 31 December 2017. As a result of the final tax assessments received, a recorded tax accrual in Switzerland could be released in financial year 2017.

Tax effects on items charged to the statement of other comprehensive income consisted of the following for the year ended 31 December 2018:

US$000	Notes	**Year ended 31.12.18**	Year ended 31.12.17
Tax effect of exchange differences arising on translating foreign operations	30	**(2,007)**	4,557
Tax effect of remeasurement gains on defined benefit pension liability		**–**	1,556
Total income taxes (credited)/charged to other comprehensive income		**(2,007)**	6,113

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 15.5% for the financial year 2018 (2017: 13.5%). A reconciliation between the income tax charged in the accompanying financial information and income before taxes multiplied by the weighted average statutory tax rate for the year ended 31 December 2018 is as follows:

US$000	**Year ended 31.12.18**	Year ended 31.12.17
Profit before tax	**392,022**	449,833
Notional tax charge computed at the weighted average statutory tax rate of 15.5% (2017: 13.5%)	**60,629**	60,819
(Recognition)/derecognition of deferred tax assets[1]	**(8,576)**	25,396
Credit for Ukrainian fuel excise tax against income tax[2]	**(7,408)**	–
Expenses not deductible for local tax purposes[3]	**3,795**	7,295
Income exempted for local tax purposes	**(56)**	(2,385)
Reassessment of prior year temporary differences[4]	**7,719**	–
Recognition of losses and temporary differences previously not recognised[5]	**–**	(29,945)
Effect from change in permanent differences	**–**	(1,957)
Effect of different tax rates on local profit streams[6]	**1,157**	1,039
Prior year adjustments to current tax[7]	**(569)**	(4,154)
Effect from share of profit from associates[8]	**(974)**	(995)
Other (including translation differences)	**1,084**	248
Total income tax expense	**56,801**	55,361

1 Recognition of US$8,576 thousand in 2018 relates to temporary differences arising from inflationary adjustments made in the past to the tax basis of property, plant and equipment for two Ukrainian subsidiaries. Derecognition in 2017 of US$25,396 thousand in respect of temporary differences on restricted cash and deposits balances being of a non-recurring nature. Note 29 Commitments, contingencies and legal disputes provides further information
2 Effective 1 January 2018, a temporary provision in the Ukrainian tax code allows a reduction in income tax payable for the amount of excise tax included in prices of fuel used for mining equipment. This provision still applies for 2019
3 Effect in 2018 predominantly related to expenses not deductible in Ukraine whereas the effect in 2017 related to Ukraine and Switzerland. The effect in Ukraine 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 whereas the one in Switzerland is expected to be non-recurring
4 Effective 1 January 2019, the relevant accounting framework for tax purposes changed from local GAAP to IFRS resulting in a reduction of temporary differences as of 31 December 2018 being of a non-recurring nature
5 Effect in 2017 related to previously unrecognised losses and temporary differences for a Ukrainian subsidiary that became profitable during 2017. As the entire balance of temporary differences and available losses from previous periods was recognised as deferred tax assets, the effect is expected to be of a non-recurring nature
6 Effect in 2018 and 2017 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
7 Effect in 2017 related to final tax assessments received in Switzerland being of a non-recurring nature
8 Share of profit from associates is recognised net of taxes of the associates. This effect is of a recurring nature

The net balance of income tax receivable/(payable) changed as follows during the financial year 2018:

US$000	**Year ended 31.12.18**	Year ended 31.12.17
Opening balance	**(18,247)**	4,607
Income statement charge	**(43,517)**	(41,269)
Booked through other comprehensive income	**(2,007)**	4,557
Tax paid	**43,509**	13,721
Translation differences	**(248)**	138
Closing balance	**(20,510)**	(18,247)

The net income tax payable as at 31 December 2018 consisted of the following:

US$000	As at 31.12.18	As at 31.12.17
Income tax receivable balance – current	**61**	14
Income tax receivable balance – non-current	**–**	5,454
Income tax payable balance	**(20,571)**	(23,715)
Net income tax (payable)/receivable	**(20,510)**	(18,247)

The non-current income tax receivable balance of US$5,454 thousand as at the end of the comparative period ended 31 December 2017 relates predominantly to prepayments made by a Ukrainian subsidiary and was classified as non-current due to the uncertainty in respect of the timing of the recovery. The prepaid balance was fully offset against income tax payable during the financial year 2018. 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 results in the following deferred income tax assets and liabilities at 31 December 2018:

		Consolidated statement of financial position		Consolidated income statement	
US$000	Notes	As at 31.12.18	As at 31.12.17	Year ended 31.12.18	Year ended 31.12.17
Allowance for restricted cash and deposits	29	**3,771**	3,720	**–**	(21,836)
Property, plant and equipment		**23,486**	18,032	**5,095**	6,213
Inventory		**373**	1,409	**(1,051)**	252
Tax losses recognised		**3,213**	14,210	**(11,505)**	13,134
Accrued expenses		**–**	–	**–**	(10,654)
Defined benefit pension liability		**666**	3,316	**(2,681)**	1,070
Other		**649**	690	**(32)**	83
Total deferred tax assets/change		**32,158**	41,377	**(10,174)**	(11,738)
Thereof netted against deferred tax liabilities		**(4,212)**	(969)		
Total deferred tax assets as per the statement of financial position		**27,946**	40,408		
Property, plant and equipment		**(3,690)**	(600)	**(3,326)**	(62)
Trade and other receivables		**(329)**	(379)	**50**	(187)
Other		**(545)**	(371)	**166**	(2,105)
Total deferred tax liabilities/change		**(4,564)**	(1,350)	**(3,110)**	(2,354)
Thereof netted against deferred tax assets		**4,212**	969		
Total deferred tax liabilities as per the statement of financial position		**(352)**	(381)		
Net deferred tax assets/net change		**27,594**	40,027	**(13,284)**	(14,092)

The movement in the deferred income tax balance is as follows:

US$000	Year ended 31.12.18	Year ended 31.12.17
Opening balance	**40,027**	52,232
Income statement charge	**(13,284)**	(14,092)
Booked through other comprehensive income	**–**	1,556
Translation differences	**851**	331
Closing balance	**27,594**	40,027

As at 31 December 2018, the Group had available tax loss carry forwards in the amount of US$92,654 thousand (2017: US$97,873 thousand) for which no deferred tax assets were recognised. US$59,883 thousand (2017: US$70,198 thousand) are related to losses incurred in Ukraine and Austria and those losses do not expire. The remaining balance totalling US$32,771 thousand (2017: US$27,675 thousand) relates to losses incurred in Hungary, of which US$22,923 thousand (2017: US$22,957 thousand) expire after more than eight years.

Temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised amount to US$440,328 thousand (2017: US$453,097 thousand). Other temporary differences of US$19,963 thousand have not been recognised as of 31 December 2018 (2017: US$26,627 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 2018.

	Year ended 31.12.18	Year ended 31.12.17
Earnings for the year attributable to equity shareholders per share		
Basic (US cents)	**56.9**	67.1
Diluted (US cents)	**56.7**	66.9

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

US$000	**Year ended 31.12.18**	Year ended 31.12.17
Profit for the year attributable to equity shareholders		
Basic and diluted earnings	**333,616**	392,929

Thousand	**Year ended 31.12.18**	Year ended 31.12.17
Weighted average number of shares		
Basic number of Ordinary Shares outstanding	**586,117**	585,674
Effect of dilutive potential Ordinary Shares	**1,948**	2,074
Diluted number of Ordinary Shares outstanding	**588,065**	587,748

Dividends proposed and paid

Taking into account relevant thin capitalisation rules and dividend-related covenants for the Group's major bank debt facilities, the total available distributable reserves of Ferrexpo plc is US$167,611 thousand as of 31 December 2018 (2017: US$197,236 thousand).

US$000	Year ended 31.12.18
Dividends proposed	
Final ordinary dividend for 2018: 6.6 US cents per Ordinary Share	**38,695**
Final special dividend for 2018: 6.6 US cents per Ordinary Share	**38,695**
Interim special dividend for 2018: 6.6 US cents per Ordinary Share	**38,695**
Total dividends proposed	**116,085**

On 6 December 2018, the Group announced that the Directors had proposed to pay an interim special dividend of 6.6 US cents per Ordinary Share totalling US$38,695 thousand. This dividend was paid on 14 January 2019 and, in accordance with UK law, the liability recognised only on payment of the dividend in the financial statements for the year ending 31 December 2019.

As of 31 December 2017, a dividend payable was recognised in respect of an interim special dividend proposed by the Directors on 7 December 2017 and payable on 15 January 2018. The presentation of the comparatives as of 31 December 2017 has been restated to be consistent with the current year presentation by derecognising the interim special dividend of US$19,365 thousand (comprising of US$16,008 thousand dividend payable and US$3,357 thousand withholding tax) and recognising a corresponding credit to retained earnings.

The balances impacted by this restatement are outlined below:

US$000	Year ended 31.12.17	Year ended 31.12.17 (after restatement)
Trade and other payables	48,428	32,420
Other taxes	10,952	7,595
Total current liabilities	416,061	396,696
Retained earnings	2,310,226	2,329,591
Total equity attributable to shareholders of Ferrexpo plc	596,472	615,467

US$000	Year ended 31.12.18
Dividends paid during the year	
Interim dividend for 2018: 3.3 US cents per Ordinary Share	**19,376**
Final dividend for 2017: 3.3 US cents per Ordinary Share	**18,929**
Special dividend for 2017: 6.6 US cents per Ordinary Share	**38,615**
Special dividend for 2017: 3.3 US cents per Ordinary Share	**19,639**
Total dividends paid during the year	**96,559**

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 31.12.17
Dividends proposed	
Final dividend for 2017: 3.3 US cents per Ordinary Share	19,328
Special dividend for 2017: 6.6 US cents per Ordinary Share	38,656
Special dividend for 2017: 3.3 US cents per Ordinary Share	19,328
Total dividends proposed	77,312

US$000	Year ended 31.12.17
Dividends paid during the year	
Interim dividend for 2017: 3.3 US cents per Ordinary Share	19,266
Final dividend for 2016: 3.3 US cents per Ordinary Share	19,679
Special dividend for 2016: 3.3 US cents per Ordinary Share	19,371
Total dividends paid during the year	58,316

Note 13: Property, plant and equipment

Accounting policy

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for qualifying assets (see below) if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Major spare parts and servicing equipment qualify as property, plant and equipment when they are expected to be used during more than one period. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, are charged to the income statement in the period the costs are incurred unless it can be demonstrated that the expenditure results in future economic benefits, when the expenditure is capitalised as an additional cost.

Upon recognition, items of property, plant and equipment are divided into components, which represent items with a significant value that have different useful lives. Assets included in property, plant and equipment are depreciated over their estimated useful life taking into account their own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the assets are located. The remaining useful lives for major assets are reassessed on a regular basis. Changes in estimates, which affect the unit of production calculations, are accounted for prospectively.

Except for mining assets, which are depreciated using the unit of production method, depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

- Buildings: 20–50 years
- Vessels: 30–40 years
- Plant and equipment: 3–15 years
- Vehicles: 7–15 years
- Fixtures and fittings: 2.5–10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

Assets in the course of construction are initially recognised in assets under construction. Assets under construction are not depreciated. On completion of the asset and when available for use, the cost of construction is transferred to the appropriate asset category in property, plant and equipment and depreciation commences.

Freehold land is not depreciated.

Deferred stripping costs
Rock, soil and other waste materials are typically to be removed to access an ore body, which is known as stripping activity. Stripping work comprises overburden removal at pre-production, mine extension and production stages.

Pre-production stripping costs incurred in the development of a component of a mine before commercial production commences are capitalised as part of assets under construction. After the commencement of commercial production, the respective capitalised pre‑production stripping costs are transferred to mining assets and depreciated over the life of the respective component of the ore body on a unit of production ("UOP") basis.

Production stripping costs are generally charged to the income statement as variable production costs unless these costs are related to gaining improved access to an identified component of the ore body to be mined in future periods. Such production stripping costs are capitalised within mining assets provided all the following conditions are met:

- it is probable that the future economic benefit associated with the stripping activity will be realised;
- the component of the ore body for which access has been improved can be identified; and
- the costs relating to the stripping activity associated with the improved access can be reliably measured.

Once the commercial production of the specific component of the ore body commences, the capitalised production stripping costs are depreciated on a UOP basis over the life of the respective identified component. No production stripping costs were capitalised as at 31 December 2018 (2017: nil).

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 income statement.

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired. Individual balances of receivables and prepayments are assessed at each reporting date and written off when management deems that there is no possibility of recovery. Further information on the result of the annual impairment testing of goodwill is provided in Note 14 Goodwill and other intangible assets.
A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. In this case, the carrying amount of the asset is increased to its recoverable amount, but not exceeding the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement and the basis for future depreciation is adjusted accordingly. Impairment losses in respect of goodwill are not reversed.

Capitalised stripping costs
Stripping costs are deferred and capitalised if related to gaining improved access to an identified component of an ore body to be mined in future periods. The capitalised amount is determined based on the volume of waste extracted, compared with expected ore volume in the identified component of the ore body. As at 31 December 2018, deferred pre-production stripping costs totalling US$101,305 thousand relate to components in operation and are included in mining assets (2017: US$110,124 thousand). Deferred pre-production stripping costs in relation to components expected to be put into operation in a future period totalled US$34,498 thousand and are included in assets under construction (2017: US$22,734 thousand). No production stripping costs are capitalised as of this point of time.

FERREXPO PLC

As at 31 December 2018, property, plant and equipment comprised:

US$000	Exploration and evaluation	Land	Mining assets	Buildings	Vessels	Plant and equipment	Vehicles	Fixtures and fittings	Assets under construction	Total
Cost:										
At 1 January 2017	1,519	2,838	108,230	142,883	103,383	184,221	131,471	5,453	160,001	839,999
Additions	157	769	489	175	1,355	(192)	(354)	237	121,007	123,643
Transfers	–	19	92,058	13,281	3,747	25,863	11,125	780	(146,873)	–
Disposals	–	–	–	(936)	(257)	(9,096)	(2,529)	(175)	(479)	(13,472)
Translation differences	(58)	(123)	(9,811)	(5,088)	9,916	(6,437)	(4,579)	(97)	(2,174)	(18,451)
At 31 December 2017	**1,618**	**3,503**	**190,966**	**150,315**	**118,144**	**194,359**	**135,134**	**6,198**	**131,482**	**931,719**
Additions	**–**	**1,235**	**(49)**	**628**	**61**	**615**	**(697)**	**27**	**145,641**	**147,461**
Transfers	**–**	**–**	**52**	**23,598**	**3,363**	**35,025**	**20,370**	**885**	**(83,293)**	**–**
Disposals	**–**	**–**	**–**	**(2,565)**	**(109)**	**(7,498)**	**(4,721)**	**(136)**	**(1,205)**	**(16,234)**
Translation differences	**22**	**24**	**2,612**	**1,816**	**(3,441)**	**2,307**	**1,412**	**53**	**(302)**	**4,503**
At 31 December 2018	**1,640**	**4,762**	**193,581**	**173,792**	**118,018**	**224,808**	**151,498**	**7,027**	**192,323**	**1,067,449**
Depreciation:										
At 1 January 2017	–	2	44,811	37,263	33,985	81,625	61,116	3,772	2,586	265,160
Depreciation charge	–	3	8,433	7,747	9,093	17,388	12,228	628	–	55,520
Disposals	–	–	–	(633)	–	(4,595)	(1,637)	(160)	–	(7,025)
Impairment	–	–	–	44	–	1	2	–	(8)	39
Translation differences	–	–	(1,842)	(1,467)	3,627	(3,133)	(2,451)	(41)	(27)	(5,334)
At 31 December 2017	**–**	**5**	**51,402**	**42,954**	**46,705**	**91,286**	**69,258**	**4,199**	**2,551**	**308,360**
Depreciation charge	**–**	**3**	**6,907**	**9,220**	**9,710**	**23,945**	**15,891**	**702**	**–**	**66,378**
Disposals	**–**	**–**	**–**	**(811)**	**11**	**(5,716)**	**(3,628)**	**(124)**	**–**	**(10,268)**
Impairment	**–**	**–**	**–**	**(79)**	**–**	**255**	**18**	**–**	**168**	**362**
Translation differences	**–**	**–**	**546**	**427**	**(1,466)**	**970**	**743**	**9**	**12**	**1,241**
At 31 December 2018	**–**	**8**	**58,855**	**51,711**	**54,960**	**110,740**	**82,282**	**4,786**	**2,731**	**366,073**
Net book value at:										
31 December 2017	1,618	3,498	139,564	107,361	71,439	103,073	65,876	1,999	128,931	623,359
31 December 2018	**1,640**	**4,754**	**134,726**	**122,081**	**63,058**	**114,068**	**69,216**	**2,241**	**189,592**	**701,376**

Assets under construction consist of ongoing capital projects amounting to US$155,092 thousand (2017: US$106,197 thousand) and capitalised pre-production stripping costs of US$34,498 thousand (2017: US$22,734 thousand). Once production commences, stripping costs are transferred to mining assets.

Property, plant and equipment includes capitalised borrowing costs on qualifying assets of US$25,499 thousand (2017: US$17,810 thousand). The capitalised borrowing costs on general borrowings were determined based on the capitalisation rate of 9.65% (2017: 9.0%), which is the average effective interest rate on general borrowings during the period. The Group has no specific borrowings in relation to qualifying assets during either reporting period.

The carrying value of equipment held under finance leases and hire purchase contracts at 31 December 2018 was US$1,881 thousand (2017: US$2,214 thousand). Leased assets and assets under hire purchase contracts are pledged as security for the related finance leases and hire purchase liabilities. US$42,340 thousand of property, plant and equipment have been pledged as security for liabilities (2017: US$47,921 thousand).

The gross value of fully depreciated property, plant and equipment that is still in use is US$40,041 thousand (2017: US$24,728 thousand).

Note 14: Goodwill and other intangible assets
Accounting policy
Goodwill
If the cost of acquisition in a business combination exceeds the identifiable net assets attributable to the Group, the difference is considered as purchased goodwill, which is not amortised. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for indication of impairment annually and, in case those are identified, an impairment assessment is conducted. An impairment loss recognised for goodwill is never reversed in a subsequent period. In the case that the identifiable net assets attributable to the Group exceed the cost of acquisition, the difference is recognised in profit and loss as a gain on bargain purchase. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. If the initial accounting for a business combination cannot be completed by the end of the reporting period in which the combination occurs, only provisional amounts are reported, which can be adjusted during the measurement period of 12 months after acquisition date.

Exploration and evaluation assets
See the policy disclosed in Note 13 Property, plant and equipment.

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.

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As at 31 December 2018, 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 2017	29,033	2,705	1,881	4,333	101	38,053
Additions	–	–	–	138	3,270	3,408
Disposals	–	–	–	(28)	–	(28)
Transfers	–	–	2,882	382	(3,264)	–
Translation differences	(933)	(84)	(217)	80	30	(1,124)
At 31 December 2017	**28,100**	**2,621**	**4,546**	**4,905**	**137**	**40,309**
Additions	**–**	**–**	**1,053**	**75**	**1,930**	**3,058**
Disposals	**–**	**–**	**(73)**	**(17)**	**(4)**	**(94)**
Transfers	**–**	**–**	**68**	**342**	**(410)**	**–**
Translation differences	**396**	**37**	**(13)**	**(15)**	**(55)**	**350**
At 31 December 2018	**28,496**	**2,658**	**5,581**	**5,290**	**1,598**	**43,623**
Accumulated amortisation and impairment:						
At 1 January 2017	–	–	769	2,064	–	2,833
Amortisation charge	–	–	172	300	–	472
Disposals	–	–	–	(28)	–	(28)
Translation differences	–	–	22	152	–	174
At 31 December 2017	**–**	**–**	**963**	**2,488**	**–**	**3,451**
Amortisation charge	**–**	**–**	**290**	**428**	**–**	**718**
Disposals	**–**	**–**	**(73)**	**(14)**	**–**	**(87)**
Translation differences	**–**	**–**	**(12)**	**(56)**	**–**	**(68)**
At 31 December 2018	**–**	**–**	**1,168**	**2,846**	**–**	**4,014**
Net book value at:						
31 December 2017	28,100	2,621	3,583	2,417	137	36,858
31 December 2018	**28,496**	**2,658**	**4,413**	**2,444**	**1,598**	**39,609**

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 2018 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. The production capacity remains at a fixed level once full capacity is reached and therefore no perpetual growth rate is applied for the cash flow projections beyond this point of time.

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

Cash flows are projected based on management's expectations regarding the development of the iron ore and steel market and the cost of producing and distributing the pellets. The Group takes into account two key assumptions: selling price and total production costs considering relevant macro and local factors.

In determining the future long-term selling price, the Group takes into account external and internal analysis of the longer-term and shorter-term supply and demand dynamics in the local region and throughout the world along with costs of production of competitors and the marginal cost of incremental production in a particular market. The Group considers local supply and demand balances affecting its major customers and the effects this could have on the longer-term price. The assumptions for iron ore prices ranged from US$62 per tonne to US$69 per tonne of 62% Fe fines CFR North China (2017: US$60 per tonne to US$63 per tonne).

Cost of production and shipping is considered taking into account local inflationary pressures, major exchange rate developments between local currency and the US Dollar, the longer-term and shorter-term trends in energy supply and demand and the effect on costs along with the expected movements in steel-related commodity prices, which affect the cost of certain production inputs.

For the purpose of the goodwill impairment test, the future cash flows were discounted using a pre-tax real discount rate of 12.7% (2017: 14.0%) per annum. These rates reflect the time value of money and risk associated with the asset, and are in line with the rates used by competitors with a similar background.

Sensitivity to changes in assumptions

Management believes that due to the available headroom resulting from the Group's impairment testing of its operating assets, no reasonable change in the above key assumptions would cause the carrying value of these operating assets to materially exceed its recoverable amount.

Note 15: Other non-current assets

As at 31 December 2018, other non-current assets comprised:

US$000	**As at 31.12.18**	As at 31.12.17
Prepayments for property, plant and equipment	**24,993**	10,283
Prepaid bank arrangement fees	**6,552**	–
Other non-current assets	**559**	218
Total other non-current assets	**32,104**	10,501

Note 16: Inventories

Accounting policy

Inventories are stated at the lower of cost and net realisable value.
Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – at cost on a first-in, first-out basis.
- Finished goods and work in progress – at cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs.
- Lean and weathered ore – at cost, if lower than net realisable value.

The net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion (conversion into pellets or concentrate) and the estimated costs necessary to sell the product or goods.

Major spare parts and servicing equipment that meet the definition of property, plant and equipment are, in accordance with IAS 16, included in property, plant and equipment and not in inventory.

Critical estimates

Lean and weathered ore

Iron ore of various grades is being extracted at the Group's two operating mines GPL and Yerystivske. In order to maximise the operational efficiency and output of the processing facility at FPM, management determines the optimal mix and grade of ore to be delivered to the processing facility from each mine. During the last financial years, including the financial year 2018, ore of a lower iron content was stockpiled due to limited processing capacities.

It is the Group's intention to process the stockpiled ore once additional processing capacities are available. This additional capacity is currently being constructed and expected to be completed in the first half of the financial year 2020 and as a consequence the entire balance is classified as non-current.

As at 31 December 2018, the stockpiled ore valued at cost totalled US$217,688 thousand (2017: US$175,831 thousand). Critical estimates in determining the net realisable value of lean and weathered ore includes i) utilisation of the ore over the period from 2020 to 2034, representing an average of 10 % of total available processing capacity, and using an asset specific WACC based pre-tax discount rate of 19.0%; and ii) forecast long-term iron ore prices of US$77 per tonne.

The net realisable value of lean and weathered ore is most sensitive to delays in the commencement of utilising the ore in the production process, which depends on the completion of the capacity upgrade programme at FPM. Two separate stress tests assuming a one year delay and a US$5 per tonne lower forecast long-term iron ore price would result in a reduction in the net realisable value of US$46,700 thousand and US$25,500 thousand, respectively.

At 31 December 2018, inventories comprised:

US$000	**As at 31.12.18**	As at 31.12.17
Raw materials and consumables	**39,083**	34,295
Spare parts	**56,873**	42,053
Finished ore pellets	**43,097**	15,482
Work in progress	**3,153**	2,475
Other	**2,713**	2,340
Total inventories – current	**144,919**	96,645
Lean and weathered ore	**217,688**	175,831
Total inventories – non-current	**217,688**	175,831
Total inventories	**362,607**	272,476

Inventories classified as non-current mainly comprise lean and weathered ore that are, based on the Group's current processing plans, not planned to be processed within the next year. It is the Group's intention to process this ore at a later point of time and it is expected that it will take more than one year to process this stockpile, depending on the Group's future mining activities, processing capabilities and anticipated market conditions.

Note 17: 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 12-month 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. 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 2018 is disclosed in Note 26 Financial instruments.

At 31 December 2018, trade and other receivables comprised:

US$000	**As at 31.12.18**	As at 31.12.17
Trade receivables	**83,945**	85,645
Other receivables	**2,840**	3,364
Allowance for doubtful receivables	**(1,090)**	(682)
Total trade and other receivables	**85,695**	88,327

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 2018 includes US$1,517 thousand (2017: US$1,237 thousand) owed by related parties. The detailed related party disclosures are made in Note 33 Related party disclosures.

The cumulative effects from the application of the new standard IFRS 9 *Financial instruments* on the consolidated statement of financial position as of 1 January 2018 and as at 31 December 2018 is disclosed in Note 3 New accounting policies.

The movement in the allowance for doubtful debts during the period under review was:

US$000	**Year ended 31.12.18**	Year ended 31.12.17
Opening balance	**682**	926
Impact of first-time application of IFRS 9	**218**	–
Increase	**452**	177
Release	**(230)**	(445)
Translation differences	**(32)**	24
Closing balance	**1,090**	682

During the financial year 2018 there was no movement in the allowance for doubtful debts 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 and the ageing and impairment profile thereon:

				Receivables past due but not impaired		
As at 31.12.18 US$000	**Gross amount**	**Receivables impaired**	**Receivables neither past due nor impaired**	**Less than 45 days**	**45 to 90 days**	**Over 90 days**
Trade receivables	**83,945**	**732**	**81,052**	**1,400**	**375**	**386**
Other receivables	**2,840**	**358**	**2,274**	**23**	**27**	**158**

				Receivables past due but not impaired		
As at 31.12.17 US$000	Gross amount	Receivables impaired	Receivables neither past due nor impaired	Less than 45 days	45 to 90 days	Over 90 days
Trade receivables	85,645	431	84,154	282	154	624
Other receivables	3,364	251	2,923	101	5	84

Of the total balance of receivables impaired as of 31 December 2018 US$712 thousand (2017: US$682 thousand) was past due.

The table above includes the impact from the application of the new expected credit loss impairment model under IFRS 9 *Financial instruments*. The change of the balance of impairment losses on trade receivables recognised in the consolidated income statement as of 31 December 2018 is not material and therefore not disclosed separately in the consolidated income statement. For further information see the table above and Note 3 New accounting policies.

The Group's exposures to credit, currency and commodity risks are disclosed in Note 26 Financial instruments.

Note 18: Prepayments and other current assets

As at 31 December 2018, prepayments and other current assets comprised:

US$000	**As at 31.12.18**	As at 31.12.17
Prepayments to suppliers:		
Electricity and gas	**7,458**	2,729
Materials and spare parts	**5,191**	3,068
Services	**3,552**	2,650
Other prepayments	**602**	615
Prepaid bank arrangement fees	**2,293**	4,384
Prepaid expenses	**8,171**	4,069
Other	**77**	–
Total prepayments and other current assets	**27,344**	17,514

Prepayments at 31 December 2018 include US$1,181 thousand (2017: US$1,259 thousand) made to related parties. The detailed related party disclosures are made in Note 33 Related party disclosures.

The cumulative effects from the application of the new standard IFRS 15 *Revenue from contracts with customers* on the consolidated statement of financial position as at 1 January 2018 and as at 31 December 2018 are disclosed in Note 3 New accounting policies.

Note 19: 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 period end.

As at 31 December 2018, other taxes recoverable comprised:

US$000	**As at 31.12.18**	As at 31.12.17
VAT receivable	**44,730**	23,081
Other taxes prepaid	**107**	111
Total other taxes recoverable and prepaid	**44,837**	23,192

The table below provides a reconciliation of the VAT receivable balance in Ukraine:

US$000	Notes	**Year ended 31.12.18**	Year ended 31.12.17
Opening balance, gross		**22,444**	20,565
Net VAT incurred		**127,363**	99,536
VAT refunds received in cash		**(106,341)**	(96,824)
Translation differences	2	**292**	(833)
Closing balance, gross		**43,758**	22,444
Allowance		**(1,020)**	(1,190)
Closing balance, net		**42,738**	21,254

US$13,328 thousand of the total VAT receivable balance in Ukraine was overdue as at 31 December 2018 (2017: US$678 thousand). US$12,641 thousand of the aforementioned overdue balance was refunded by the end of January 2019.The allowance of US$1,020 thousand (2017: US$1,190 thousand) is related to uncertainties in terms of the recovery of VAT receivable balances of one of the Ukrainian subsidiaries with its mine still being developed.

As at 31 December 2018, other taxes payable comprised:

US$000	**As at 31.12.18**	As at 31.12.17
Environmental tax	**1,449**	1,010
Royalties	**6,669**	3,494
VAT payable	**235**	159
Other taxes	**3,212**	2,932
Total other taxes payable	**11,565**	7,595

See Note 11 Taxation for information in respect of a withholding tax claim in Ukraine.

Note 20: 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 2018, trade and other payables comprised:

US$000	**As at 31.12.18**	As at 31.12.17
Materials and services	**30,446**	30,040
Payables for equipment	**3,755**	2,084
Other	**91**	296
Total current trade and other payables	**34,292**	32,420

Trade and other payables at 31 December 2018 includes US$1,428 thousand (2017: US$1,770 thousand) due to related parties (see Note 33 Related party disclosures).

The Group’s exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 26 Financial instruments.

Note 21: Pension and post-employment obligations
Accounting policy
The defined benefit costs relating to the plans operated by the Group in the different countries are determined and accrued in the consolidated financial statements using the projected unit credit method for those employees entitled to such payments. The underlying assumptions are defined by management and the defined benefit pension liability is calculated by independent actuaries at the end of each annual reporting period.

Remeasurements, comprising actuarial gains and losses, are immediately reflected in the statement of financial position. The corresponding charge or credit is recognised in the other comprehensive income of the period in which it occurred and immediately reflected in retained earnings as not reclassified to the income statement in subsequent periods.

The costs of managing plan assets are deducted from the return on plan assets reflected in other comprehensive income. All other scheme administration costs are charged to the income statement. The net interest is calculated by applying the discount rate to the net defined benefit pension liability or plan assets. Any past service costs are recognised in the income statement at the earlier of when the plan amendment occurs or when related restructuring costs are recognised.

The service costs (including current and past) are included in cost of sales, selling and distribution expenses and general and administrative expenses in the consolidated income statement whereas the net finance expenses are included in finance expenses. The effects from remeasurements are recognised in other comprehensive income.

The defined benefit pension liability is the aggregate of the defined benefit obligation less plan assets of funded schemes. The Group operates funded and unfunded schemes.

The Group's expenses in relation to defined contribution plans are charged directly to the income statement.

The Group mainly operates defined benefit plans for qualifying employees of its subsidiaries in Ukraine and Switzerland. All local defined benefit pension liabilities are calculated by independent actuaries applying accepted actuarial techniques. In addition to the aforementioned schemes, the Group operates a defined benefit scheme in Austria and contribution plans for qualifying employees in the UK and in Singapore.

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.

There was no change in the Ukrainian pension legislation during the financial year 2018 whereas in the comparative year the Ukrainian pension legislation was changed in October 2017 by adjusting the average state salary for the years 2014 to 2018, stepwise increasing insurance length of services and decreasing the coefficient for one year of service. Following the change to the pension legislation, the pensions for the current pensioners have been recalculated and have resulted in a past service cost gain of US$4,038 thousand as of 31 December 2017 for both Ukrainian schemes.

As of 1 December of the comparative year 2017, FPM's collective agreement was changed in order to remove FPM's obligation of additional payments to its employees reaching retirement age in order to improve their welfare. This change affected 6,992 employees and resulted in a curtailment gain of US$655 thousand. No changes in FPM's collective agreement were made during the financial year 2018.

At 31 December 2018, the pension schemes in Ukraine covered 4,377 current employees (2017: 4,302 people) following the above-mentioned change of the collective agreement for FPM. There are 900 former employees currently in receipt of pensions (2017: 956 people).

Switzerland

The employees of the Group's Swiss operation are covered under a collective pension plan (multi-employer plan), which is governed in accordance with the requirements of Swiss law. The funding, of which two-thirds is contributed by the employer and one-third by the employees, is based on the regulations of the pension scheme and Swiss law. The pension scheme in Switzerland is funded and the assets of the pension scheme are held separately from those of the Group and are invested with an insurance company. The accumulated capital of the employees is subject to interests determined by the local legislation and defined in the regulations of the pension scheme.

On retirement, employees are entitled to receive either a lump sum or an annual proportion of their accumulated capital as a pension underpinned by certain guarantees. The Group, and in certain cases the employees, make contributions to the pension scheme as a percentage of the insured salaries and depending on the age of the employees.

At 31 December 2018, the Swiss pension scheme covered 21 people (2017: 20 people).

The principal assumptions used in determining the defined benefit obligation are shown below:

	Year ended 31.12.18		Year ended 31.12.17	
	Ukrainian schemes	**Swiss scheme**	Ukrainian schemes	Swiss scheme
Discount rate	**14.00%**	**0.95%**	13.00%	0.80%
Retail price inflation	**6.38%**	**1.00%**	7.44%	1.00%
Expected future salary increase	**7.85%**	**1.25%**	9.22%	1.25%
Expected future benefit increase	**6.38%**	**0.00%**	8.48%	0.00%
Female life expectancy (years)	**81.7**	**89.5**	81.5	89.4
Male life expectancy (years)	**77.4**	**87.5**	77.2	87.4

US$000	**As at 31.12.18**	As at 31.12.17
Present value of funded defined benefit obligation	**6,920**	5,094
Fair value of plan assets	**(4,483)**	(3,183)
Funded status	**2,437**	1,911
Present value of unfunded defined benefit obligation	**19,001**	18,603
Defined benefit pension liability	**21,438**	20,514
Thereof for Ukrainian schemes	***18,913***	*18,504*
Thereof for Swiss scheme	***2,437***	*1,911*
Thereof for schemes in other jurisdictions	***88***	*99*

Amounts recognised in the income statement or other comprehensive income are as follows:

US$000	**Year ended 31.12.18**	Year ended 31.12.17
Defined benefit cost/(gains) charged in the income statement:		
Current service cost	**1,234**	943
Past service cost	**–**	(4,038)
Curtailment gains	**–**	(655)
Interest cost on defined benefit obligation	**2,416**	2,116
Interest income on plan assets	**(31)**	(20)
Administration cost	**23**	22
Total defined benefit cost/(gains) charged in the income statement	**3,642**	(1,632)
Remeasurement cost/(gains) in other comprehensive income:		
Remeasurement from demographic assumptions	**229**	(799)
Remeasurement from financial assumptions	**(5,035)**	7,682
Experience adjustment	**3,895**	2,468
Return on plan assets	**36**	(179)
Total remeasurement cost/(gains) in other comprehensive income	**(875)**	9,172
Total defined benefit cost	**2,767**	7,540
Thereof for Ukrainian schemes	***1,893***	*7,232*
Thereof for Swiss scheme	***878***	*301*
Thereof for schemes in other jurisdictions	***(4)***	*7*

The effect from remeasurement of financial assumptions relates to an increase of the discount rate for the Ukrainian schemes as of 31 December 2018 compared to a decrease as of the end of the comparative year ended 31 December 2017. The effect from the experience adjustments relates to higher than assumed salary increases in Ukraine during the financial years 2017 and 2018.

Changes in the present value of the defined benefit obligation are as follows:

US$000	**Year ended 31.12.18**	Year ended 31.12.17
Opening defined benefit obligation	**23,697**	18,324
Current service cost	**1,234**	943
Interest cost on defined benefit obligation	**2,416**	2,116
Remeasurement losses/(gains)	**(947)**	9,352
Translation differences	**221**	(480)
Contributions paid by employer	**(1,700)**	(1,539)
Contributions paid by employees	**119**	112
Benefits paid and net transfers through pension assets	**881**	(424)
Curtailment gains	**–**	(669)
Plan amendments	**–**	(4,038)
Closing defined benefit obligation	**25,921**	23,697
Thereof for Ukrainian schemes	***18,913***	*18,504*
Thereof for Swiss scheme	***6,920***	*5,094*
Thereof for schemes in other jurisdictions	***88***	*99*
Thereof for active employees	***16,824***	*14,256*
Thereof for vested terminations	***4,865***	*4,414*
Thereof for pensioners	***4,232***	*5,027*

The durations of the defined benefit obligation for the different schemes as at 31 December 2018 are 9.1 years (Ukraine) and 20.4 years (Switzerland).

Contributions to the defined benefit plans, including benefits paid by employer and employee contributions, are expected to be US$1,566 thousand for the schemes in Ukraine and US$703 thousand in Switzerland in the next financial year.

The expenses in relation to the defined contribution plan in the UK and Singapore totalled US$60 thousand (2017: US$50 thousand).

Changes in the fair values of the plan assets are as follows:

US$000	**Year ended 31.12.18**	Year ended 31.12.17
Opening fair value of plan assets	**3,183**	2,835
Interest income	**31**	20
Contributions paid by employer	**344**	354
Contributions paid by employees	**119**	112
Benefits paid and net transfers through pension assets	**881**	(424)
Return on plan assets	**(36)**	179
Administration cost	**(23)**	(21)
Translation differences	**(16)**	128
Closing fair value of plan assets	**4,483**	3,183
Thereof for Swiss scheme	***4,483***	*3,183*

The asset allocation of the plan assets of the Swiss scheme is as follows:

%/US$000	**As at 31.12.18**	**As at 31.12.18**	As at 31.12.17	As at 31.12.17
Scheme assets at fair value				
Equities	**29.4**	**1,318**	26.6	847
Bonds	**32.7**	**1,466**	35.6	1,133
Properties	**12.7**	**569**	10.5	334
Other	**25.2**	**1,130**	27.3	869
Fair value of scheme assets	**100.0**	**4,483**	100.0	3,183

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.

Following new rules in Ukrainian pension legislation, the pension indexation is defined by the future salary increases and the local inflation rate. As a result of this change, no sensitivity for the indexation of pension is calculated anymore for the Ukrainian schemes, but the sensitivity for local inflation is used instead.

Changes to the significant assumptions would have the following effects on the defined benefit obligation in the different jurisdictions:

	Year ended 31.12.18					
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 (%)	**(1,603)**	**(1,136)**	**(8)**	**1,774**	**1,574**	**9**
Future salary increases (%)	**1,044**	**152**	**8**	**(946)**	**(135)**	**(8)**
Local inflation (%)	**501**	**6**	**n/a**	**(496)**	**(6)**	**n/a**
Indexation of pension (%)	**n/a**	**775**	**n/a**	**n/a**	**n/a**	**n/a**
Life expectancy (years)	**287**	**156**	**n/a**	**(336)**	**(157)**	**n/a**

	Year ended 31.12.17					
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 (%)	(1,587)	(868)	(9)	1,845	1,221	10
Future salary increases (%)	1,324	181	8	(1,178)	(162)	(9)
Local inflation (%)	249	6	n/a	(247)	(6)	n/a
Indexation of pension (%)	n/a	556	n/a	n/a	n/a	n/a
Life expectancy (years)	286	102	n/a	(335)	(102)	n/a

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 22: 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 2018:

US$000	**Year ended 31.12.18**	Year ended 31.12.17
Opening balance	**2,070**	1,071
Unwind of the discount	**272**	150
(Credit)/charge to the income statement	**(429)**	904
Translation differences	**27**	(55)
Closing balance	**1,940**	2,070

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 2038, 2041 and 2061 for the different areas within the mine. The first minor restoration work of the Yerystivske mine is expected to start after 2032 within the different dump areas, whereas the removal of equipment and the flooding of the pit will only begin at the end of the mine's life.

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 a nominal pre-tax discount rate of 14% (2017: 13.0%) and the costs are expected to be incurred once the restoration works begin in the different areas of the mines.

Uncertainties in estimating the provision include potential changes in regulatory requirements, decommissioning and reclamation alternatives and the discount and inflation rates to be used in the calculations.

Note 23: Accrued liabilities and contract liabilities

As at 31 December 2018, accrued liabilities and contract liabilities comprised:

US$000	**As at 31.12.18**	As at 31.12.17
Accrued expenses	**6,123**	3,721
Accrued interest	**6,438**	9,358
Accrued employee costs	**13,899**	12,235
Advances from customers	**195**	780
Contract liabilities	**6,038**	1,460
Total accrued liabilities and contract liabilities	**32,693**	27,554

In the current period, management has reviewed the presentation of the accrued interest and has reclassified it from interest-bearing loans and borrowings to accrued liabilities. See Note 25 Interest-bearing loans and borrowings for further information.

The cumulative effects from the application of the new standard IFRS 15 *Revenue from contracts with customers* on the consolidated statement of financial position as at 1 January 2018 and as at 31 December 2018 are disclosed in Note 3 New accounting policies.

Note 24: Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash at bank and on hand and short-term deposits with original maturity of 90 days or less. Cash at bank and on hand and short-term deposits are recorded at their nominal amount as these present an insignificant risk of changes in value.

As at 31 December 2018, cash and cash equivalents comprised:

US$000	**As at 31.12.18**	As at 31.12.17
Cash at bank and on hand	**62,996**	97,742
Total cash and cash equivalents	**62,996**	97,742

The debt repayments during the financial year ended 31 December 2018 totalled US$308,817 thousand (2017: US$238,602 thousand) affecting the balance of cash and cash equivalents. Further information on the Group's gross debt is provided in Note 25 Interest-bearing loans and borrowings.

The balance of cash and cash equivalents held in Ukraine amounts to US$21,416 thousand as at 31 December 2018 (2017: US$10,281 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 26 Financial instruments.

Note 29 Commitments, contingencies and legal disputes provides details on the Group's balance of restricted cash and deposits which has been fully provided for as currently not available to the Group.

Note 25: Interest-bearing loans and borrowings

Accounting policy

The Group's interest-bearing loans and borrowings are measured at amortised cost. All loans are in US Dollars. See also Note 26 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 31.12.18**	As at 31.12.17
Current			
Eurobond issued		**172,454**	171,202
Syndicated bank loans – secured		**–**	112,500
Other bank loans – secured		**9,262**	16,218
Other bank loans – unsecured		**1,494**	1,523
Obligations under finance leases	29	**2,074**	3,969
Trade finance facilities		**19,316**	–
Total current interest-bearing loans and borrowings		**204,600**	305,412
Non-current			
Eurobond issued		**–**	171,202
Syndicated bank loans – secured		**195,000**	–
Other bank loans – secured		**–**	9,267
Other bank loans – unsecured		**2,258**	3,752
Obligations under finance leases	29	**–**	2,073
Total non-current interest-bearing loans and borrowings		**197,258**	186,294
Total interest-bearing loans and borrowings	26	**401,858**	491,706

In the current period, management has reviewed the presentation of the accrued interest and has reclassified it from interest-bearing loans and borrowings to accrued liabilities in order to better reflect the nature of this balance in the presentation. US$9,358 thousand have been re-presented for the comparative year ended 31 December 2017 to be on a consistent basis. There has been no restatement of the underlying financial information.

At 31 December 2018, the Group has a syndicated revolving US$400,000 thousand pre-export finance facility, of which US$205,000 thousand is available (31 December 2017: US$195,000 thousand) and US$195,000 thousand is drawn by the Group (31 December 2017: nil). The initial facility agreement for a total amount of US$195,000 thousand was signed on 16 November 2017 and fully drawn in March 2018. In August 2018, an amendment to the aforementioned facility agreement was signed, increasing the facility from US$195,000 thousand to US$400,000 thousand and extending the tenor by one year. The effective date of the increase and extension is 6 November 2018. Following a one-year grace period, the facility will be amortised in 12 quarterly instalments, with the first instalment due on 6 February 2020 and the final repayment due on 6 November 2022. The Group has drawn on 4 March 2019 US$185,000 thousand under the afore-mentioned extended facility.

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 assigned sales contracts are exclusively received.

In July 2018, the Group made the final repayment of another syndicated revolving US$350,000 thousand pre-export finance facility. As at the end of the comparative year ended 31 December 2017, US$131,250 thousand was available and US$112,500 thousand drawn by the Group.

In addition to the major bank debt facility mentioned above, the Group had outstanding unsecured Notes at par value totalling US$173,181 thousand as at 31 December 2018 (31 December 2017: US$346,385 thousand). The Notes have a 10.375% interest coupon payable semi-annually. The Notes with maturity dates on 7 April 2019 and 2018, respectively, were repaid in two equal instalments of US$173,181 thousand.

As at 31 December 2018, the Group had open trade finance facilities in the amount of US$19,316 thousand (2017: nil). Trade finance facilities are secured against receivables related to these specific trades.

The outstanding unsecured Notes are shown net of associated arrangement fees while for the revolving syndicated pre-export finance facility, fees are presented in prepayments and current assets and other non-current assets based on the maturity of the underlying facility and are amortised over the term of the facility.

The table below shows the movements in the interest-bearing loans and borrowings:

US$000	**Year ended 31.12.18**	Year ended 31.12.17
Opening balance of interest-bearing loans and borrowings	**491,706**	723,154
Cash movements		
Repayments of Eurobond issued	**(173,181)**	–
Proceeds from syndicated bank loans – secured	**195,000**	–
Repayments of syndicated bank loans – secured	**(112,500)**	(193,750)
Repayments of other bank loans – secured	**(17,189)**	(20,512)
Repayments of other bank loans – unsecured	**(1,512)**	(1,534)
Repayments of obligations under finance leases	**(3,753)**	(3,690)
Change of trade finance facilities, net	**19,288**	(19,025)
Total cash movements	**(93,847)**	(238,511)
Non-cash movements		
Amortisation of fees	**4,696**	7,014
Others (including translation differences)	**(697)**	49
Total non-cash movements	**3,999**	7,063
Closing balance of interest-bearing loans and borrowings	**401,858**	491,706

Further information on the Group's exposure to interest rate, foreign currency and liquidity risk is provided in Note 26 Financial instruments.

IFRS 16 *Leases* applies to annual reporting periods beginning on or after 1 January 2019. On transition date, lease liabilities of US$7,645 thousand will be recognised within net debt. For further information see Note 3 New accounting policies.

Note 26: 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 and trade and other payables.

Derivative financial instruments

Except for the provisionally priced receivables disclosed in Note 17 Trade and other receivables, the Group does not hold any derivative financial instruments.

Initial measurement

Non-derivative financial instruments

Financial assets and financial liabilities are initially measured at fair value. Any transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities are added or deducted from its fair value except for financial assets and financial liabilities at fair value through the income statement. For those financial assets and financial liabilities, the transaction costs are recognised immediately in the income statement.

All regular way purchases and sales of financial assets are recognised on the trade date (i.e. the date that the Group commits to purchase or sell the asset). Regular way purchases or sales are those that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The subsequent measurement is based on the classification of the financial instruments.

Subsequent measurement

Financial assets

Loans and receivables

Except for the provisionally priced receivables disclosed in Note 17 Trade and other receivables, loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired along with the amortisation process.

Other

Other non-derivative financial assets are measured at amortised cost using the effective interest method less any impairment losses.

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 are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Impairment of financial assets

In addition to the individual assessment at each reporting date whether a financial asset or group of financial assets is impaired, the Group also assesses the expected credit losses on financial assets carried at amortised cost. As all of the Group’s loan and receivable balances are classified as current based on the agreed terms and conditions, the loss allowance is measured at an amount equal to the 12-month expected credit losses based on publicly available credit default ratings adjusted for current observable circumstances, forecast information and past history of credit losses. This assessment is performed individually for all financial assets that are individually significant and collectively for those that are not individually significant and have similar credit risk characteristics. The carrying amount of the financial assets is reduced by an allowance account with the change of the allowance being recognised in the consolidated income statement.

Individual balances are written off when management deems that there is no possibility of recovery.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and it is objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is to be reversed. Any subsequent reversal of an impairment loss is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

The accounting classification of each category of financial instruments and their carrying amounts are set out below:

		As at 31.12.18		
US$000	Notes	Loans and receivables	Financial liabilities measured at amortised cost	Total
Financial assets				
Cash and cash equivalents	24	**62,996**	**–**	**62,996**
Trade and other receivables	17	**85,695**	**–**	**85,695**
Other financial assets		**456**	**–**	**456**
Total financial assets		**149,147**	**–**	**149,147**
Financial liabilities				
Trade and other payables	20	**–**	**34,292**	**34,292**
Accrued liabilities	23	**–**	**26,458**	**26,458**
Interest-bearing loans and borrowings	25	**–**	**401,858**	**401,858**
Total financial liabilities		**–**	**462,608**	**462,608**

US$000	Notes	As at 31.12.17 Loans and receivables	Financial liabilities measured at amortised cost	Total
Financial assets				
Cash and cash equivalents	24	97,742	–	97,742
Trade and other receivables	17	88,327	–	88,327
Other financial assets		620	–	620
Total financial assets		186,689	–	186,689
Financial liabilities				
Trade and other payables	20	–	32,420	32,420
Accrued liabilities	23	–	25,314	25,314
Interest-bearing loans and borrowings	25	–	491,706	491,706
Total financial liabilities		–	549,440	549,440

Fair values and impairment testing
Financial assets and other financial liabilities
The fair values of cash and cash equivalents, trade and other receivables and payables are approximately equal to their carrying amounts due to their short maturity.

Interest-bearing loans and borrowings
The fair values of interest-bearing loans and borrowings are based on the discounted cash flows using market interest rates (Level 2) except for the fair value of the Eurobond issued (Level 1), which is based on the market price quotation at the reporting date. The fair values of interest-bearing loans and borrowings totalled US$401,089 thousand (2017: US$514,515 thousand).

Fair value measurements recognised in the statement of financial position
Except for the provisionally priced trade receivables (Level 2) disclosed in Note 17 Trade and other receivables, the Group does not have any financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 3 based on the degree to which the fair value is observable. There were no transfers between Level 1 and Level 2 in these periods.

Financial risk management
Overview
The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk – including currency and commodity risk.

This Note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Board has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee and the CFO.

The Group operates a centralised financial risk management structure under the management of the Executive Committee, accountable to the Board. The Executive Committee delegates certain responsibilities to the CFO. The CFO's responsibilities include authority for approving all new physical, commercial or financial transactions that create a financial risk for the Group. Additionally, the CFO controls the management of treasury risks within each of the business units in accordance with a Board-approved treasury policy.

Financial instrument risk exposure and management
Natural hedges that can be identified and their effectiveness quantified are used in preference to financial risk management instruments. Derivative transactions may be executed for risk mitigation purposes only – speculation is not permitted under the approved treasury policy – and are designed to have the effect of reducing risk on underlying market or credit exposures. Appropriate operational controls ensure operational risks are not increased disproportionately to the reduction in market or credit risk.

The Group has not used any financial risk management instruments that are derivative in nature, or other hedging instruments, in this or prior periods.

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.

Trade finance is used to balance risk and payment. These risks include the creditworthiness of the buyer, and the political and economic stability of the buyer's country. 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. The primary objective is to ensure that the margins paid and conditions applicable should be the same as, or better than, those which other organisations with similar creditworthiness would achieve, and compared with other financing available to the Group.

Credit risk is the risk associated with the possibility that a buyer will default, by failing to make required payments in a timely manner or to comply with other conditions of an obligation or agreement. Where appropriate, the Group uses letters of credit to assist in mitigating such risks.

Counterparty risk crystallises when a party to an agreement defaults. Where letters of credit are used to minimise this risk, the Group uses a confirming bank with a similar or higher credit rating to mitigate country and/or credit risk of the issuing bank.

Country risk is the potential volatility of foreign assets, whether receivables or investments, that is due to political and/or financial events in a given country.

Group Treasury monitors the concentration of all outstanding risks associated with any entity or country, and reports to the Group CFO on a timely basis.

Investment securities
Outside Ukraine the Group limits its cash exposure to credit, counterparty and country risk by only investing in liquid securities and with counterparties that are incorporated in an A+ or better "S&P" rated OECD country. A ratings approach is used to determine maximum exposure to each counterparty. Cash not required within three months for production, distribution and capital expenditures is invested with counterparties rated by S&P or Moody's at a level of long-term BBB "S&P" or short-term A3 "S&P" or better.

Recognising that the principal activities of the Group are predominantly in Ukraine, special consideration is given to Ukrainian transactional banking counterparties where the sector is small and constrained by the sovereign credit rating. Exceptions may be made under the following conditions:

- the counterparty is resident in Ukraine; and
- the counterparty is included in the top 15 financial institutions in Ukraine based on the Group's assessment of the financial institution.

Subsequent to the declaration of insolvency of the Group's former transactional bank in Ukraine (see Note 29 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 2018, 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$195,000 thousand was drawn as of 31 December 2018 (2017: nil) and US$205,000 thousand was available (2017: US$195,000 thousand).

At 31 December 2018, Ferrexpo plc, Ferrexpo AG and Ferrexpo Middle East FZE were guarantors to the Eurobond ("Notes") issued by Ferrexpo Finance plc totalling US$173,181 thousand and fully repaid on 7 April 2019. Additionally, the Notes benefited from a surety agreement provided by FPM.

Certain Group companies act as guarantors for several finance facilities provided to Ukrainian subsidiaries: Ferrexpo AG amounting to US$15,767 thousand (2017: US$38,902 thousand), Ferrexpo Middle East FZE amounting to US$6,595 thousand (2017: US$15,852 thousand) and Ferrexpo plc amounting to US$2,661 thousand (2017: US$7,984 thousand).

The total remaining contractual maturities of the guarantees provided under the facilities listed above is US$403,268 thousand (2017: US$497,800 thousand).

Exposure to credit risk
The carrying amount of financial assets at 31 December 2018 was US$149,147 thousand (2017: US$186,689 thousand) and represents the maximum credit exposure. See page 141 for further information.

Of the total maximum exposure to credit risk, US$26,068 thousand (2017: US$13,170 thousand) related to Ukraine.

The total receivables balance relating to the Group's top three customers was US$40,670 thousand (2017: US$49,918 thousand), making up 47.5% of the total amounts receivable (2017: 63.4%). 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 17 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. For further information see the Group's Viability Statement on page 28.

The following are the contractual maturities of financial liabilities:

	As at 31.12.18				
US$000	**Less than 1 year**	**Between 1 to 2 years**	**Between 2 to 5 years**	**More than 5 years**	**Total**
Interest-bearing					
Fixed rate loans and borrowings	**181,182**	**–**	**–**	**–**	**181,182**
Floating rate loans and borrowings	**24,785**	**66,534**	**130,767**	**–**	**222,086**
Total interest-bearing	**205,967**	**66,534**	**130,767**	**–**	**403,268**
Non-interest-bearing					
Trade and other payables	**34,292**	**–**	**–**	**–**	**34,292**
Accrued liabilities	**26,458**	**–**	**–**	**–**	**26,458**
Future interest payable	**23,321**	**12,380**	**10,511**	**–**	**46,212**
Total non-interest-bearing	**84,071**	**12,380**	**10,511**	**–**	**106,962**
Total financial liabilities	**290,038**	**78,914**	**141,278**	**–**	**510,230**

The difference of the total of fixed and floating interest-bearing loans and borrowings compared to the balances disclosed in Note 25 Interest-bearing loans and borrowings mainly relates to arrangement fees paid for specific facilities which are netted for the presentation in the statement of financial position.

	As at 31.12.17				
US$000	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	More than 5 years	Total
Interest-bearing					
Fixed rate loans and borrowings	189,004	181,180	–	–	370,184
Floating rate loans and borrowings	119,847	5,468	2,301	–	127,616
Total interest-bearing	308,851	186,648	2,301	–	497,800
Non-interest-bearing					
Trade and other payables	48,428	–	–	–	48,428
Accrued liabilities	25,314	–	–	–	25,314
Future interest payable	30,251	9,218	70	–	39,539
Total non-interest-bearing	103,993	9,218	70	–	113,281
Total financial liabilities	412,844	195,866	2,371	–	611,081

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 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 difference recorded in the income statement.

In case of a change of the local currency compared to the US Dollar, US Dollar-denominated loans held by the Ukrainian subsidiaries result in non-operating exchange differences to the extent these are not matched by US Dollar-denominated assets. Fixed assets are held in local currency amounts and a change in the functional currencies different to the US Dollar results in a change of the Group's net assets as recorded in the translation reserve.

The NBU manages and determines the official exchange rates. An interbank market for exchange of currencies exists in Ukraine and is monitored by the NBU. The Group, through financial institutions, exchanges currencies at bank offered market rates.

Trade receivables are predominately in US Dollars and are not hedged. Trade payables denominated in US Dollars are also not hedged on the market, but are matched against US Dollar currency receipts. This includes the interest expense, which is principally payable in US Dollars. Trade receivables and trade payables in Ukrainian Hryvnia are not hedged as a forward market for the currency is generally not available.

Other Group monetary assets and liabilities denominated in foreign currencies are considered immaterial as the exposure to currency risk mainly relates to corporate costs within Switzerland and the UK.

The Group's exposure to foreign currency risk was as follows as of 31 December 2018:

US$000	**As at 31.12.18**	As at 31.12.17
Total financial assets	**149,147**	186,689
Thereof exposed to Ukrainian Hryvnia	**–**	–
Thereof exposed to US Dollar	***6,837***	*6,906*
Thereof exposed to Euro	***49***	*145*
Thereof exposed to Swiss Franc	***674***	*673*
Thereof exposed to other currencies	***1,898***	*1,446*
Total exposures to currencies other than local functional currencies	**9,458**	9,170
Total financial liabilities	**(462,608)**	(549,440)
Thereof exposed to Ukrainian Hryvnia	**–**	–
Thereof exposed to US Dollar	***(12,369)***	*(22,061)*
Thereof exposed to Euro	***(1,587)***	*(1,731)*
Thereof exposed to Swiss Franc	***(4,617)***	*(216)*
Thereof exposed to other currencies	***(1,086)***	*(6,569)*
Total exposures to currencies other than local functional currencies	**(19,659)**	(30,577)

No other subsidiaries of the Group 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 30 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 periods.

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. There was no provisionally priced iron ore exposure at 31 December 2018 (2017: 176,000 tonnes) which would give rise to a fair value adjustment relating to the embedded provisional pricing mechanism as at 31 December 2018 (2017: gain of US$846 thousand). Final iron ore prices based on the relevant index are normally known within 60 days after the reporting period. There were no provisionally priced receivable balances as at 31 December 2018. The difference between the provisionally priced receivable balance recognised as at the end of the comparative period ended 31 December 2017 and the receivable balance taking into account the known final prices was US$863 thousand and would have increased the consolidated result and the shareholders' equity by this amount.

Where pricing terms deviate from the index-based pricing model, derivative commodity contracts may be used to swap the pricing terms to the iron ore index price.

Finished goods are held at cost without revaluation to a spot price for iron ore pellets at the end of the reporting period, as long as the recoverable amount exceeds the cost basis.

Sensitivity analysis
A 20% strengthening of the US Dollar against the following currencies at 31 December would have increased/(decreased) income statement and equity by the amounts shown below. The percentage applied to the sensitivity analysis of the Group's foreign currency exposure is based on the average change of the Ukrainian Hryvnia, the Group's most relevant foreign currency, compared to the US Dollar in past years, which might repeat again in the near future. This percentage was also applied for the Group's less relevant foreign currencies and does not have a significant effect on the total effect of this sensitivity analysis. This assumes that all other variables, in particular interest rates, remain constant.

US$000	**Year ended 31.12.18 Income statement/equity**	Year ended 31.12.17 Income statement/equity
Ukrainian Hryvnia	**(922)**	(2,526)
Euro	**(256)**	(264)
Swiss Franc	**(657)**	76
Total	**(1,835)**	(2,714)

A 20% weakening of the US Dollar against the above currencies would have an equal but opposite effect to the amounts shown above, on the basis that all the other variables remain constant.

Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not hold any derivatives (e.g. interest rate swaps). Therefore a change in interest rates at the reporting date would not affect the income statement.

Cash flow sensitivity for variable rate instruments
An increase of 100 basis points ("bps") in interest rates would have decreased equity and the consolidated result by the amounts shown below. The possible change applied to the cash flow sensitivity represents a plausible scenario taking into account the movement of variable interest rates in the last year and possible changes in the near future. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

US$000	**Year ended 31.12.18**	Year ended 31.12.17
Net finance charge	**1,591**	299

A decrease of 100bps would increase equity and profit by US$1,126 thousand for the year ended 31 December 2018 (2017: increase of US$1,288 thousand). This is on the basis that all the other variables remain constant.

Capital management

The Board's policy is to maintain a strong capital base. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity, excluding non-controlling interests, and the level of dividends to ordinary shareholders. Please refer to the statement of changes in equity for details of the capital position of the Group.

A key measure in respect of the Group's capital management is the level of net debt and the net debt to EBITDA ratio. Both key figures improved during the financial year 2018 as a result of the strong financial performance. The net debt has decreased from US$393,964 thousand at the beginning of the year to US$338,862 thousand as at 31 December 2018.

The capital base of the Group can be adversely affected by falls in the price of iron ore reducing reported revenues and profitability. The price that the industry earns for iron ore products is cyclical in nature and the Board of Directors continues to review its capital base in line with industry trends. In prior years the Board approved investments in growth projects as part of its policy to support a strong capital base. During the financial years 2015 and 2016, in recognition of the industry trend and to further support the Group's capital base, the Board slowed down investments in major growth projects. Under consideration of increased iron ore prices and more positive industry trends, investments in major growth projects continued in 2018 and are expected to be continued in 2019.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and advantages and security afforded by a sound capital position. The Board continues to support maintaining a sound capital base balanced against these market constraints.

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 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.

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 2018. 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 25 Interest-bearing loans and borrowings.

Note 27: Share-based payments

Accounting policy

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the grant date using modelling techniques consistent with the mathematics underlying the Black-Scholes option pricing model extended to allow for the performance conditions. The fair value is determined by reference to the quoted closing share price on the grant date. The cost is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. In valuing equity-settled transactions, no account is taken of any vesting conditions, except for market conditions, such as the relative Total Shareholder Return ("TSR").

Where the vesting of awards is subject to the satisfaction of certain market conditions, a vesting charge is recognised irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. Where awards terminate before the performance period is complete, any unamortised expense is recognised immediately.

At each reporting date, the cumulative expense of outstanding awards is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous reporting date is recognised in the income statement, with a corresponding entry in employee benefit trust reserve in equity.

Long-term incentive plan ("LTIP")

The LTIP is a share-based scheme whereby certain senior management and executives receive rewards based on the relative TSR. The LTIP is subject to a performance condition based on the TSR compared to a comparator group, which operate 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	**2018 LTIP**	2017 LTIP	2016 LTIP	Total
Year ended 31.12.18	**392**	**–**	**–**	**392**
Year ended 31.12.17	–	803	–	803
Year ended 31.12.16	–	–	765	765

The following expenses have been recognised in 2018 and 2017 in respect of the LTIP:

US$000	**2018 LTIP**	2017 LTIP	2016 LTIP	2015 LTIP	2014 LTIP	Total
Year ended 31.12.18	**238**	**389**	**47**	**–**	**–**	**674**
Year ended 31.12.17	–	433	54	112	(13)	586

	Year ended 31.12.18 WAFV (US$)	Year ended 31.12.17 WAFV (US$)	**Year ended 31.12.18 No. (000)**	Year ended 31.12.17 No. (000)
LTIP				
Beginning of the year	**0.86**	0.63	**2,122**	1,862
Awards granted during the year	**1.97**	1.64	**392**	803
Awards vested during the year	**0.61**	1.17	**(594)**	(112)
Awards lapsed during the year	**1.13**	1.27	**(100)**	(431)
Outstanding at 31 December	**1.16**	0.86	**1,820**	2,122

The main inputs to the valuation of the 2018 LTIP awards were the share price at date of grant of US$3.11 (2017 LTIP awards: US$2.01), the volatility of the share price of 71% (2017 LTIP awards: 74%) and a risk-free interest rate of 2.5% p.a. (2017 LTIP awards: 1.5% p.a.).

All awards vested during the financial years 2018 and 2017 have been exercised.

Note 28: Employees

Employee benefits expenses for the year ended 31 December 2018 consisted of the following:

US$000	Notes	**Year ended 31.12.18**	Year ended 31.12.17
Wages and salaries		**67,413**	50,223
Social security costs		**13,152**	9,383
Post-employment benefits	21	**1,234**	943
Other employee costs		**3,851**	3,336
Share-based payments	27	**674**	586
Total employee benefits expenses		**86,324**	64,470

The table above includes compensation for Non-executive Directors, Executive Directors and other key management personnel as outlined below:

	Year ended 31.12.18			Year ended 31.12.17		
US$000	**Non-Executive and Executive Directors**	**Other key management**	**Total**	Non-Executive and Executive Directors	Other key management	Total
Wages and salaries	**2,757**	**4,537**	**7,294**	3,079	3,277	6,356
Social security costs	**166**	**181**	**347**	124	152	276
Post-employment benefits	**82**	**140**	**222**	81	118	199
Other employee costs	**196**	**4**	**200**	170	56	226
Share-based payments	**93**	**383**	**476**	81	197	278
Total compensation for key management	**3,294**	**5,245**	**8,539**	3,535	3,800	7,335

The average number of employees during the financial year 2018 is detailed in the table below:

Average number of employees	**Year ended 31.12.18**	Year ended 31.12.17
Production	**7,178**	7,154
Marketing and distribution	**185**	180
Administration	**1,079**	1,002
Other	**728**	727
Total average number of employees	**9,170**	9,063

Note 29: 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.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, i.e. whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not specified in an arrangement.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance costs and the amortisation of the lease liability in order to achieve a constant interest rate on the remaining outstanding lease liability. Finance costs are recognised in the income statement.

Leased assets are generally depreciated over the useful life of the asset. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Operating lease commitments – Group as lessee

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2018 are as follows:

US$000	**Year ended 31.12.18**	Year ended 31.12.17
Less than one year	**2,807**	2,569
Between one and five years	**4,587**	4,542
More than five years	**1,433**	2,271
Total operating lease commitments	**8,827**	9,382

In addition the Group has future commitments for contingent lease payments of US$36,428 thousand (2017: US$33,088 thousand), which are dependent on non-fixed rates.

During the year ended 31 December 2018, US$2,903 thousand was recognised as an expense in the income statement in respect of operating leases (2017: US$2,291 thousand).

The Group leases land and buildings under operating leases. The leases on land run up to 49 years and with a lease period of five to ten years on buildings.

IFRS 16 *Leases* applies to annual reporting periods beginning on or after 1 January 2019. On transition date, lease liabilities of US$7,645 thousand will be recognised within net debt along with corresponding right-of-use assets. For further information see Note 3 New accounting policies.

Finance lease commitments

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

US$000	As at 31.12.18 Minimum payments	Present value of payments
Less than one year	**2,267**	**2,074**
Total minimum lease payments	**2,267**	**2,074**
Less: amounts representing finance charges	**(193)**	**–**
Present value of minimum lease payments	**2,074**	**2,074**

US$000	As at 31.12.17 Minimum payments	Present value of payments
Less than one year	4,296	3,969
Between one and five years	2,131	2,072
Total minimum lease payments	6,427	6,041
Less: amounts representing finance charges	(386)	–
Present value of minimum lease payments	6,041	6,041

Other

US$000	**As at 31.12.18**	As at 31.12.17
Capital commitments on purchase of property, plant and equipment	**67,529**	29,681

Contingencies

On 4 February 2019 Ferrexpo announced that it had commissioned an independent review (the "Independent Review") into the Group's relationship with Blooming Land and its sub-funds (the "Charity").

For the year ended 31 December 2018, the Group made charitable contributions of US$9,500 thousand to the Charity (2017: US$24,000 thousand). Donations were ceased in May 2018. The Group has made donations to the Charity over the last 6 years totalling US$110,000 thousand. Further details on the Group's relationship with the Charity, including the Independent Review currently being conducted, are provided in the Independent Review Committee Report (page 46) and see also Principal Risks (page 25), Responsible Business (page 31), Corporate Governance Report (page 39), Audit Committee Report (page 48), and Note 7 Operating expenses, Note 33 Related party disclosures and Note 34 Events after the reporting period to the consolidated financial statements.

A number of critical judgements have been made in relation to the Group's relationship with the Charity. These are disclosed in:

- Note 7 – Operating expenses – nature of Group's community support donations; and
- Note 33 – Related party disclosures – completeness.

As noted in the Independent Review Committee Report on page 46, the Independent Review is ongoing. The Group may be exposed to the risk of civil, criminal or regulatory actions and liabilities (including fines and penalties) may accrue to the Group arising from the Group's relationship with the Charity, including (without limitation) in the following scenarios:

- if any of the critical judgements outlined in Note 7 Operating expenses and/or Note 33 Related party disclosures are incorrect, in whole or in part;
- if funds donated to the Charity have been misapplied, including through misappropriation, with or without the knowledge or involvement of Ferrexpo personnel and/or in circumstances where the Charity is considered to be performing services for or on

behalf of the Group;
- if the Group or any of its personnel have derived any direct or indirect benefit from the Charity; and
- if the financial statements for the current or prior periods omit related party or other disclosures that ought to have been made or the financial statements need to be restated.

At the current time, the existence, timing and quantum of potential future liability, if any, including fines, penalties or damages, which could be material or other consequences arising from the Independent Review cannot be determined and measured reliably and, as a consequence, no associated liabilities have been recognised in relation to these matters in the consolidated statement of financial position as of 31 December 2018.

Legal
In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Deposit Guarantee Fund and liquidator of Bank F&C
The Group's former transactional bank in Ukraine, Bank F&C ("BFC"), is still going through the liquidation process after having been declared insolvent by the National Bank of Ukraine and put under temporary administration on 18 September 2015. The Group, through its major subsidiaries in Ukraine, is engaged in various court proceedings with the aim to maximise its recovery in the liquidation process of BFC as disclosed below.

Following the commencement of the liquidation process of BFC and in accordance with the applicable local legislation, 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$153,929 thousand as of 31 December 2018).

On 22 April 2016, the liquidator of BFC issued certificates recognising UAH540 million (US$19,503 thousand as of 31 December 2018) of these claims and recognised these claims in the ninth rank. The aforementioned Ukrainian subsidiaries are currently involved in legal proceedings in respect of the under-recognition of the claims amounting to UAH3,722 million (US$134,426 thousand as of 31 December 2018) and the ranking of the claims in the liquidation process. The court proceedings commenced in October 2016 and following various hearings during the financial year 2017, the relevant court instance dismissed on 25 October 2017 FPM's claim in full. FPM filed an appeal on 13 November 2017 and several hearings took place following the filing of FPM's appeal without a ruling on the parties' motions by the Kyiv Commercial Court of Appeal. During the hearing on 18 July 2018, the court ruled in favour of FPM and the counterparty subsequently filed its cassation appeal against this decision. On 11 December 2018, the Supreme Court of Ukraine upheld the cassation appeal and the case was directed for new consideration to the Northern Commercial Court of Appeal. The case was heard by the Northern Commercial Court of Appeal on 27 March 2019 without a decision taken during this first hearing. The next hearing is scheduled for 22 April 2019. 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. The first hearing at the Northern Commercial Court of Appeal took place on 15 April 2019 without a decision taken. The next hearing is scheduled for 20 May 2019. In relation to the claims of FBM, the Northern Commercial Court of Appeal dismissed FBM's appeal on 11 March 2019 and FBM filed its cassation appeal on 2 April 2019.

Note 30: Share capital and reserves

Accounting policy

Ordinary Shares

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares and share options are recognised as a deduction from equity, net of any tax effects.

Employee benefit trust reserve

Ferrexpo plc shares held by the Group are recognised at cost and classified in reserves. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from the sale and the original cost to be recorded in reserves. No gain or loss is recognised in the income statement on the purchase, issue or cancellation of equity shares.

Treasury shares

Own equity instruments, which are reacquired (treasury shares), are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in reserves.

Translation reserve

The translation reserve represents exchange differences arising on the translation of non-US Dollar functional currency operations, mainly those in Ukrainian Hryvnia, within the Group into US Dollars.

Information on the Group's share capital and reserves is provided on the following page.

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 2018 was 613,967,956 Ordinary Shares (2017: 613,967,956) at a par value of £0.10 paid for in cash, resulting in share capital of US$121,628 thousand (2017: US$121,628 thousand) per the statement of financial position.

As at 31 December 2018, 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 2017	31,780	(77,260)	(5,108)	(1,934,170)	(1,984,758)
Foreign currency translation differences	–	–	–	(41,249)	(41,249)
Tax effect	–	–	–	4,557	4,557
Total comprehensive loss for the period	–	–	–	(36,692)	(36,692)
Share-based payments	–	–	586	–	586
At 31 December 2017	**31,780**	**(77,260)**	**(4,522)**	**(1,970,862)**	**(2,020,864)**
Foreign currency translation differences	**–**	**–**	**–**	**12,117**	**12,117**
Tax effect	**–**	**–**	**–**	**(2,007)**	**(2,007)**
Total comprehensive income for the period	**–**	**–**	**–**	**10,110**	**10,110**
Share-based payments	**–**	**–**	**674**	**–**	**674**
At 31 December 2018	**31,780**	**(77,260)**	**(3,848)**	**(1,960,752)**	**(2,010,080)**

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 buyback 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 27 Share-based payments. As at 31 December 2018, the employee benefit trust reserve includes 2,326,256 shares (2017: 2,916,419 shares).

Translation reserve
During the financial year 2018, the Ukrainian Hryvnia appreciated from 28.067 as at the beginning of the year to 27.688 as at 31 December 2018 and the exchange differences arising on translation of the Group's foreign operations are initially recognised in the statement of other comprehensive income. See also page 97.

Note 31: 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 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. The Group's equity interests are 100% for all its major consolidated subsidiaries, except for FPM. The interest that non-controlling interests have in the Group's operations are not material and are predominantly related to FPM. 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 167.

The Group does not have any other interests of 20% or more in undertakings that are not disclosed on page 167, except for the investment in the associate mentioned in Note 32 Investments in associates.

Note 32: Investments in associates

Accounting policy
The Group's investments in associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus any post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's investment in the associate.

The share of profit from an associate is shown on the face of the income statement. This is the profit attributable to the Group and is therefore the profit after tax and non-controlling interests in the subsidiaries of the associate. The reporting dates of the associates and the Group are identical and the associates' accounting policies are generally in conformity with those applied by the Group.

The Group also holds an interest of 49.5% (2017: 49.5%) 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 31.12.18**	Year ended 31.12.17
Opening balance	**5,947**	2,165
Share of profit[1]	**5,360**	5,527
Dividends declared	**(4,515)**	(1,489)
Translation adjustments	**245**	(256)
Closing balance	**7,037**	5,947

For the year ended 31 December 2018 the summarised financial information for the associate was as follows:

	Revenue		Net profit	
US$000	**Year ended 31.12.18**	Year ended 31.12.17	**Year ended 31.12.18**	Year ended 31.12.17
TIS Ruda LLC[1]	**21,686**	22,002	**10,741**	11,076

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 2018, the associate's total assets were US$15,531 thousand (2017: US$13,481 thousand) and the total liabilities were US$1,428 thousand (2017: US$1,563 thousand) based on preliminary and unaudited statutory accounts. Any deviations from the Group's share in the associate's equity based on the audited financial statements is adjusted subsequent to the year end once the audited financial statements are available.

Note 33: Related party disclosures

During the periods presented, the Group entered into arm's length transactions with entities under the common control of the majority owner of the Group, Kostyantin Zhevago, 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 49.5% (2017: 49.5%). This is the only associated company of the Group. Other related parties are principally those entities controlled partially by Anatoly Trefilov who resigned as a member of the supervisory board of PJSC Ferrexpo Poltava Mining as of 19 April 2017. In accordance with the Listing Rules, all transactions with the entities controlled by Anatoly Trefilov within one year of his resignation from the supervisory board have been still considered as related party transactions and disclosed as such. Effective 20 April 2018, the companies controlled by Anatoly Trefilov are no longer considered as related parties.

The payments made to the Non-executive Directors and Executive Directors are disclosed in the Remuneration Report on pages 59 and 75.

Critical judgements

Completeness

The Board concluded that neither the Chief Executive Officer nor the Group's executive management control or exercise significant influence over Blooming Land or its sub-funds (the "Charity") pursuant to relevant accounting standards IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in joint ventures and associates* or under Chapter 11 of the UK Listing Rules.

A change in the assessment, including as a result of the Independent Review may, under certain circumstances, expose the Group to regulatory and other actions resulting in potential legal claims or penalties, fines or other liabilities. See Note 29 Commitments, contingencies and legal disputes on page 151 for further information.

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

Revenue, expenses, finance income and expense

	Year ended 31.12.18			Year ended 31.12.17		
US$000	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Other sales [a]	**877**	**–**	**111**	677	–	94
Total related party transactions within revenue	**877**	**–**	**111**	677	–	94
Materials [b]	**8,429**	**–**	**3**	7,558	–	8
Spare parts and consumables [c]	**2,959**	**–**	**–**	1,382	–	–
Total related party transactions within cost of sales	**11,388**	**–**	**3**	8,940	–	8
Selling and distribution expenses [d]	**10,702**	**19,138**	**702**	10,867	18,366	827
General and administration expenses [e]	**788**	**–**	**529**	594	–	425
Total related party transactions within expenses	**22,878**	**19,138**	**1,284**	20,401	18,366	1,260
Finance expense	**119**	**–**	**–**	34	–	–
Total related party transactions	**23,874**	**19,138**	**1,395**	21,112	18,366	1,354

A description of the most material transactions which are in aggregate over US$200 thousand in the current or comparative year is given below.

Entities under common control
The Group entered into various related party transactions with entities under common control. All transactions were carried out on an arm's length basis in the normal course of business.

a Sales of power, steam and water and other materials for US$109 thousand (2017: US$88 thousand) and income from premises leased to Kislorod PCC of US$131 thousand (2017: US$135 thousand);

a Sales of diesel to DVD Trans totalling US$376 thousand (2017: US$313 thousand). The company ceased to be a related party in September 2018; in accordance with the Listing Rules, all transactions with DVD Trans within one year from cessation are still considered as related party transactions and disclosed as such; and

a Sales of scrap metal to OJSC Uzhgorodsky Turbogas totalling US$250 thousand (2017: US$127 thousand).

b Purchases of compressed air and oxygen and scrap metal from Kislorod PCC for US$4,536 thousand (2017: US$3,911 thousand);

b Purchases of cast iron balls from AutoKraZ Holding Co. for US$274 thousand (2017: US$851 thousand); and

b Purchases of cast iron balls from OJSC Uzhgorodsky Turbogas for US$3,536 thousand (2017: US$2,673 thousand).

c Purchases of spare parts from CJSC Kyiv Shipbuilding and Ship Repair Plant ("KSRSSZ") in the amount of US$1,201 thousand (2017: US$96 thousand);

c Purchases of spare parts from OJSC Uzhgorodsky Turbogas in the amount of US$533 thousand (2017: US$294 thousand);

c Purchases of spare parts from Valsa GTV of US$455 thousand (2017: US$756 thousand); and

c Purchases of spare parts from OJSC Berdichev Machine-Building Plant Progress of US$724 thousand (2017: US$211 thousand).

d Purchases of advertisement, marketing and general public relations services from FC Vorskla of US$10,702 thousand (2017: US$10,867 thousand).

e Insurance premiums of US$535 thousand (2017: US$403 thousand) paid to ASK Omega for workmen's insurance and other insurances.

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 32 Investments in associates).

d Purchases of logistics services in the amount of US$19,138 thousand (2017: US$18,366 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 the majority owner of the Group. All transactions were carried out on an arm's length basis in the normal course of business.

d Purchases of logistics management services from Slavutich Ruda Ltd. relating to customs clearance services and the coordination of rail transit totalling US$702 thousand (2017: US$827 thousand). Effective 20 April 2018, this Company is no longer considered as a related party. See page 156.

e Legal services in the amount of US$375 thousand (2017: US$221 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

e Consulting service fees and expenses totalling US$154 thousand (2017: US$205 thousand) paid to Nage Capital Management AG, which is controlled by a former member of the Board of Directors of Ferrexpo plc who resigned in August 2014, but still acts as a member of the Board of Directors of one of the subsidiaries of the Group.

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 periods presented.

	Year ended 31.12.18			Year ended 31.12.17		
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	**4,678**	**–**	**–**	781	–	–
Total purchases of property, plant and equipment	**4,678**	**–**	**–**	781	–	–

During the period ended 31 December 2018, the Group purchased major spare parts and equipment from OJSC Berdichev Machine-Building Plant Progress totalling US$2,821 thousand (2017: US$6 thousand) in respect of the construction of the concentrate stockyard, from AutoKraZ Holding Co. totalling US$398 thousand (2017: nil) for cranes and lifters installed on truck chassis and from Valsa GTV totalling US$212 thousand (2017: nil) for rubber-lined steel cover sheets for the mills.

The Group further procured services relating to the top soil removal and relocation of waste material and gravel in the amount of US$1,165 thousand (2017: US$713 thousand) from DVD Trans. The company ceased to be a related party in September 2018; in accordance with the Listing Rules, all transactions with DVD Trans within one year from the cessation are still considered as related party transactions and disclosed as such.

Balances with related parties

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

	As at 31.12.18			As at 31.12.17		
US$000	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Prepayments for property, plant and equipment[f]	**6,121**	**–**	**–**	3,022	–	–
Total non-current assets	**6,121**	**–**	**–**	3,022	–	–
Trade and other receivables [g]	**214**	**1,302**	**1**	203	1,082	37
Prepayments and other current assets [h]	**1,181**	**–**	**–**	1,088	–	171
Total current assets	**1,395**	**1,302**	**1**	1,291	1,082	208
Trade and other payables [i]	**465**	**963**	**–**	344	1,367	64
Accrued liabilities and contract liabilities	**–**	**–**	**–**	–	–	51
Total current liabilities	**465**	**963**	**–**	344	1,367	115

A description of the balances over US$200 thousand in the current or comparative year is given below.

Entities under common control

f As at 31 December 2018, prepayments for property, plant and equipment totalling US$5,980 thousand (2017: US$2,722 thousand) were made to OJSC Berdichev Machine-Building Plant Progress. As at the end of the comparative period ended 31 December 2017, US$256 thousand was prepaid to AutoKraZ Holding Co for property, plant and equipment.

h Prepayments and other current assets totalling US$858 thousand as at 31 December 2018 related to prepayments made to FC Vorskla for advertisement, marketing and general public relations services (2017: US$858 thousand).

i Trade and other payables included US$213 thousand (2017: US$172 thousand) related to the purchase of compressed air, oxygen and scrap metal from Kislorod PCC.

Associated companies

g As at 31 December 2018, trade and other receivables included US$1,302 thousand (2017: US$1,082 thousand) related to dividends declared by TIS Ruda LLC.

i As at 31 December 2018, trade and other payables included US$963 thousand (2017: US$1,367 thousand) related to purchases of logistics services from TIS Ruda LLC.

Other related parties

h As at the end of the comparative year ended 31 December 2017 prepayments and other current assets totalling US$171 thousand related to prepayments made to Slavutich Ruda Ltd. for distribution services. Effective 20 April 2018, this Company is no longer considered as a related party. See page 156.

i As at the end of the comparative year ended 31 December 2017 trade and other payables of US$59 thousand were in respect of distribution services provided by Slavutich Ruda Ltd.

Blooming Land and its three sub-funds (the "Charity")
In the year ended 31 December 2018, the Group made donations of US$9,500 thousand to the Charity (2017: US$24,000 thousand).

In 2017 and 2018, funding to Blooming Land was provided by one of the Group's operational subsidiaries in Ukraine, Ferrexpo Poltava Mining. Khimreaktiv LLC, controlled by Kostyantin Zhevago, the CEO and ultimate majority shareholder of Ferrexpo, also independently donated funds to the Charity.

In July 2018, the Board received notification from Deloitte that as part of their interim review relating to donations made by the Group to Blooming Land in 2018, Deloitte had discovered, according to copy bank statements that in 2017 temporary funding contributions totalling approximately US$16,300 thousand were advanced by Khimreaktiv LLC into one of the Charity's sub-funds. The Charity subsequently repaid Khimreaktiv LLC using monies received from the Group as part of its regular donations. These transactions between Khimreaktiv LLC and the sub-fund were considered related party transactions under IAS 24 Related party disclosures that ought previously to have been disclosed. The transactions between the sub-funds and Khimreaktiv LLC were not considered to be related party transactions of the Group under the UK Listing Rules. These copy bank statements and all related transactions shown are being further considered as part of the ongoing Independent Review.

The Charity is considered by the Group to operate independently of its Chief Executive Officer and its executive management, and its Chief Executive Officer and its executive management are not considered to control or exercise significant influence over the Charity. Accordingly, the Charity is not consolidated by the Group. There is no agreement or arrangement between the Group and Khimreaktiv LLC in relation to their contributions to the Charity.

For further information see Chairman's Statement (page 4), Principal Risks (page 22), Responsible Business (page 31), Corporate Governance Report (page 42), Independent Review Committee Report (page 49), Audit Committee Report (page 50) and Note 7 Operating expenses, Note 29 Commitments, contingencies and legal disputes and Note 34 Events after the reporting period to the consolidated financial statements.

Note 34: Events after the reporting period
On 4 February 2019, the Board commenced an Independent Review into matters relating to the Group's donations to Blooming Land, including a review into whether Blooming Land's use of Ferrexpo's contributions was for their stated purpose and to review Blooming Land's status as a non-related party. An Independent Review Committee (IRC) was established and the work of the IRC and its advisers in the UK and Ukraine remains ongoing.

As of the date of this report, the IRC has made progress in receiving explanations regarding the differences contained in the copy bank statements, provided by the Charity as well as the receipt of third party evidence, including governmental confirmations that could explain some but not all of the possible discrepancies in the application of funds by the Charity. The IRC is undertaking further work to corroborate these explanations and evidence, however, there are indications that some funds could have been misappropriated.
The potential effect arising from new evidence discovered during the Independent Review on the consolidated financial statements, including the critical judgements involved, is disclosed in Note 7 Operating expenses – Nature of the Group's community support donations, Note 29 Commitments, contingencies and legal disputes, and further information is provided in Note 33 Related party disclosures. For further information see Chairman's Statement (page 4), Principal Risks (page 22), Responsible Business (page 31), Corporate Governance Report (page 42), Independent Review Committee Report (page 49) and Audit Committee Report (page 50)

On 7 April 2019, the Group made the final repayment of US$173,181 thousand in respect of the unsecured Notes outstanding as of the end of the financial year ended 31 December 2018. See Note 12 Interest-bearing loans and borrowings for further information.

Subsequent to the year-end, the Group's proposed dividends are disclosed in Note 12 Earnings per share and dividends paid and proposed. Other than the above disclosed information, no material adjusting or non-adjusting events have occurred.

FERREXPO PLC

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 2018 and 2017, which has been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Information on the principal accounting policies is outlined in Note 3 Significant accounting policies.

Ferrexpo plc is exempt from presenting a standalone Parent Company profit and loss account and statement of comprehensive income in accordance with section 408 of the UK Companies Act 2006.

US$000	Notes	**As at 31.12.18**	As at 31.12.17
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	**70,091**	22,435
Debtors: amounts falling due after more than one year	5	**763,891**	813,018
Cash at bank and in hand		**184**	1,576
Total current assets		**834,166**	837,029
Creditors: amounts falling due within one year	6	**3,428**	4,068
Net current assets		**830,738**	832,961
Total assets less current liabilities		**978,233**	980,457
Creditors: amounts falling due after more than one year	6	**463**	494
Net assets		**977,771**	979,963
Capital and reserves			
Called up share capital	7	**121,628**	121,628
Share premium account	7	**185,112**	185,112
Treasury share reserve	7	**(77,260)**	(77,260)
Employee benefit trust reserve	7	**(3,848)**	(4,522)
Retained earnings	7	**752,139**	755,005
Total capital and reserves		**977,771**	979,963

The profit after taxation for the Company, registration number 05432915, was US$97,790 thousand for the financial year ended 31 December 2018 (2017: US$24,562 thousand).

The financial statements were approved by the Board of Directors on 22 April 2019.

Steve Lucas
Chairman

Christopher Mawe
Chief Financial 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 2017	121,628	185,112	(77,260)	(5,108)	788,410	1,012,782
Profit for the period	–	–	–	–	24,562	24,562
Total comprehensive income for the period	–	–	–	–	24,562	24,562
Equity dividends paid to shareholders	–	–	–	–	(57,967)	(57,967)
Share-based payments	–	–	–	586	–	586
At 31 December 2017	**121,628**	**185,112**	**(77,260)**	**(4,522)**	**755,005**	**979,963**
Application of new IFRSs (Note 3)	–	–	–	–	(3,786)	(3,786)
At 1 January 2018 – after application of new IFRSs	**121,628**	**185,112**	**(77,260)**	**(4,522)**	**751,219**	**976,177**
Profit for the period	–	–	–	–	**97,790**	**97,790**
Total comprehensive income for the period	–	–	–	–	**97,790**	**97,790**
Equity dividends paid to shareholders (Note 7)	–	–	–	–	**(96,870)**	**(96,870)**
Share-based payments	–	–	–	**674**	–	**674**
At 31 December 2018	**121,628**	**185,112**	**(77,260)**	**(3,848)**	**752,139**	**977,771**

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 Chief Executive Officer, is a beneficiary. At the time this report was published, Fevamotinico held 50.3% (2017: 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 F*inancial 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 IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- the requirements of IAS 7 *Statement of cash flows*;
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting policies, changes in accounting estimates and errors*;
- the requirements of paragraph 17 of IAS 24 *Related party disclosures* and the requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member of the same standard.

The Company does not have any employees other than the Directors. The requirement to give employee numbers and costs information under Section 411 of the Companies Act is addressed in the Directors' Remuneration Report of the Group on page 59.

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 27 Share-based payments of the Group's financial statements.

Employee benefit trust reserve
Ferrexpo plc shares held by the Company are classified in capital and reserves as employee benefit trust reserves and recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost taken to revenue reserves. No gain or loss is recognised on the purchase, sale issue or cancellation of equity shares.

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 IFRS and IFRIC interpretations effective as of 1 January 2018. The new and amended IFRS 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.

***IFRS 9* Financial instruments**
A detailed description of the new standard IFRS 9 *Financial instruments* is provided in Note 3 New accounting policies of the Group's financial statements. The effect from the expected credit loss impairment model to be applied under the new standard is primarily calculated for the Company's intercompany loan and receivable balances outstanding as at the end of a reporting period. The calculation was primarily based on publicly available default risk ratings of the Group.

The tables below provide the details of the cumulative effects from the first-time application of the new standards on the statement of financial position as of 1 January 2018 and on the statement of financial position and profit after taxation as at 31 December 2018.

US$000	**Balance as at 01.01.18**	Effect from application of IFRS 9	Year ended 31.12.17
Statement of financial position			
Assets			
Debtors	**831,667**	(3,786)	835,453
Capital and reserves			
Retained earnings	**751,219**	(3,786)	755,005

	Notes	As reported as at 31.12.18	Effect from application of IFRS 9	Balance without effect from new IFRSs
Profit and loss account		**97,790**	200	97,590
Statement of financial position				
Assets				
Debtors	5	**833,981**	(3,586)	837,567

All other standards, interpretations and amendments adopted as of 1 January 2018 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 2018 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 31.12.18	At 31.12.17
Investment in subsidiary undertakings	**147,496**	147,496
Total investment in subsidiary undertakings	**147,496**	147,496

See Note 31 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 2018 related to the following:

US$000	At 31.12.18	At 31.12.17
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**67,775**	19,273
Accrued interest owed by subsidiary undertakings	**1,979**	2,793
Prepaid expenses	**337**	369
Total amounts falling due within one year	**70,091**	22,435
Amounts falling due after more than one year		
Amounts owed by subsidiary undertakings	**763,891**	813,018
Total amounts falling due after more than one year	**763,891**	813,018
Total debtors	**833,982**	835,453

The Company's loans are contractually payable on demand but having assessed the expected repayment profile, this balance is presented as falling due after more than one year.

Amounts owed by subsidiary undertakings include the financial guarantees provided by the Company and reflect the future guarantee fee receivable recorded when the financial guarantees were recognised as a liability.

The table above includes the impact from the application of the new expected credit loss impairment model under IFRS 9 *Financial instruments*. The balance of impairment losses on debtors included in the profit after taxation is US$200 thousand as of 31 December 2018.

For the cumulative effects from the application of the new standards IFRS 9 *Financial instruments* on the statement of financial position as at 1 January 2018 and as at 31 December 2018 see Note 3 Significant accounting policies.

Note 6: Creditors

Creditors as at 31 December 2018 related to the following:

US$000	**At 31.12.18**	At 31.12.17
Creditors: amounts falling due within one year		
Financial guarantees	**485**	1,211
Other payables and accrued liabilities	**2,943**	2,857
Total creditors: amounts falling due within one year	**3,428**	4,068
Creditors: amounts falling due after more than one year		
Financial guarantees	**463**	494
Total creditors: amounts falling due after more than one year	**463**	494

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 2018, the Company was a guarantor to the following major external debt facilities of the Group's subsidiary Ferrexpo Finance plc:

- Notes totalling US$173,181 thousand of a 10.375% Eurobond falling due on 7 April 2019. The first instalment of US$173,181 thousand fell due and was repaid on 7 April 2018. The interest coupon is payable semi-annually; and
- a syndicated revolving US$400,000 thousand pre-export finance facility, of which US$205,000 thousand is available (31 December 2017: US$195,000 thousand) and US$195,000 thousand is drawn (31 December 2017: nil). The facility was secured on 16 November 2017 and drawn in March 2018. In August 2018, an agreement to increase and extend the facility was signed. The effective date of the increase and extension was 6 November 2018. The facility was increased from US$195,000 thousand to US$400,000 thousand and the tenor was extended by one year from 31 December 2020 to 31 December 2021. Following a one-year grace period, the facility will be amortised in 12 quarterly instalments with the first instalment due on 6 February 2020 and the final repayment due on 6 November 2022.

The Company earns guarantee fees from its subsidiaries for the financial guarantees provided in respect of the Group's finance facilities 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 2018 was 613,967,956 Ordinary Shares (2017: 613,967,956) at a par value of £0.10 paid for in cash, resulting in share capital of US$121,628 thousand (2017: US$121,628 thousand) per the statement of financial position.

Treasury share reserve

In September 2008, the Company completed a buyback of 25,343,814 shares for a total cost of US$77,260 thousand (2017: 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 2018, the employee benefit trust reserve included 2,326,256 shares (2017: 2,916,419 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 2018 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$168,370 thousand as of 31 December 2018 (2017: US$197,236 thousand).

Dividends proposed and paid

On 6 December 2018, the Group announced that the Directors had proposed to pay an interim special dividend of 6.6 US cents per Ordinary Share totalling US$38,695 thousand. This dividend was paid on 14 January 2019 and, in accordance with UK law, will be recognised in the financial statements for the year ending 31 December 2019.

As of 31 December 2017, a dividend payable was recognised in respect of an interim special dividend proposed by the Directors on 7 December 2017 and payable on 15 January 2018. The presentation of the comparatives as of 31 December 2017 has been adjusted to be consistent with the current year presentation by derecognising the interim special dividend of US$19,365 thousand (comprising of US$16,008 thousand dividend payable and US$3,357 thousand withholding tax) and recognising a corresponding credit to retained earnings.

For further information see Note 12 Earnings per share and dividends paid and proposed to the consolidated financial statements.

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 dividends disclosed in Note 12 Earnings per share and dividends paid and proposed to the consolidated financial statements.

FERREXPO PLC

ADDITIONAL DISCLOSURES

See Note 31 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.

			Equity interest owned	
Name	Address of consolidated subsidiary's registered office	Principal activity	**31.12.18 %**	31.12.17 %
Consolidated subsidiaries				
Ferrexpo AG	Bahnhofstrasse 13, 6340 Baar, Switzerland	Holding company and sale of iron ore pellets	**100.0**	100.0
PJSC Ferrexpo Poltava Mining	Budivelnykiv Street 16, 39802 Horishni Plavni, Poltava Region, Ukraine	Iron ore mining	**99.1**	99.1
LLC Ferrexpo Yeristovo Mining	Budivelnykiv Street 15, 39802 Horishni Plavni, Poltava Region, Ukraine	Iron ore mining	**100.0**	100.0
LLC Ferrexpo Belanovo Mining	Budivelnykiv Street 15, 39802 Horishni Plavni, Poltava Region, Ukraine	Iron ore mining	**100.0**	100.0
Ferrexpo Middle East FZE	Office A2207, Jafza One, Jebel Ali Free Zone, Dubai, U.A.E., P.O. Box 18341	Sale of iron ore pellets	**100.0**	100.0
Ferrexpo Finance plc	55 St James's Street, London SW1A 1LA, United Kingdom	Finance	**100.0**	100.0
Ferrexpo Services Limited	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Management services and procurement	**100.0**	100.0
Universal Services Group Ltd.	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Asset holding company	**100.0**	100.0
DP Ferrotrans	Portova Street 65, 39802 Horishni Plavni, Poltava Region, Ukraine	Trade, transportation services	**99.1**	99.1
United Energy Company LLC	Budivelnykiv Street 16, 39802 Horishni Plavni, Poltava Region, Ukraine	Holding company	**99.1**	99.1
Nova Logistics Limited	Budivelnykiv Street 16, 39802 Horishni Plavni, Poltava Region, Ukraine	Service company	**51.0**	51.0
Ferrexpo Singapore PTE Ltd.	Marina Boulevard #05-02, Marina Bay Financial Centre, 018981 Singapore, Singapore	Marketing services	**100.0**	100.0
Ferrexpo Shipping International Ltd.	Ajeltake Road, MH-96960 Ajeltake Island – Majuro, Marshall Islands	Holding company	**100.0**	100.0
Iron Destiny Ltd.	Ajeltake Road, MH-96960 Ajeltake Island – Majuro, Marshall Islands	Shipping company	**100.0**	100.0
First-DDSG Logistics Holding GmbH	Handelskai 348, 1020 Wien, Austria	Holding company	**100.0**	100.0
EDDSG GmbH	Handelskai 348, 1020 Wien, Austria	Barging company	**100.0**	100.0
DDSG Tankschiffahrt GmbH	Handelskai 348, 1020 Wien, Austria	Barging company	**100.0**	100.0
DDSG Services GmbH	Handelskai 348, 1020 Wien, Austria	Service company	**100.0**	100.0
DDSG Mahart Kft.	Sukorói út 1., 8097 Nadap, Hungary	Barging company	**100.0**	100.0
Pancar Kft.	Sukorói út 1., 8097 Nadap, Hungary	Barging company	**100.0**	100.0
Ferrexpo Port Services GmbH	Handelskai 348, 1020 Wien, Austria	Port services	**100.0**	100.0
Transcanal SRL	Ecluzei Street 1, Agigea, Constanta, Romania	Port services	**77.6**	77.6
Helogistics Asset Leasing Kft.	Sukorói út 1., 8097 Nadap, Hungary	Asset holding company	**100.0**	100.0
LLC DDSG Ukraine Holding	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Holding company	**100.0**	100.0
LLC DDSG Invest	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Asset holding company	**100.0**	100.0
LLC DDSG Ukraine Shipping Management	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Barging company	**100.0**	100.0
LLC DDSG Ukraine Shipping	Radhospna Street 18, 39763 Kamiani Potoky, Kremenchuk District, Poltava Region, Ukraine	Asset holding company	**100.0**	100.0
Ferrexpo Poltava Mining Charity Fund[1]	Heroiv Dnipra Street 23-a, 39802 Horishni Plavni, Poltava Region, Ukraine	Charity fund	**99.1**	99.1
Associate				
TIS Ruda LLC	Chapaieva Street 50, 67543 Vizirka Village, Odesa Region, Ukraine	Port development	**49.4**	49.4
Available-for-sale investments[2]				
PJSC Stakhanov Railcar Company		Rail car producer	**1.1**	1.1
Vostok Ruda LLC		Iron ore mining	**1.1**	1.1
LLC Atol		Gas	**9.9**	9.9
CJSC AMA		Gas	**9.0**	9.0
CJSC Amtek		Gas	**9.0**	9.0

1 Charity fund controlled by the Group through its CSR Committees.
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 ("IFRS").

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 IFRS.

Ferrexpo makes reference to the following APMs in the 2018 Annual Report.

C1 cash cost of production

Definition: Non-financial measure, which represents the cash costs of production of iron pellets from own ore divided by production volume of own production ore. Non-C1 cost components include non-cash costs such as depreciation, inventory movements and costs of purchased ore and concentrate. The Group presents the C1 cash cost of production because it believes it is a useful operational measure of its cost competitiveness compared to its peer group.

US$000		**Year ended 31.12.18**	Year ended 31.12.17
C1 cash costs		**454,560**	335,451
	Non-C1 cost components	**26,800**	31,745
Cost of sales – pellet production		**481,360**	367,196
	Own ore produced (tonnes)	**10,506,164**	10,394,440
C1 cash cost per tonne (US$)		**43.27**	32.27

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 IFRS 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 IFRS equivalent:

US$000	Notes	**Year ended 31.12.18**	Year ended 31.12.17
Underlying EBITDA		**502,897**	550,705
Losses on disposal of property, plant and equipment		**(5,701)**	(7,754)
Share-based payments	27	**(674)**	(586)
Write-offs	7	**(1,489)**	(407)
Depreciation and amortisation		**(62,094)**	(46,392)
Profit before tax and finance		**432,939**	495,566

Diluted earnings per share

Definition: Earnings per share calculated using the diluted number of Ordinary Shares outstanding.

Closest equivalent IFRS measure: Diluted earnings per share.

Rationale for adjustment: Excludes the impact of special items that can mask underlying changes in performance.

Reconciliation to closest IFRS equivalent:

	Year ended 31.12.18	Year ended 31.12.17
Earnings/(loss) for the year attributable to equity shareholders per share		
Basic (US cents)	**56.9**	67.1
Diluted (US cents)	**56.7**	66.9

Net debt to underlying EBITDA

Definition: Net debt divided by the underlying EBITDA (for the last 12 months):

US$000	**As at 31.12.18**	As at 31.12.17
Net debt (US$000)	**(338,862)**	(393,964)
Underlying EBITDA (US$000)	**502,897**	550,705
Net debt to underlying EBITDA	**0.67x**	0.72x

In the current period, management has reviewed the presentation of the accrued interest and has reclassified it from interest-bearing loans and borrowings to accrued liabilities in order to better reflect the nature of this balance in the presentation reducing net debt by US$9,358 thousand. See Note 5 Segment information to the consolidated financial statements for further information.

Rationale for adjustment: The ratio is a measurement of the underlying EBITDA Group's leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its underlying EBITDA.

Reconciliation to net debt:

US$000	Notes	**As at 31.12.18**	As at 31.12.17
Cash and cash equivalents	24	**62,996**	97,742
Interest-bearing loans and borrowings – current	25	**(204,600)**	(305,412)
Interest-bearing loans and borrowings – non-current	25	**(197,258)**	(186,294)
Net debt		**(338,862)**	(393,964)

For a reconciliation of underlying EBITDA to profit before tax and finance see page 168.

Capital investment

Definition: Capital expenditure for the purchase of property, plant and equipment and intangible assets.

Closest equivalent IFRS 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 IFRS equivalent:

US$000	Notes	**As at 31.12.18**	As at 31.12.17
Purchase of property, plant and equipment and intangible assets (net cash flows used in investing activities)	13/14	**135,113**	102,953

Total liquidity
Definition: Sum of cash and cash equivalents and available facilities.

Closest equivalent IFRS 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 IFRS equivalent:

US$000	**As at 31.12.18**	As at 31.12.17
Cash and cash equivalents	**62,996**	97,742
Available committed facilities	**205,000**	213,750
Total liquidity	**267,996**	311,492

GLOSSARY

Act	The Companies Act 2006
AGM	The Annual General Meeting of the Company
Articles	The Articles of Association of the Company
Audit Committee	The Audit Committee of the Company's Board
Bank F&C	Bank Finance & Credit
Belanovo or Bilanivske	An iron ore deposit located immediately to the north of Yeristovo
benchmark price	International seaborne traded iron ore pricing mechanism understood to be offered to the market by major iron ore producers under long-term contracts
beneficiation process	A number of processes whereby the mineral is extracted from the crude ore
BIP	Business Improvement Programme, a programme of projects to increase production output and efficiency at FPM
blast furnace pellets	Used in Basic Oxygen Furnace "BOF" steelmaking and constitute about 70% of the traded pellet market
Board	The Board of Directors of the Company
BT	Billion tonnes
C1 costs	Represents the cash costs of production of iron pellets from own ore, divided by production volume from own ore, and excludes non-cash costs such as depreciation, pension costs and inventory movements, costs of purchased ore, concentrate and production cost of gravel
capesize	Capesize vessels are typically above 150,000 tonnes deadweight. Ships in this class include oil tankers, supertankers and bulk carriers transporting coal, ore and other commodity raw materials. Standard capesize vessels are able to transit through the Suez Canal
capital employed	The aggregate of equity attributable to shareholders, non-controlling interests and borrowings
Central Europe	This segmentation for the Group's sales includes Austria, the 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
China & South East Asia	This segmentation for the Group's sales includes China and Vietnam
CIF	Delivery including cost, insurance and freight
CIS	The Commonwealth of Independent States
Code	The UK Corporate Governance Code
CODM	The Executive Committee is considered to be the Group's Chief Operating Decision-Maker

Company	Ferrexpo plc, a public company incorporated in England and Wales with limited liability
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
Direct reduction “DR” pellets	Used in Direct Reduction Iron “DRI” production. In regions where natural gas is cheap and plentiful, such as the Middle East, DR pellets are mixed with natural gas to produce DRI, an alternative source of metallic to scrap in Electric Arc Furnace “EAF” steelmaking. DR pellets are a niche, higher quality product with Fe content greater than 67% and a combined level of silica and alumina of <2%
EBT	Employee benefit trust
EPS	Earnings per share
Executive Committee	The Executive Committee of management appointed by the Company’s Board
Executive Directors	The Executive Directors of the Company
FBM	LLC Ferrexpo Belanovo Mining, a company incorporated under the laws of Ukraine
Fe	Iron
Ferrexpo	The Company and its subsidiaries
Ferrexpo AG Group	Ferrexpo AG and its subsidiaries, including FPM
Fevamotinico	Fevamotinico S.a.r.l., a company incorporated with limited liability in Luxembourg
First-DDSG	First-DDSG Logistics Holding GmbH (formerly Helogistics Holding GmbH) and its subsidiaries, an inland waterway transport group operating on the Danube/Rhine river corridor
FOB	Delivered free on board, which means that the seller’s obligation to deliver has been fulfilled when the goods have passed over the ship’s rail at the named port of shipment, and all future obligations in terms of costs and risks of loss or damage transfer to the buyer from that point onwards
FPM	Ferrexpo Poltava Mining, also known as PJSC Ferrexpo Poltava Mining, a company incorporated under the laws of Ukraine
FRMC	Finance and Risk Management Committee, a sub-committee of the Executive Committee
FTSE 250	Financial Times Stock Exchange top 250 companies

FYM	LLC Ferrexpo Yeristovo Mining, a company incorporated under the laws of Ukraine
GPL	Gorishne-Plavninske-Lavrykivske, the iron ore deposit being mined by FPM
Group	The Company and its subsidiaries
HSE	Health, safety and environment
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards, as adopted by the EU
IPO	Initial public offering
iron ore concentrate	Product of the beneficiation process with enriched iron content
iron ore pellets	Balled and fired agglomerate of iron ore concentrate, whose physical properties are well suited for transportation to and reduction within a blast furnace
iron ore sinter fines	Fine iron ore screened to -6.3mm
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)
LTIFR	Lost Time Injury Frequency Rate
LTIP	Long-Term Incentive Plan
m^3	Cubic metre
majority shareholder	Fevamotinico S.a.r.l., The Minco Trust and Kostyantin Zhevago (together)
Mineral 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
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
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
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
sinter	A porous aggregate charged directly to the blast furnace which is normally produced by firing fine iron ore and/or iron ore concentrate, other binding materials and coke breeze as the heat source
spot price	The current price of a product for immediate delivery
sterling/£	Pounds Sterling, the currency of the United Kingdom
STIP	Short-Term Incentive Plan
sub funds	Three funds that operate under the Blooming Land charity
tailings	The waste material produced from ore after economically recoverable metals or minerals have been extracted. Changes in metal prices and improvements in technology can sometimes make the tailings economic to process at a later date
tolling	The process by which a customer supplies concentrate to a smelter and the smelter invoices the customer with the smelting charge, and possibly a refining charge, and then returns the metal to the customer
ton	US short ton, equal to 0.9072 metric tonnes

tonne or t	Metric tonne
treasury shares	A company’s own issued shares that it has purchased but not cancelled
TSF	Tailings storage facility
TSR	Total Shareholder Return. The total return earned on a share over a period of time, measured as the dividend per share plus capital gain, divided by initial share price
UAH	Ukrainian Hryvnia, the currency of Ukraine
Ukr SEPRO	The quality certification system in Ukraine, regulated by law to ensure conformity with safety and environmental standards
underlying EBITDA	The Group calculates the underlying EBITDA as profit before tax and finance plus depreciation and amortisation, net gains and losses from disposal of investments and property, plant and equipment, share-based payments and write-offs and impairment losses
underlying EBITDA margin	Underlying EBITDA (see definition above) as a percentage of revenue
US$/t	US dollars per tonne
value-in-use	The implied value of a material to an end user relative to other options, e.g. evaluating, in financial terms, the productivity in the steel making 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

FERREXPO PLC

SHAREHOLDER INFORMATION

Registered Office
55 St James's Street
London
SW1A 1LA
www.ferrexpo.com

Advisers
Share Registrars
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Financial
J.P. Morgan Cazenove Ltd
25 Bank Street
London
E14 5JP

Corporate Brokers
J.P. Morgan Cazenove Ltd
25 Bank Street
London
E14 5JP

Deutsche Bank AG
Winchester House
1 Great Winchester Street
London
EC2N 2DB

Legal
Herbert Smith Freehills
Exchange House
Primrose Street
London
EC2A 2EG

Auditors
Deloitte LLP
2 New Street Square
London
EC4A 3BZ
United Kingdom

FERREXPO
PLC