17 March 2021

Ferrexpo plc

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

2020 Full Year Financial Results

Ferrexpo plc (LSE: FXPO), a FTSE 250 iron ore pellet producer, today announces its full year audited financial results for the 12 months ended 31 December 2020.

Financial Highlights for 2020:

- 13% increase in revenue to US$1.7 billion, reflecting rising production volumes and destocking process in 1H 2020.
- Underlying EBITDA[A] up 46% to US$859 million (2019: US$586 million).
- 45% increase in net cash flows from operations to US$687 million (2019: US$473 million).
- Net cash position of US$4 million as at year end (31 December 2019: net debt US$281 million).
- Dividends paid in 2020 increase 26% to US$195 million (2019: US$155 million).
- In respect of the strong operational and financial performance in 2020, coupled with transition to net cash position and continued healthy iron ore prices, a further special interim dividend is being proposed of 39.6 US cents. Total dividends paid in respect of 2020 amount to 72.6 US cents (2019: 19.8 US cents).

Lucio Genovese, Non-executive Chair of Ferrexpo, commented:

“There is no doubt that the year 2020 was one that will be remembered as a difficult time for communities around the world. The safety and wellbeing of our workforce has always been, and will continue to be, of paramount importance to Ferrexpo, an aspect that has been highlighted by the global pandemic. In response to the global COVID-19 pandemic, we acted swiftly, setting up a dedicated COVID-19 Response Fund in March 2020, approving US$2.5 million for supporting local communities, in addition to taking significant measures to protect our workforce. At the peak of the first global wave of the virus, 3,000 of our employees at our operations were working remotely, helping us to achieve social distancing for those that could not work remotely, with significant measures implemented for those that remained on site.

From a safety standpoint, the lost time injury frequency rate of 0.79 in 2020 was 22% below our five-year trailing average, a remarkable effort by all involved. We did however have a fatality at our operations in the year, which we are determined to learn from and improve as an organisation.

During 2020, we achieved material reductions in our carbon footprint per tonne for both Scope 1 (8%) and Scope 2 (21%) emissions, with a similar trajectory expected in 2021.

Although COVID-19 caused disruption to global iron ore demand patterns, our central geographic location between Europe and Asia, coupled with flexibility our logistics capacity, enabled us to efficiently pivot towards China in 2020, as it quickly emerged from the pandemic with a strong growth focus on metals. The resultant rise in iron ore prices, coupled with the Group’s increase in production and cost control, has driven the strong financial performance for the Group in 2020.

Through consistent investment and capital management, the Group has once again been able to deliver strong financial performance, coupled with shareholder returns. Dividends paid during the 2020 calendar year grew by 26% to US$195 million, after re-investing US$206 million back into operations and US$148 million of debt repayments.

In light of the Group’s strong operational and financial performance, coupled with the Group’s transition to a net cash position and continued healthy iron ore prices, the Group is pleased to announce today a further special interim dividend of 39.6 US cents, bringing total dividends paid in respect of 2020 to 72.6 US cents (2019: 19.8 US cents). The Board will consider, as appropriate, whether or not to propose a final dividend in respect of 2020, which if proposed will be put to the Group’s AGM.

Despite the continued effects of the pandemic, Ferrexpo will continue to invest in both our assets and our people, produce high quality iron ore products for the global steel industry, and operate a business model that provides sustainability, growth and returns to shareholders.”

FERREXPO PLC

2020 Financial Summary:

US$ million (unless otherwise stated)	Year ended 31.12.20	Year ended 31.12.19	% Change
Pellet production[1] (kt)	11,218	10,519	+7%
Sales volumes (kt)	12,062	10,312	+17%
Average Platts[2] CFR 62% Fe iron ore fines price (US$/t)	109	93	+17%
Average Platts[2] CFR 65% Fe iron ore fines price (US$/t)	122	104	+17%
Revenue	1,700	1,507	+13%
Average C1 cash cost[A] (US$/t)	41.5	47.8	(13%)
Underlying EBITDA[A]	859	586	+46%
Diluted EPS (US cents)	107.9	68.4	+58%
Net cash flow from operating activities	687	473	+45%
Capital investment[A]	206	247	(17%)
Net cash / (Net debt)	4	(281)	(101%)
Cash and cash equivalents	270	131	+106%
Net debt to underlying EBITDA[A]	N/A	0.48x	N/A

[1] All production from own ore in 2019/2020. The last production by the Group from third party materials was in 2018. [2] S&P Global Platts.

Health and Safety

- Ferrexpo regrets to report one fatality in 2020 (2019: none).
- Group lost time injury frequency rate of 0.79, 22% below the five-year trailing average (1.01).

Market Factors

- High grade iron ore prices rise 17% to average US$122 per tonne in 2020 (2019: US$104 per tonne), rising above US$200/t in February 2021.
- Decrease in Atlantic Pellet Premiums in 2020 to pivot in sales to China, reflecting global shift in demand in response to Covid-19 pandemic, with Group's sales to China and south east Asia representing 56% of total sales in 2020 (2019: 30%).

Operational Highlights

- Iron ore pellet production increases 7% to 11.2 million tonnes (2019: 10.5 million tonnes).
- Proportion of high grade pellets (65% Fe and above) increases by 3 percentage points to 99% (2019: 96%) as Group commences production of new Direct Reduction (67% Fe) pellets.
- Iron ore sales volume increases 17% to 12.1 million tonnes (2019: 10.3 million tonnes), maintaining the Group's position as the third largest exporter of iron ore pellets globally.
- C1 cash costs[A] reduced by 13% to US$41.5 per tonne (US$47.8 per tonne), reflecting lower commodity input costs and current local appreciation.
- Capital Investment[A] of US$206 million, a decrease of 17%, reflecting the completion of key investment projects in 2020 (2019: US$247 million).

Corporate Governance

- August 2020: Lucio Genovese appointed Non-executive Chair of Ferrexpo, having joined the Ferrexpo Board of Directors in 2019.
- July 2020: Jim North appointed Executive Director and Acting CEO, having spent six years as the Group's Chief Operating Officer.
- January 2020: Fiona MacAulay, Independent Non-executive Director, appointed Chair of the Health, Safety, Environment and Community Committee. Committee is reformed with a renewed focus on safety and climate change.
- March 2021: Ann-Christin Andersen appointed Independent Non-executive Director, increasing number of Independent Directors to four.
- The Board intends to make an additional appointment of an Independent Non-executive Director in due course.

Conference call and webcast for analysts and institutional investors

Please see below the webcast details for joining the Group's scheduled webcast at 09:00AM GMT on Wednesday 17th March 2021:

Telephone dial in numbers:
UK: +44 (0)330 336 9411
Ukraine: 0800 503 441
Switzerland: +41 (0)44 580 1022

Confirmation Code: 6788181

Webcast: please click here, or visit the following web address:

https://webcasting.brrmedia.co.uk/broadcast/6037bdcf1e24d464e23e3e9b

This announcement contains inside information in relation to the Company. The person responsible for making this notification is Mark Gregory, Company Secretary.

For further information, please contact:

Ferrexpo:		
Rob Simmons	r.simmons@ferrexpo.ch	+44 207 389 8305
Tavistock:		
Jos Simson	ferrexpo@tavistock.co.uk	+44 207 920 3150
Emily Moss		+44 778 855 4035
Gareth Tredway		

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 over 40 years. In 2020, the Group produced 11.2 million tonnes of iron ore pellets, a 7% increase on the prior year. The Company is ranked as the world's 3rd largest exporter of pellets to the global steel industry with a market share of approximately 9%. Ferrexpo has a diversified customer base supplying steel mills in Austria, Germany, Japan, South Korea, Taiwan, China, Slovakia, the Czech Republic, Turkey, Vietnam and America. 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.

CHAIR'S STATEMENT

2020 HIGHLIGHTS AND LOOKING FORWARD

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

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

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

Our management team evolved in 2020, with a renewed focus on our operations, delivering on our growth and carbon reduction strategies, whilst also increasing stakeholder engagement. On engagement, this is evidenced through our recent appointment of Liberum as our corporate broker and financial adviser, and also through more regular and broader updates on the business via our social media channels, which collectively represent a key opportunity for modern companies to communicate with their stakeholders. *For further information, please see Responsible Business Section, pages 16-24.*

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

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

In March 2021, the Committee of Independent Directors ("CID") concluded its previously disclosed review into the Group's sponsorship arrangements with the football club FC Vorskla, with arrangements having been made for the repayment in full of the c.US$17 million loaned by FC Vorskla to Collaton Limited. For further information regarding the conclusion of the CID's review, please see page 22 (Governance) and Notes 13 and 14 to the Consolidated Financial Statements.

Responsible Business
In January 2020 we reformed our CSR Committee with a renewed focus on safety and the environment, with Independent Non-executive Director Fiona MacAulay appointed as Chair. Details of the work undertaken by the newly formed Health, Safety, Environment and Community ("HSEC") Committee are detailed in the Responsible Business section of this report (pages 16 to 24).

Shareholder returns
Through strong operating performance, prudent financial management, and continued investment in our operations, we have consistently returned profits to shareholders in the form of dividends since IPO. Dividends paid in the 2020 calendar year grew by 26% to US$195 million, reflecting the Group's strong balance sheet and growth in our operations.

Furthermore, the Board is pleased to announce a special interim dividend of 39.6 US cents per share (2019: 3.3 US cents per share), meaning that the total dividend declared in respect of the 2020 financial year will be a record 72.6 US cents per share (total dividend declared in respect of 2019: 19.8 US cents per share). This record dividend reflects the Group's strong operational and financial performance, transition to net cash position and continued healthy iron ore prices. The Board will consider, as appropriate, whether or not to propose a final dividend in respect of 2020, which if proposed will be put to the Group's AGM in May 2021.

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

Lucio Genovese
Chair, Ferrexpo plc

CEO'S REVIEW

TAKING A LOOK AT KEY EVENTS OF 2020

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

Safety continues to be the number one priority at our operations. We strive to ensure that all employees and contractors are able to return home safely at the end of each shift, and it is our aim to provide clear and transparent reporting around safety. Whilst the Group has recorded a second successive year with its lost time injury frequency rate ("LTIFR") materially below the Group's five year trailing average, it is with regret that we report the fatality of a contractor at our operations in 2020, whereby a maintenance contractor was fatally injured during maintenance work being conducted in the beneficiation plant. We strive to learn from these terrible events and further details of the investigation and key learnings from this incident are provided on page 17. We also continue to benchmark our safety performance against our peers and can report a LTIFR in 2020 significantly lower than the major iron ore miners in the Pilbara region of Australia[1]. Given the difficulties facing the world related to the global COVID-19 pandemic in 2020, we note the importance of our role in keeping our workforce safe, protecting local communities and also increasing our efforts in terms of workforce wellbeing. Further details of these initiatives in relation to COVID-19 are provided on pages 6 and 21-22.

Growth through a well invested asset base has been a cornerstone of our business since IPO, and 2020 marks the culmination of a multi-year expansion plan to grow production volumes and product quality. In 2020, we saw production volumes grow by 7%, whilst we also added sales of a new product – direct reduction ("DR") pellets – to our marketing offering. This growth in volumes and product quality has helped to deliver one of the best annual financial results Ferrexpo has achieved since listing in 2007, details of which are provided in the Financial Review on pages 9 to 12. Furthermore, DR pellets are particularly important as they position us for the future of carbon-free Green Steel, as well as enable us to reduce our Scope 3 carbon emissions footprint. Further details of our expansion plans are available on pages 12 to 16 and our Scope 3 footprint on page 19.

Producing high grade, **premium** iron ore pellets enables us to generate higher margins through selling to **premium** customers. In 2020, we realised an underlying EBITDA[A] margin of 50% on our pellets, up from the five-year trailing average of 39%. Through selling our premium products to the world's best steelmakers, we also add resilience to our business. Our work over the years to develop a customer presence in China enabled us to efficiently pivot to this market in 2020 when demand in the rest of the world declined as a result of the global COVID-19 pandemic. We are also proud to sell our pellets to steelmakers that produce high end steels for green sectors such as renewable power generation, with steel representing up to 85% of the construction of a typical wind turbine, as well as steel representing the single largest component by weight in the construction of solar PV technologies[2].

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

[2] Carrara, S., Alves Dias, P., Plazzotta, B. and Pavel, C., Raw materials demand for wind and solar PV technologies in the transition towards a decarbonised energy system, EUR

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

High ESG standards are expected of all mining companies, and we aim to be no exception. We worked hard to reduce our carbon emissions footprint per tonne in 2020, achieving an 8% reduction in Scope 1 and 21% reduction in Scope 2. We began reporting our Scope 3 emissions in 2019 and have further developed our thinking in terms of reporting and assurance in this year's report. We continue to work in a range of assistance projects in our neighbouring communities, which have been particularly focused on helping medical institutions during the global pandemic in 2020, with US$2.5 million of funding made available in March 2020 through our dedicated COVID-19 Response Fund, in addition to a further US$1 million of funding approved in 1Q 2021. *For further details of our ESG work, please see the Responsible Business section, pages 16 to 24, as well as our Responsible Business Reports, which are available on the Ferrexpo website.*

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

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

Jim North
Acting Chief Executive Officer

COVID-19

FERREXPO'S RESPONSE TO COVID-19

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

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

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

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

30095 EN, Publications Office of the European Union, Luxembourg, 2020, ISBN 978-92-76-16225-4 (online), doi:10.2760/160859 (online), JRC119941.

In addition to the efforts undertaken to protect the Group's workforce, Ferrexpo has made significant efforts to protect its local communities in 2020, including the approval in March 2020 of a US$2.5 million dedicated COVID-19 Response Fund for medical donations to support local hospitals. In light of the ongoing pandemic in 2021, the Group has approved a further US$1 million of funding for this initiative, to sustain its support efforts into 2021. Further details of this work are provided on pages 21 to 22 of this report.

MARKET REVIEW

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

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

Iron ore fines indices

Global iron ore fines prices showed resilience in the first half of 2020, amid the onset of the global pandemic, with the high grade (65% Fe) iron ore fines index rising 9% through to the end of June 2020[3]. This upward trend reflected the speed and scale of the Chinese government's intervention in its economy in the first half of the year, with China ending the year as the only developed economy in the world to report overall growth in 2020[4]. China alone typically represents approximately 70% of total global iron ore fines consumption[5], and therefore this acceleration is directly attributable to the strength in iron ore fines prices in the first half of 2020.

In the second half of the year, iron ore fines prices continued their upward trajectory. This was driven by strong demand in China, particularly high grade ores, but also by returning demand from steel mills in the rest of the world. This increase in pricing was further exacerbated by supply side disruptions from Brazilian iron ore exports, related to ongoing permitting issues following two high profile breaches of tailings dams in 2015 and 2019. Supply constraints were also seen in Australia due to short term shortages of benchmark material. These factors led to a 53% rise in iron ore prices in the second half of the year, to close the year with an iron ore price of US$174 per tonne[6].

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

Pellet premiums

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

Atlantic pellet premiums, as assessed by Platts, which is the premium used in pricing the majority of long term contracts, fell from a multi-year high of US$57 per tonne in 2019 to an average of US$29 per tonne in 2020, with this decrease linked to the impact of COVID-19 on key pellet markets. Conversely, China saw increased pellet buying activity in 2020, which was the result of government stimulus and increased steel demand. With global iron ore demand pivoting towards China as the pandemic developed, the global pellet export market mirrored this shift, with over 50% of global pellet exports dispatched to China at the peak of the pandemic in May and June 2020 (2019 China average: 22%)[7]. As a result of this increasing supply, spot pellet premiums in China dropped to below US$5 per tonne in August 2020, as portside inventories of imported iron ore pellets doubled in size. Following a return to more normal market conditions in 4Q, spot pellet premiums in China returned to average US$23 per tonne in 4Q 2020.

[3] S&P Platts.
[4] Source: IMF World Economic Outlook Report
[5] Source: CRU.
[6] S&P Platts.
[7] Management estimates.

(All figures US$/tonne, unless stated otherwise.)	**2020**	2019	Change
Average Platts 62% Fe iron ore fines price CFR China	**109**	93	17%
Average Platts 65% Fe iron ore fines price CFR China	**122**	104	17%
65% Fe spread over 62% Fe	**13**	11	18%
Average Atlantic pellet premium	**29**	57	-49%
Average China pellet premium	**23**	28	-18%
Average DR pellet premium	**36**	61	-41%
C3 freight (Brazil – China)[8]	**15**	19	-21%
C2 freight (Brazil – Netherlands)[9]	**7**	8	-19%
Global steel production (million tonnes) [10]	**1,829**	1,846	-1%

Source: S&P Platts unless stated otherwise.

With Chinese steel producers seeking to increase the productivity of steel mills and further reduce their environmental impact in 2020, owners of these steel mills increased buying of imported iron ore pellets from approximately 28 million tonnes of pellets in 2019 to 43 million tonnes in 2020, representing a significant shift in the global pellet export market[11]. Ferrexpo, with its operating base in Ukraine, was well situated to adapt to this shift in the pellet market, whereas other pellet producers in more remote locations such as Sweden and Canada faced additional shipping and logistics challenges with their increased shipping distances to China.

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

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

Seaborne freight indices

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

Iron ore demand: steel sector

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

8 Source: Baltic Exchange

9 Source: Baltic Exchange

10 World Steel Association.

11 Management estimates.

FINANCIAL REVIEW

DELIVERING GROWTH THROUGH INVESTMENT

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

Summary

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

Revenue

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

Total pellet sales volumes for the period increased to 11.9 million tonnes (2019: 10.3 million tonnes), increasing revenue by US$219 million. Furthermore, the Group sold 183,000 tonnes of high grade concentrate during 2020, giving a combined sales figure of 12.1 million tonnes. *For further information, please see the Operational Review section on pages 12-16.*

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

Iron ore pellets are priced using a pellet premium, which is paid in addition to the benchmark fines price. The Atlantic Pellet Premium and China Spot Pellet Premium are two pellet premiums that are published regularly by third party providers, and further discussion around the movements in these two indices during 2020 is provided in the Market Review section (pages 7 to 8). The global COVID-19 pandemic and a shift in pellet demand resulted in elevated global shipments to China in the middle of 2020. The situation for pellet demand subsequently stabilised in the second half of 2020 and pellet demand began to normalise in Europe and North East Asia.

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

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

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

C1 cash cost of production[A]

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

The decrease in costs in 2020 was primarily due to a fall in input prices, notably oil prices, reduced electricity prices and a weakening local currency against the US Dollar. Oil prices (Brent) began the year at US$67 per barrel before falling to a multi-year low of $9 per barrel in April 2020 in part as a result of the global COVID-19 pandemic. Whilst prices recovered to US$51 per barrel by the end of the year, the average oil price for the year declined by 35%. Locally, reduced industrial activity in Ukraine, which also related to the global COVID-19 pandemic, resulted in electricity costs falling by 9% in 2020. Local inflation of 5% and a 14% depreciation of the Ukrainian Hryvnia against the US Dollar also contributed to the fall in C1 cash cost seen in 2020. Over half of the Group's operating costs are in local currency and are impacted by the Hryvnia exchange rate and inflation. *For further information, please see Currency on page 10.*

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

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

The C1 cash cost of production[A] (US$ per tonne) is regarded as an Alternative Performance Measure ("APM"). *For further information, please see pages 63 to 65.*

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

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

Currency
Ferrexpo prepares its accounts in US Dollars. The functional currency of the Group's operations in Ukraine is the Hryvnia, which has historically represented approximately half of the Group's operating costs. In 2020, the Hryvnia depreciated 19% from UAH23.686 per US Dollar on 1 January 2020 to UAH28.275 per US Dollar as of 31 December 2020. *For further information, please see C1 Cash Cost of Production[A] on page 9.*

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

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

Non-operating foreign exchange gains/losses
Non-operating foreign exchange gains are mainly due to the conversion of the Hryvnia denominated intercompany payable balances and the conversion of Euro denominated loans (at the Group's barging facility) into the functional currency of the respective Group's subsidiary. In 2020, the Group recorded a non-operating foreign exchange gain of US$5.3 million (2019: loss of US$18.5 million), which was driven by a 19% depreciation of the Hryvnia during the year against the US Dollar, as well as changes in the Euro/US Dollar exchange rate. *For further information, please see Note 6 Foreign Exchange Gains and Losses to the Consolidated Financial Statements.*

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

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

Interest
Interest expense on loans and borrowings declined 33% to US$22 million compared to US$34 million in 2019 due to a lower average outstanding debt balance. The average cost of debt for the period ended 31 December 2020 was 5.2% (average 31 December 2019: 7.0%). The decrease of the cost of debt was driven by the repayment of US$173 million 10.375% Eurobonds in April 2019. *Further details on finance expense are disclosed in Note 7 Net Finance Expense to the Consolidated Financial Statements.*

Tax

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

In 2020, the Group paid income taxes of US$57 million (2019: US$84 million), of which US$54 million were paid in Ukraine (2019: US$73 million). US$48 million of income taxes related to 2020 are expected to be paid in 2021, of which US$42 million in Ukraine. *Further details on taxation are disclosed in Note 8 Taxation to the Consolidated Financial Statements.*

Profit for the period

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

Cash flows

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

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

Capital investment[A]

Capital expenditure in 2020 was US$206 million compared to US$247 million in 2019. Of this, US$103 million was sustaining and modernisation capex (2019: US$102 million) at FPM, FYM, FBM, First-DDSG and others. Total investment in the Group's concentrator, including the concentrator expansion project commissioned in 2H 2020, amounted to US$33 million in 2020 (2019: US$34 million), with these projects expected to increase concentrate production by 1.5 million tonnes per annum in 2021. FPM also spent US$45 million on phase 1 of its press filtration project during the year. Ferrexpo also invested US$6 million (2019: US$11 million) in the development and exploration of the Belanovo, Galeschyno and the Northern Deposits.

For further information regarding the Group's capital investment plans to expand existing production above current levels, please see the Operational Review section (pages 12 to 16).

Dividends

A special interim dividend of 39.6 US cents per share (2019: 3.3 US cents per share) has been announced and will be paid on 15 April 2021 to shareholders on the register at the close of business on 26 March 2021. The dividends paid in respect of 2020 are now 72.6 US cents (2019: 19.8 US cents), and this increase reflects the Group's continued strong operational and financial performance, transition to net cash position and continued healthy iron ore prices. The dividend will be paid in UK Pounds Sterling with an election to receive US Dollars. The Group's Board will consider, as appropriate, whether or not to propose a final dividend in respect of 2020, which if proposed will be put to the Group's AGM in May 2021. The total available distributable reserves of the Group are shown in Note 9 (Earnings Per Share and Dividends Paid and Proposed). Payment of further dividends during 2021 calendar year will require a waiver from lenders, or full repayment of this facility.

Debt and debt maturity profile

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

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

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

Related party transactions
The Group enters into arm's length transactions with entities under the common control of Kostyantin Zhevago and his associates. *For further information, please see Note 14 Related Party Disclosures to the Consolidated Financial Statements.*

OPERATIONAL REVIEW

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

Mineral Resources and Ore Reserves
Geological work completed during the year focused on in-pit drilling and led to a 12% increase in the Group's JORC-compliant Mineral Resources at FPM and FYM combined, and a 3% increase in the Group's total Ore Reserves, with these estimates shown in the table on page 14. At current processing rates, the Group has sufficient Ore Reserves for over 50 years of further production. The resource update process in 2020 also identified 6.3 billion tonnes of additional material at depth below the Group's existing mines with exploration potential for exploitation via underground means. This mineralisation sits outside of the Group's JORC compliant Mineral Resource estimate.

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

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

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

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

Processing review
Processing activities in the beneficiation plant increased by 4% to 30 million tonnes in 2020, following the

implementation of new processing capacity in the second half of 2020 *(for more detail, see the Future Growth Investment Programme section on pages 14 to 16).* Expectations for processing in 2021 are for a further increase as operations realise a full year at the plant's newly expanded processing capacity. The Group is also progressing construction of its concentrate stockyard, press filtration and medium- and fine-crushing projects, which are collectively expected to provide additional operational flexibility in processing.

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

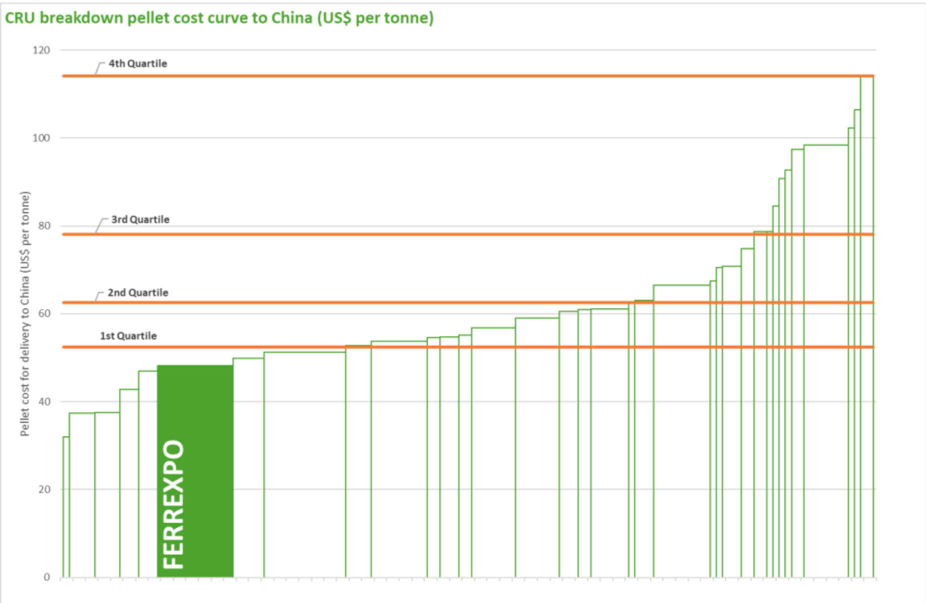
In 2020, the Group increased production of high grade (65% Fe or above) iron ore pellets to 99% of total output (2019: 96%). Further to this increase, the Group has also commenced production of direct reduction ("DR") pellets, which are higher grade (67% Fe) and lower impurity than alternative forms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

The Group continues to utilise sunflower husks as a biofuel in its pelletiser, as a substitute for natural gas. Sunflower husks are an abundant by-product of the sunflower industry in Ukraine, which was the world's largest producer in the 2019-2020 crop year[12]. This project has been in place since 2015, and usage has steadily increased as the Group optimises the usage of husks in its pelletisers. In 2020, the Group successfully increased usage to 25% of the total energy consumed in the pelletiser (2019: 22%).

C1 cash costs[A] review

As shown in the graph below, Ferrexpo continues to operate in the lowest quartile for pellet exporters globally, as assessed by CRU. The Group's C1 cash cost[A] of production was US$41.5 per tonne in 2020; *for more details on the key drivers behind the Group's C1 cash costs[A], please see Financial Review section, pages 9 to 12.*

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



Logistics review

The Group's sales of 12.1 million tonnes in 2020 is a record for Ferrexpo since IPO in 2007, representing a significant achievement for all those involved. Of particular note was the loading of 47 capesize vessels in 2020, a 68% increase

[12] Source: www.statista.com/

on the prior year, and this reflects the flexibility Ferrexpo has in its logistics chain to meet changing global demand.

Outlook for 2021

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

The Group's ongoing growth projects are shown on pages 14 to 16, which represent the near term investment being made to grow production and increase product quality.

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

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

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

FUTURE GROWTH INVESTMENT PROGRAMME

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

MINING FLEET AUTOMATION

Location: Yeristovo Mine

Status/timeline: Successful deployment December 2020

Capital outstanding: US$2M for Phase 1

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

TROLLEY ASSIST (HAUL TRUCKS)

Location: Poltava Mine

Status/timeline: Scoping study

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

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

FERREXPO BELANOVO MINE

Location: Belanovo Mine

Status/timeline: Pre-stripping works commenced

Capital investment in 2020: US$6M

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

CONCENTRATE STOCKYARD

Location: Concentrator

Status/timeline: Commissioning 1H 2021

Capital outstanding: US$3M

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

SECTION 9 EXPANSION

Location: Concentrator

Status/timeline: Commissioned 2H 2020

Capital outstanding: N/A (operational optimisation)

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

MEDIUM AND FINE CRUSHING 2

Location: Concentrator

Status/timeline: Construction/Q4 2021

Capital outstanding: US$8M

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

PELLETISER UPGRADES

Location: Pelletiser

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

Capital outstanding: US$10M

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

SOLAR POWER (PILOT PLANT)

Location: Concentrator

Status/timeline: Procurement / 2H 2021

Capital outstanding: US$4M

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

HSEC COMMITTEE CHAIR'S REVIEW

PROGRESS IN RESPONSIBLE BUSINESS

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

Safety
Safety remains central to the success of our operations, and we continue to operate with a lost time injury frequency rate below that of the major iron ore producers in Australia. However, it is with deep regret that we report a fatality at our operations in 2020, whereby a maintenance contractor was injured during routine maintenance on heavy equipment in our beneficiation plant. As with any safety event, we endeavour to investigate, learn and improve our practices to ensure this type of accident cannot happen again, with details of the key learning points *described in the Safety section on page 17*. Across the Ferrexpo Group, we recorded a LTIFR of 0.79 in 2020, which represents a level 22% below our five-year trailing average for safety performance, and which we see as an indication of a culture of safety being embedded throughout the Group.

One area of safety improvement that we are particularly pleased to report on is with our barging subsidiary, DDSG, which has implemented a number of safety initiatives at its operations and operated injury-free for the entirety of 2020. *For more information, please see the Responsible Business – Health and Safety section, pages 17 to 18*.

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

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

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

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

ESG ratings upgrade
As a consequence of our efforts to bring our Responsible Business efforts and reporting in line with industry best practice, we can also report that Ferrexpo's ESG rating provided by MSCI was upgraded one notch to BBB in December 2020[13]. This puts Ferrexpo into the top 40% of companies covered by MSCI in the steel sector, and we are extremely proud of this recognition for our efforts.

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

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

Fiona MacAulay
Chair, HSEC Committee

RESPONSIBLE BUSINESS

HEALTH AND SAFETY

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

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

Ferrexpo's LTIFR was 0.79 in 2020 (2019: 0.58), which represents a second successive year where our overall safety performance was recorded at a level significantly below the Group's five-year trailing average LTIFR of 1.01. This result is also significantly ahead of the major iron ore producers in the Pilbara region of Western Australia, which averaged an LTIFR of 1.60 in the most recently published information[14]. Furthermore, a review of the leading and lagging safety indicators that the Group uses to assess its full safety performance is presented below and in the table on page 18.

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

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

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

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

FERREXPO PLC

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

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

ENVIRONMENTAL STEWARDSHIP

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

Greenhouse gas emissions
During 2020, Ferrexpo's management increased its efforts to reduce the Group's carbon footprint[15], and in doing so delivering an 8% reduction in the Group's Scope 1 CO_2e emissions footprint per tonne and a 21% reduction in Scope 2 CO_2e footprint per tonne, as shown in the table on page 19. Ferrexpo's Scope 1 CO_2e emissions, which relate to the Group's controlled operations, are primarily driven by diesel consumption in the mining fleet and natural gas consumption in the pelletiser. Ferrexpo has a competitive advantage over its pellet producing peers in that Ferrexpo uses natural gas for pelletisation, whereas the Group's peers commonly use more carbon-intensive sources of energy, such as coal and heavy fuel oil.

Ferrexpo's improved Scope 1 CO_2e performance relates to a number of productivity gains throughout the business, including a 5% reduction in diesel volumes used in the Group's mining activities, despite a 1% increase in the total tonnage mined. Furthermore, Scope 1 emissions were reduced through an increase in sunflower husk usage, which represented 25% of the input energy in the pelletiser, an increase from 22% in 2019, which acts as a substitute for natural gas. Ukraine was the largest producer of sunflower oil in the world in the 2019-2020 crop season[16], and, therefore, the Group is well placed to take advantage of this by-product as a biofuel in its processing operations.

[15] Note Ferrexpo's reported on the basis of carbon-equivalent emissions, and include the impact of other greenhouse gases (CH4 and N2O).
[16] Source: Source: https://www.statista.com/

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

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

Ferrexpo is also committed to its role in the low carbon future of the global economy, and is investigating low carbon solutions throughout its business. Projects to achieve these goals include near-term projects, such as continued purchasing of greener forms of electricity and the proposed installation of a pantograph network in the Group's mines (see pages 14 to 16), through to longer-term projects such as the development of solar power at the Group's mines and trials of using green hydrogen in the Group's pelletisers.

To further help deliver the Group's carbon targets, future large scale investment decisions at Ferrexpo's operations will now include a carbon price in the associated financial modelling. The first such example will be in assessing the long term replacement options for the Group's mining fleet, modelling for which is being considered in 2021 and will include a carbon price of US$17 per tonne, which reflects the five year trailing average price of carbon in the EU.

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

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

Table: Greenhouse gas emissions and energy consumption

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

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

Further reading

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

Scope 3 emissions

As well as reducing the Company's footprint per tonne in terms of its Scope 1 and Scope 2 CO_2e emissions, the

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

Energy consumption

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

Task Force on Climate-Related Financial Disclosures ("TCFD")
The following sections of this report are aimed at addressing the various requirements for reporting under TCFD.

– Board oversight of climate change risks and opportunities: pages 18 to 21 and Principal Risks section 24 to 35.

– Management's role in assessing climate change related risks and opportunities: pages 18 to 21 and Principal Risks section 24 to 35.

– Organisational processes to identify, assess and manage climate change related risk: pages 18 to 21 and 2019 Responsible Business Report (www.ferrexpo.com/responsibility).

– TCFD-specific metrics and targets: pages 18 to 21.

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

– Climate change related risk (policy) – carbon pricing. Ukraine currently operates a carbon tax of UAH15 per tonne CO_2, escalating by UAH5 per year until 2024. This is significantly below the CO_2 price per tonne for companies operating under the EU's Emissions Trading System. The Company is looking to address this risk by reducing its carbon footprint – *please see pages 18-21*.

– Climate change related risk (technology) – many of the world's steelmakers are currently focused on reducing their Scope 1 and 2 carbon footprints, including a number of Ferrexpo's customers, with steelmakers targeting a switch to Green Steel as a result. Ferrexpo is likely to have to switch production of its pellets to DR pellets over BF pellets in the long term to satisfy this change in demand, and the Group is currently in the process of forging customer relationships with DR pellet customers to further future proof the business – *see pages 16-21 for more information*.

– Climate change related opportunity (technology/customer behaviour) – iron ore pellets represent a product that steelmakers can utilise to lower their carbon footprint by up to 40% for every tonne of pellets used instead of the more commonly used sinter fines[17]. This presents an opportunity for the business as steelmakers look to increase pellet usage in blast furnaces, particularly in China, where pellet usage is currently only 10-15%[18] of the burden mix in blast furnaces. *For more information on the opportunities around increasing pellet usage, please see Market Overview, page 7 to 8*.

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

[17] Source: CRU.

[18] Source: CRU.

Principal Risks facing the Group are also provided on pages 24 to 35.

Climate change: scenario modelling

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

– A 2ºC scenario, as envisaged by the Paris Agreement, with an associated increase in government regulation compared to today.

– A +3ºC scenario, whereby governments do not address climate change, and the business faces increased physical effects as a result of climate change.

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

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

SOCIAL ENGAGEMENT

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

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

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

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

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

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

Ferrexpo’s Charity Fund and local operating entities FYM and FBM focus their efforts on supporting communities immediately surrounding each of the Group’s three mines, in order to develop close ties with each community, working with community leaders to ensure work carried out is both relevant and targeted. Total community support expenditures in 2020, including funds dedicated to the COVID-19 Response Fund (see section below), amounted to UAH158 million (equivalent of approximately US$5.9 million). This figure represents an 11% increase of such expenditures, which reflects the increased level of support for Ferrexpo's local communities affected by the global pandemic. *Further details of the Company's response to COVID-19 are provided below, as well as on page 6.*

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

Specific donations have included the following:

– Remote monitoring equipment and lighting for intensive care patients, Kremenchug hospital;

– Ventilators for hospitals in Horishni Plavni, Kremenchug and Poltava City;

– Ambulance purchase for Horishni Plavni hospital; and

– Numerous purchases of PPE equipment for local schools and hospitals.

Further details of the Group's response to COVID-19 are provided on page 6.

Further reading
www.ferrexpo.com/responsibility

GOVERNANCE

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

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

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

Related party matters
The Group has a controlling shareholder that also has a number of different businesses with which the Group has a commercial relationship. In order to maintain strong levels of corporate governance, to ensure that these business relationships are conducted on an arm's length basis, the Group has both the Committee of Independent Directors at the Board level and the Executive Related Party Matters Committee at the management level.

As disclosed in the Group's 2019 Annual Report and Accounts and 2020 Interim Results, the Board acting through the

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

The current sponsorship agreement with FC Vorskla Ukraine, as agreed in 1Q 2021, includes enhanced reporting requirements by the football club to the Group and additional provisions around the use of sponsorship funds. Further details are provided in Notes 13 and 14 to the Consolidated Financial Statements.

WORKFORCE AND WORKFORCE ENGAGEMENT

Investing in the Group's workforce

Workforce engagement

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

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

Diversity

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

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

Training

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

Social media

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

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

https://www.facebook.com/Ferrexpoplc/

https://www.instagram.com/ferrexpo/

PRINCIPAL RISKS

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

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

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

Increase in expected risk in 2021

Decrease in expected risk in 2021

Risk balance for 2021

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

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

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

The Group has updated its principal risks as shown on pages 24 to 35 of this report, in accordance with the known risks facing the business. Further updates to the Group's Principal Risks will be provided in the Group's Interim Results statement, which is due for publication in August 2021. Where the Group has identified a principal risk, details of the Group's efforts to mitigate each risk are also provided. It should be noted that the Group's Audit Committee has reviewed the risks associated with the exit of the United Kingdom from the European Union ("Brexit"), and whilst significant uncertainty exists in relation to this event and the future trading relationship between the UK and the EU post-Brexit, the Audit Committee has determined that this is not a principal risk on the basis of the Group's reduced exposure to the UK market.

1. COUNTRY RISK

1.1 UKRAINE COUNTRY RISK (EXTERNAL RISK)
Risk overview
Transparency International e.V. has published an annual Corruption Perceptions Index since 1995 and is a leading global indicator of public sector corruption. Ukraine is currently placed 117th out of 180 countries on the Corruption Perceptions Index[19], up from 126th position in the 2019 iteration of the same survey. Whilst Ukraine is continuing to reform, most recently under the guidance of the International Monetary Fund, its position on the Corruption Perceptions Index has only marginally improved over the past five years from being ranked 130th[20]. There continues to be a number of principal risks relating to the Group's operating assets being located in Ukraine and exposure to Ukraine's geopolitical environment, judicial system and macro-economic conditions. These factors, either individually or in combination, have the ability to adversely impact the Group's ability to operate its pellet production facilities, ability to export its iron ore products, ability to repay existing debt or gain access to new debt facilities, ability to reinvest in the Group's asset base, either in the form of sustaining capex to maintain production or expansion capex for future growth, as well as the Group's ability to pay dividends.

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

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

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

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

[19] https://www.transparency.org/en/countries/ukraine#

[20] https://www.transparency.org/en/cpi/2015/results/ukr

purchase agreement concluded in 2002 pursuant to which a 40.19% stake in FPM was sold.

Responsibility
Board of Directors and Chief Executive Officer

Risk appetite
Medium

Link to strategy
1, 2, 3, 4 and 5

Change Increase
Risk mitigation
Ferrexpo operates in accordance with relevant laws and utilises internal and external legal advisers as required to monitor and adapt to legislative changes or challenges. The Company maintains a premium listing on the London Stock Exchange and as a result is subject to high standards, including the UK Corporate Governance Code and Market Abuse Regulation. Ferrexpo has a relationship agreement in place with Kostyantin Zhevago, which stipulates that the majority of the Board of Directors must be independent of Mr Zhevago and his associates. For all related party transactions, appropriate procedures, systems and controls are in place. Ferrexpo prioritises a strong internal control framework including high standards of compliance and ethics. The Group operates a centralised compliance structure that is supported and resourced locally at the Group's operations. Ferrexpo has implemented policies and procedures throughout the Group including training. Ferrexpo prioritises sufficient total liquidity[A] levels and strong credit metrics to ensure smooth operations should geopolitical or economic weakness disrupt the financial system of Ukraine. Ferrexpo looks to maintain a talented workforce through skills training and by offering competitive wages, taking into account movements of the Hryvnia against the US Dollar and local inflation levels. Ferrexpo has a high profile given its international client base, its London listing and bank lending from Western financial institutions. Ferrexpo's Board of Directors and relevant senior management are tasked with stakeholder engagement and government relations to communicate the economic contribution that Ferrexpo makes to Ukraine and to show that it operates to high international standards.

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

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

Responsibility
Ferrexpo Board of Directors

Risk appetite
Low

Link to strategy
4

Change Increase

Risk mitigation

Ferrexpo sells its iron ore products to well-established steel producers that have sound credit profiles. Ferrexpo's counterparties are subject to regular and thorough review. The results of these reviews are used to determine appropriate levels of exposure, and available alternatives, in order to reduce the potential risk of financial loss.

The Group develops its supplier base in order to avoid excessive dependence on any supplier, actively encouraging a diversity of supply where reasonable and practical. Companies that would like to work with Ferrexpo are required to undergo an Accreditation Procedure, where their documents, licences and financial stability are checked. In 2020, in line with previous years, Ferrexpo screened and monitored third party entities for sanctions and other risks, with suppliers that pass accreditation able to participate in tenders.

For entities deemed to be "high risk", additional checks and further monitoring are required by the Group's compliance function. All supplier contracts must contain the defined set of compliance clauses (related to anti-bribery, sanctions, tax compliance, modern slavery, etc). These requirements were consolidated into the Business Partners' Code of Conduct in 2019, which is referenced in 87% of contracts signed in 2020. The Finance, Risk Management and ComplianceCommittee ("FRMCC"), an executive sub-committee of the Board, met ten times in 2020, and is charged with ensuring that systems and procedures are in place for the Group to comply with laws, regulations and ethical standards. The FRMCC is attended by the Group Compliance Officer and, as necessary, by the local compliance officers from the operations, who present regular reports and ensure that the FRMCC is given prior warning of regulatory changes and their implications for the Group. The FRMCC enquires into the ownership of potential suppliers deemed to be "high risk", and oversees the management of conflicts of interests below Board level and general compliance activities (including under the UK Bribery Act 2010, the Modern Slavery Act, the Criminal Finances Act, and the EU General Data Protection Regulation).

The Group aims to minimise risk around the timely provision of goods and services through maintaining sufficient cash reserves and liquidity, as well as maintaining alternative suppliers should one counterparty fail. The Board's current policy regarding charitable donations is not to donate on a nationwide basis, and the Group does not have any plans to conduct any such activity in the future. However, should the Company resume any national CSR programme in Ukraine, the Board will ensure adherence to the highest standards of diligence, oversight, governance and reporting.

2. GLOBAL DEMAND FOR STEEL

Risk overview

Ferrexpo operates within the global steel industry as a raw material to feed steel mills, and therefore the global demand for the Group's products is directly correlated to global demand for steel. Demand for steel can affect both the underlying price for iron ore, as well as the premium paid for high grade iron ore, whereby steel mills deliberately reduce the productivity of blast furnaces during times of reduced profitability by purchasing lower grade iron ore products. Scrap steel prices also have an impact on iron ore pricing as this material can be substituted for iron ore in certain types of steelmaking. There is also a trend in the global steel industry towards the production of Green Steel, which involves the production of steel without carbon emissions, and the risks presented to the Ferrexpo business by this factor are covered in a separate risk on page 33.

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

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

Risk appetite
Medium

Link to strategy
3 and 5

Further reading
For further information on the global market for steel demand in 2020, please see the Market Review section on pages 7-8.

Change: increase

Risk mitigation
Ferrexpo is a low cost producer relative to the majority of its peers, positioned on the lowest quartile of the pellet cost curve, which is provided in the Market Review section on pages 7 and 8. Ferrexpo's operating costs are partly correlated with commodity prices. When the commodities cycle is in a downward phase, and Ferrexpo typically receives a lower selling price, its cost base in general also reduces. The Ukrainian Hryvnia is a commodity-related currency and historically over the long term it has depreciated during periods of low commodity prices, although movements of the Hryvnia against the US Dollar can also be influenced by short-term political factors.

3. RISKS RELATED TO REALISED PRICING

3.1 CHANGES IN PRICING METHODOLOGY

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

Responsibility
Chief Executive Officer and Chief Marketing Officer

Risk appetite
Medium

Link to strategy
1, 3 and 5

Change Balance
Risk mitigation
Ferrexpo endeavours to achieve the prevailing market price at all times, and is a low cost producer that aims to be cash flow positive throughout the commodities cycle. *For more information on its position on the cost curve, please see Operational Review section on pages 12 to 14*. The Group also has the logistics capability to divert sales to other markets to offset any regional weakness, as was seen during 2020 when the Group was able to redirect additional tonnages to Asia to meet increased relative demand for pellets in China.

3.2 LOWER IRON ORE PRICES

Risk overview
Ferrexpo's iron ore products are priced using the iron ore fines index, and as such, lower iron ore fines pricing would negatively impact the Group's ability to generate cash, potentially affecting shareholder returns, the Group's ability to repay existing debt facilities and capital investment plans for future production. In 2020, the high grade iron ore fines price (65% Fe), which is the most applicable index for Ferrexpo's iron ore products, averaged US$122 per tonne,

compared to an average of US$104 per tonne in 2019.

The price for medium grade iron ore fines (62% Fe) as of 1 March 2021 was US$174 per tonne, whereas the analyst consensus, as of early March 2021, for iron ore fines (62% Fe) pricing in 2021 was US$131 per tonne and the forward curve for delivery of 62% Fe iron ore fines material in December 2021 was US$135 per tonne, with both, therefore, indicating an expected decline in pricing in the year ahead. *For further information on the iron ore market in 2020, please see the Market Review section on pages 7 to 8.*

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

Risk appetite
Medium

Link to strategy
1, 3 and 5

Change Decrease

Risk 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, but the Group's cost base also tends to decline as a result of local currency devaluation. The Ukrainian Hryvnia is a commodity-related currency and historically over the long term it has depreciated during periods of low commodity prices, although movements of the Ukrainian Hryvnia against the US Dollar can also be influenced by short-term political factors. Ferrexpo regularly reviews options to hedge the price of its output; however, its current strategy is not to enter into hedging agreements. Ferrexpo has maintained positive profit and cash generation throughout the iron ore price cycle.

3.3 PELLET PREMIUMS AND PELLET SUPPLY

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

Responsibility
Chief Executive Officer and Chief Marketing Officer

Risk appetite
Medium

Link to strategy
1, 3 and 5

Change Decrease

Risk mitigation
Ferrexpo primarily sells high quality pellets, which underpin demand for its product throughout the commodity cycle. Should the pellet premium decline, Ferrexpo has one of the lowest pellet conversion costs in the industry, which should ensure that it is able to remain a competitive producer. Ferrexpo also has the ability to produce iron ore concentrate should market conditions make this product more economically viable.

Ferrexpo's pelletising costs in 2020 were approximately US$11 per tonne and, therefore, lower than the pellet premium seen in 2020 in both the Atlantic and China spot markets. *Please see the Market Review section on pages 7-8 for more details.* Should, however, the pellet premium fall below the cost of pelletising material, the Group has the option to halt pelletising operations and produce concentrate instead for a period of time.

Further reading
For further information on the global market for steel demand in 2020, please see the Market Review section on pages 7-8.

3.4 SEABORNE FREIGHT RATES

Risk overview
As iron ore is a bulk commodity, seaborne freight rates are an important component of the cost to deliver product to a customer. An increase in freight rates will reduce the net price received from a customer, and reduce profitability, while a reduction in freight rates will increase the net price received from a customer. Seaborne freight rates, such as the C3 freight index, are published by the Baltic Exchange. The C3 freight index represents the cost for ocean transportation for iron ore from the Brazilian port of Tubarão (where the largest seaborne pellet supplier is based) to Qingdao, China (the world's largest steel producer). Ferrexpo's received price is referenced to transparent freight indices such as the Baltic Exchange C3 freight index. In 2020, the C3 freight index fell to an average of US$15 per tonne, down from US$19 per tonne in 2019, with this decrease coming as a result of the global COVID-19 pandemic and lower global demand for oil as a result. Freight rates are largely influenced by the price of oil and demand for oceangoing vessels from bulk commodity producers. As of 1 January 2020, the International Maritime Organization enforced a new 0.5% global sulphur cap on fuel content in the shipping industry from the previous 3.5% limit. Subject to supply and demand dynamics, including steel mill profitability, the introduction of IMO 2020 could have the potential to increase freight costs in future, due to the installation cost of scrubbers or the higher cost of compliant fuel, for iron ore suppliers across the industry and reduce net prices and thus impact profitability.

Responsibility
Chief Marketing Officer and Group Freight Manager

Risk appetite
Medium

Link to strategy
2, 3 and 5

Change Balance

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

4. OPERATING RISKS

4.1 OPERATING RISKS RELATED TO MINING, PROCESSING, PELLETISING AND LOGISTICS

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

tailings dam facilities.

Logistics risks relate to the business's reliance on the ease of transport of its iron ore products to customers, in addition to the consistent supply to the Group's operations of key consumables such as fuel for mining and natural gas for pelletising. Lower volumes, higher costs and financial penalties due to poor quality and late delivery can impact the Group's cash generation ability, reducing liquidity levels and impacting capital investment[A] levels as well as its ability to repay debt and pay dividends to shareholders. Poor pellet quality or late delivery of product can also affect the Group's ability to perform according to customer contracts and its ability to maintain and renew contracts in the future.

Responsibility
Chief Executive Officer, Chief Marketing Officer and Chief Operating Officer

Risk appetite
Medium

Link to strategy
2, 3 and 5

Change Balance

Risk mitigation
The Group aims to continually reinvest its profits into its business to simultaneously sustain and expand its production and logistics capabilities. Extensive monitoring by in-house planning departments, in addition to external certification by third party consultants, help to mitigate risks around the Group's mining, processing, pelletising and logistics operations, including the Group's tailings dam. To mitigate risk in relation to the Group's logistics business and delivery of iron ore products to customers, the Group strives to operate its own equipment and facilities where possible, and as a result the Group owns a fleet of 2,850 railcars within Ukraine, a fleet of 154 barges on the River Danube, and has a 49.9% interest in a berth at the port of Pivdennyi (formerly known as Yuzhny). The Group also operates a talent management and leadership programme to ensure management coverage of business-critical roles. This involves the annual assessment of all managers across the Group of approximately 300 people. The results are presented to the Operations Management Committee, the Executive Committee and the Board.

4.2 OPERATING RISKS RELATED TO HEALTH AND SAFETY

Risk overview
The mining and processing of iron ore is often associated with a hazardous working environment as it includes the use of explosives and the operation and repair of large mining machinery, amongst other things. Failure to provide a safe work environment for the Group's workforce and failure to ensure the right safety culture and subsequent safe behaviours can impact the Group's social licence to operate. Fatalities and lost time injuries negatively impact the workforce, their families and the communities in which we operate, and it can result in production stoppages due to regulatory interventions. The Group had one fatality in 2020 (2019: zero fatalities) and the Group's lost time injury frequency rate ("LTIFR") was 0.79 (2019: 0.58). Whilst the LTIFR result for 2020 represents an increase on the prior year, it should be noted that this figure is 22% below the Group's five-year trailing average LTIFR and is also significantly ahead of a number of the world's largest iron ore miners, located in the Pilbara region of Western Australia, which collectively achieved a LTIFR result of 1.6 in the most recently published data (2019-20), as published by the government of Western Australia[21].

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

Responsibility
Chief Executive Officer, Chief Marketing Officer and Chief Operating Officer

Risk appetite
Low

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

Link to strategy
1, 2, 3, 4 and 5

Change Balance

Risk mitigation
The Group seeks to address the risks around the overall health and safety of its operations through a number of leading and lagging indicators. Leading indicators focus on measuring progress on efforts to reduce the incidence of safety-related events and these include health and safety training programmes, health and safety-specific audits of working areas and working practices, hazard reports and the number of high visibility safety tours by senior managers. Lagging indicators measure progress made through a reduction in the number of safety events that occur at the Group's operations, including the number of fatalities in a reporting period, the number and frequency of lost time injuries, near miss events and road traffic accidents. It is the Group's intention to instil a safety first ethic within its workforce, and as a result promote a culture of safety reporting incidents, regardless of whether an injury was incurred. As a result, it is the goal of the Group's management to increase the volume of reporting of leading indicators (for example, safety training courses and the number of emergency drills), as well as increase the number of lagging indicators, such as near miss events, in order to learn from these events and avoid any reoccurrences happening. A portion of all employees' total remuneration, especially the bonus structure, is also linked to team and individual safety performance. *Further details of the Group's safety performance are provided in the Responsible Business section of this report; please see pages 16 to 24.*

In relation to the specific risks posed by COVID-19, the Group has taken significant steps to reduce the risk of transmission in Ferrexpo workplaces, from demobilising up to a third of the Group's employees to work remotely, through to the provision of training and materials to raise awareness on the virus for those who cannot work remotely, as well as enhanced cleaning protocols in Ferrexpo work areas. F*urther details of the Group's efforts to stem the risk of transmission of the COVID-19 virus are detailed on page 6 as well as an overview on pages 34-35 of the risks posed by COVID-19 and risk mitigations that the Group has taken*.

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

The commodity-linked component of the Group's cost base has historically represented approximately 50% of the total C1 cash costs[A]. In times of relatively high iron ore prices the cost of production tends to increase due to commodity cost inflation; however, during periods of low commodity prices the cash cost is typically reduced. A second important driver of C1 cash costs[A] is local currency, the Ukrainian Hryvnia, and this has historically directly affected approximately 50% of the Group's total C1 cash costs[A]. The Ukrainian Hryvnia is a commodity-related currency and historically over the long term it has depreciated during periods of low commodity prices, although movements of the Ukrainian Hryvnia against the US Dollar can also be influenced by short-term political factors.

In 2020, the Group's C1 cash costs[A] of production decreased by 13% to US$41.5 per tonne from US$47.8 per tonne. *See the Financial Review section of this report (pages 9 to 12) for a description of the factors impacting operating costs.*

Responsibility
Chief Financial Officer and Chief Operating Officer

Risk appetite
Low

Link to strategy
2 & 5

Change Balance

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

A number of the Group's peer group have in the past switched between production of iron ore pellets and iron ore concentrate, according to pellet premiums and the profitability of producing pellets. Ferrexpo's pelletising costs in 2020 were approximately US$11 per tonne and therefore lower than both the pellet premium seen in 2020 in both the Atlantic and China spot markets *(please see the Market Review section on pages 7 to 8 for more details).* However, should the pellet premium fall below the cost of pelletising material, the Group has the option to halt pelletising operations and produce concentrate instead for a period of time.

The Group also has a Business Improvement Programme aimed at increasing efficiencies and reducing costs by 1% to 2% per annum. Ferrexpo has established several sources of suppliers for key products as well as several supply routes to ensure cost effective supplies of all key consumables.

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

Responsibility
Ferrexpo Board of Directors and Chief Executive Officer

Risk appetite
Low

Link to strategy
1, 2, 3, 4 and 5

Change Increase

Risk mitigation
The Company aims to be proactive and transparent in its activities, to inform stakeholders of its carbon footprint and to provide details of the work carried out to reduce the Group's carbon footprint in the short-, medium- and long-term.

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

6. RISKS RELATED TO COVID-19

Risk overview

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

Risks posed to the Group as a result of COVID-19 can broadly be categorised into the effect of COVID-19 on the iron ore market, the Group's ability to produce and its impact on the health and wellbeing of its workforce. *Please see commentary in this section around the iron ore market (page 7 to 8) and the Group's operations (page 12 to 14) for additional information.* Examples of specific risks relating to the health and wellbeing of the Group's workforce include the health implications of individuals contracting the COVID-19 virus, and the subsequent risk on the business of their absence and potential onward transmission to others, the inability of the Group's workforce to attend their place of work and/or travel to Ferrexpo offices and the subsequent impact of this on the Group's ability to produce and distribute its pellets, and a heightened risk of a deterioration in existing business relationships as a result of contact with both customers and providers of finance being limited.

Responsibility

Ferrexpo Board of Directors and Chief Executive Officer

Risk appetite

Low

Link to strategy

1, 2, 3, 4 and 5

Change Increase

Risk mitigation

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

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

In relation to protecting its workforce and local communities, the Group has taken extensive measures throughout its business in 2020. Steps taken to protect the Group's workforce include remote working measures for those that who can conduct their activities remotely and measures at workplaces for those who are unable to work remotely, such as social distancing of operating teams, staggered shift patterns, the distribution of canteen food to places of work, the provision of sanitiser for handwashing and COVID-19 specific training and awareness initiatives. The Group also regularly tests its workforce and conducts contact tracing activities to limit the potential spread of the COVID-19 virus in Ferrexpo's places of work. *Further details of the efforts made to protect the Group's workforce are provided on page 6.* In addition, the Group has made extensive efforts to protect the local communities that surround the Group's operations in Ukraine, through a dedicated COVID-19 Response Fund, which has approved funding of US$2.5 million to be used in supporting local hospitals in acquiring medical equipment and supplies, in addition to a further US$1 million of available funding approved in early 2021. *Further details of Ferrexpo's efforts to support local communities during the global pandemic are provided on pages 21 to 22*.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement by the Directors under the UK Corporate Governance Code

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and have also chosen to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 (Reduced Disclosure Framework). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of their profit or loss for that period.

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

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

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

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

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

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

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

We confirm that to the best of our knowledge:

a) the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the subsidiary undertakings included in the consolidation taken as a whole
b) the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the subsidiary undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
c) the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

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

Lucio Genovese

Chair

Jim North

Acting Chief Executive Officer

16 March 2021

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

FERREXPO PLC ON THE PRELIMINARY ANNOUNCEMENT OF FERREXPO PLC

As the independent auditor of Ferrexpo plc we are required by UK Listing Rule LR 9.7A.1 (2) to agree to the publication of Ferrexpo plc's preliminary statement of annual results for the year ended 31 December 2020.

The preliminary statement of annual results for the year ended 31 December 2020 includes the 2020 full year results and the disclosures required by the Listing rules including:

– Financial Highlights and 2020 Financial Summary;

– Chair's Statement;

– Management commentary included in the CEO's Review, COVID-19, Market Review, Financial Review, Operations Review, HSEC's Chair Review, Responsible Business, and Principal Risks sections;

– Statement of Directors' Responsibilities;

– Consolidated Income Statement;

– Consolidated Statement of Comprehensive Income;

– Consolidated Statement of Financial Position;

– Consolidated Statement of Cash Flows;

– Consolidated Statement of Changes in Equity;

– Notes to the Consolidated Financial Statements; and

– Alternative Performance Measures.

The Directors of Ferrexpo plc are responsible for the preparation, presentation and publication of the preliminary statement of annual results in accordance with the UK Listing Rules.

We are responsible for agreeing to the publication of the preliminary statement of annual results, having regard to the Financial Reporting Council's Bulletin "The Auditor's Association with Preliminary Announcements made in accordance with the requirements of the UK Listing Rules".

Status of our audit of the financial statements

Our audit of the annual financial statements of Ferrexpo plc for the year ended 31 December 2020 is complete and we signed our auditor's report on 16 March 2021. Our auditor's report is not modified and contains no emphasis of matter paragraph.

Procedures performed to agree to the preliminary announcement of annual results

In order to agree to the publication of the preliminary announcement of annual results of Ferrexpo plc we carried out the following procedures:

– Confirmed that the preliminary statement includes the minimum information required by the Listing Rules.

– Checked that the figures in the preliminary statement have been accurately extracted from the audited financial statements.

– Checked the consistency of presentation of the financial information in the preliminary statement with the audited financial statements.

– Read management commentary, the financial information in the consolidated financial statements and notes thereof and considered if the management commentary is:

– Fair, balanced and understandable

– Materially consistent with the financial statements and with the contents of the annual report

– Consistent with the information and our knowledge obtained in the course of the audit of the financial statements of Ferrexpo Plc for the year ended 31 December 2020.

- Considered if for Alternative Performance Measures (APMs) and associated narrative:
- APMs are clearly defined and have been given meaningful labels
- The use and relevance of APMs is explained
- APMs have been reconciled to the most relevant figures in the financial statements
- Comparatives have been included
- Considering whether the financial information in the preliminary announcement is misstated, either because it is stated incorrectly or because it is presented in a misleading manner.

Rakesh Shaunak FCA

Senior Statutory Auditor

For and on behalf of MHA MacIntyre Hudson,

Statutory Auditor

London

16 March 2021

Consolidated Income Statement

US$000	Notes	**Year ended 31.12.20**	Year ended 31.12.19
Revenue	4	**1,700,321**	1,506,724
Operating expenses	3/5	**(1,018,109)**	(968,443)
Other operating income		**5,432**	5,614
Operating foreign exchange gains/(losses)	6	**61,023**	(46,752)
Operating profit		**748,667**	497,143
Share of profit from associates		**5,624**	4,114
Profit before tax and finance		**754,291**	501,257
Net finance expense	7	**(11,733)**	(23,191)
Non-operating foreign exchange gains/(losses)	6	**5,302**	(18,491)
Profit before tax		**747,860**	459,575
Income tax expense	8	**(112,568)**	(56,282)
Profit for the year		**635,292**	403,293
Profit attributable to:			
Equity shareholders of Ferrexpo plc		**635,292**	402,370
Non-controlling interests		**–**	923
Profit for the year		**635,292**	403,293
Earnings per share:			
Basic (US cents)	9	**108.1**	68.6
Diluted (US cents)	9	**107.9**	68.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US$000	Notes	**Year ended 31.12.20**	Year ended 31.12.19
Profit for the year		**635,292**	403,293
Items that may subsequently be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(317,674)**	266,197
Income tax effect	8	**16,278**	(20,487)
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		**(301,396)**	245,710
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement gains/(losses) on defined benefit pension liability		**(1,057)**	(6,932)
Net other comprehensive income/(loss) not being reclassified to profit or loss in subsequent periods		**(1,057)**	(6,932)
Other comprehensive (loss)/income for the year, net of tax		**(302,453)**	238,778
Total comprehensive income for the year, net of tax		**332,839**	642,071
Total comprehensive income attributable to:			
Equity shareholders of Ferrexpo plc		**332,822**	639,722
Non-controlling interests		**17**	2,349
		332,839	642,071

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$000	Notes	**As at 31.12.20**	As at 31.12.19
Assets			
Property, plant and equipment		**1,004,385**	1,044,426
Right-of-use assets		**8,313**	10,976
Goodwill and other intangible assets		**40,734**	47,552
Investments in associates		**5,873**	8,064
Inventories	10	**213,685**	255,026
Other non-current assets		**25,480**	24,093
Deferred tax assets	8	**30,574**	38,608
Total non-current assets		**1,329,044**	1,428,745
Inventories	10	**144,605**	199,714
Trade and other receivables		**152,750**	99,864
Prepayments and other current assets		**25,884**	42,653
Income taxes recoverable and prepaid	8	**1,351**	184
Other taxes recoverable and prepaid		**31,323**	37,377
Cash and cash equivalents	11	**270,006**	131,020
Total current assets		**625,919**	510,812
Total assets		**1,954,963**	1,939,557
Equity and liabilities			
Issued capital		**121,628**	121,628
Share premium		**185,112**	185,112
Other reserves		**(2,065,896)**	(1,764,774)
Retained earnings		**3,250,534**	2,810,588
Equity attributable to equity shareholders of Ferrexpo plc		**1,491,378**	1,352,554
Non-controlling interests		**95**	78
Total equity		**1,491,473**	1,352,632
Interest-bearing loans and borrowings	3/12	**132,129**	274,011
Defined benefit pension liability		**32,475**	33,628
Provision for site restoration		**2,846**	3,016
Deferred tax liabilities	8	**101**	140
Total non-current liabilities		**167,551**	310,795
Interest-bearing loans and borrowings	3/12	**134,349**	138,367
Trade and other payables		**43,749**	65,627
Accrued and contract liabilities		**45,542**	39,257
Income taxes payable	8	**58,483**	21,248
Other taxes payable		**13,816**	11,631
Total current liabilities		**295,939**	276,130
Total liabilities		**463,490**	586,925
Total equity and liabilities		**1,954,963**	1,939,557

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

Lucio Genovese	**Jim North**
Chairman	***Acting Chief Executive Officer***

CONSOLIDATED STATEMENT OF CASH FLOWS

US$000	Notes	**Year ended 31.12.20**	Year ended 31.12.19
Profit before tax		**747,860**	459,575
Adjustments for:			
Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets		**102,475**	82,130
Finance expense	7	**9,113**	21,267
Finance income	7	**(553)**	(1,436)
Losses on disposal of property, plant and equipment		**1,303**	417
Cash elements included in losses on disposal of property, plant and equipment		**(310)**	(153)
Write-offs	5	**192**	1,241
Share of profit from associates		**(5,624)**	(4,114)
Movement in allowance for doubtful receivables		**724**	736
Movement in site restoration provision		**18**	437
Employee benefits		**4,779**	3,534
Share-based payments		**291**	1,022
Operating foreign exchange (gains)/losses	6	**(61,023)**	46,752
Non-operating foreign exchange (gains)/losses	6	**(5,302)**	18,491
Other adjustments		**(2,236)**	(7,307)
Operating cash flow before working capital changes		**791,707**	622,592
Changes in working capital:			
Increase in trade and other receivables		**(49,538)**	(23,479)
Decrease/(increase) in inventories		**27,034**	(37,152)
(Decrease)/increase in trade and other payables (incl. accrued and contract liabilities)		**(4,798)**	19,590
Decrease in other taxes recoverable and payable (incl. VAT)		**3,214**	11,371
Cash generated from operating activities		**767,619**	592,922
Interest paid		**(21,439)**	(33,932)
Income tax paid	8	**(56,571)**	(83,730)
Post-employment benefits paid		**(2,391)**	(1,884)
Net cash flows from operating activities		**687,218**	473,376
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(205,779)**	(247,478)
Proceeds from disposal of property, plant and equipment and intangible assets		**836**	1,165
Interest received		**442**	1,344
Dividends from associates		**4,027**	3,519
Advance payment for investment in joint venture		**(5,000)**	–
Net cash flows used in investing activities		**(205,474)**	(241,450)
Cash flows from financing activities			
Proceeds from borrowings and finance	12	**–**	225,000
Repayment of borrowings and finance	12	**(144,904)**	(223,774)
Principal elements of lease payments	12	**(3,082)**	(5,118)
Arrangement fees paid		**–**	(131)
Dividends paid to equity shareholders of Ferrexpo plc	9	**(195,446)**	(154,922)
Acquisition of non-controlling interests		**–**	(2,189)
Net cash flows used in financing activities		**(343,432)**	(161,134)
Net increase in cash and cash equivalents		**138,312**	70,792
Cash and cash equivalents at the beginning of the year		**131,020**	62,996
Currency translation differences		**674**	(2,768)
Cash and cash equivalents at the end of the year	11	**270,006**	131,020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity shareholders of Ferrexpo plc					
US$000	**Issued capital**	**Share premium**	**Other reserves**	**Retained earnings**	**Total capital and reserves**	**Non-controlling interests**	**Total Equity**
At 1 January 2019	121,628	185,112	(2,010,080)	2,568,187	864,847	2,050	866,897
Profit for the year	–	–	–	402,370	402,370	923	403,293
Other comprehensive income/(loss)	–	–	244,284	(6,932)	237,352	1,426	238,778
Total comprehensive income for the year	–	–	244,284	395,438	639,722	2,349	642,071
Share-based payments	–	–	1,022	–	1,022	–	1,022
Equity dividends to shareholders of Ferrexpo plc	–	–	–	(155,087)	(155,087)	–	(155,087)
Effect from increase of shareholding in subsidiary	–	–	–	2,050	2,050	(4,321)	(2,271)
At 31 December 2019	**121,628**	**185,112**	**(1,764,774)**	**2,810,588**	**1,352,554**	**78**	**1,352,632**
Profit for the year	**–**	**–**	**–**	**635,292**	**635,292**	**–**	**635,292**
Other comprehensive (loss)/income	**–**	**–**	**(301,413)**	**(1,057)**	**(302,470)**	**17**	**(302,453)**
Total comprehensive (loss)/income for the year	**–**	**–**	**(301,413)**	**634,235**	**332,822**	**17**	**332,839**
Share-based payments	**–**	**–**	**291**	**–**	**291**	**–**	**291**
Equity dividends to shareholders of Ferrexpo plc	**–**	**–**	**–**	**(194,289)**	**(194,289)**	**–**	**(194,289)**
At 31 December 2020	**121,628**	**185,112**	**(2,065,896)**	**3,250,534**	**1,491,378**	**95**	**1,491,473**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Corporate information

The financial information set out in this statement does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. This set of financial results was approved by the Board on 16 March 2021. The financial information for the years ended 31 December 2020 and 31 December 2019 has been extracted from the statutory accounts for each year.

The auditors' report on the 2020 statutory accounts was (i) unqualified, (ii) did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying its reports and (iii) did not contain statements under section S498(2) or S498(3) of the Companies Act 2006. The audited statutory accounts for the year ended 31 December 2019 have been delivered to the Registrar of Companies.

Ferrexpo plc will publish on or around 16 April 2021 its Annual Report and Accounts for the year ended 31 December 2020 on its corporate website www.ferrexpo.com. The audited statutory accounts for the year ended 31 December 2020 will be delivered to the Registrar of Companies following the Company's annual meeting convened for Thursday, 27 May 2021.

Organisation and structure

Ferrexpo plc (the "Company") is incorporated and registered in England, which is considered to be the country of domicile, with its registered office at 55 St James's Street, London SW1A 1LA, UK. The Company is listed on the London Stock Exchange and is a member of the FTSE 250 Index. Ferrexpo plc and its subsidiaries (the "Group") operate two mines and a processing plant near Kremenchug in Ukraine, have an interest in a port in Odessa and sales and marketing activities around the world including offices in Switzerland, Dubai, Japan, China, Singapore and Ukraine. The Group also owns logistics assets in Austria, which operate a fleet of vessels operating on the Rhine and Danube waterways and an ocean-going vessel, which provides top-off services. The Group's operations are vertically integrated from iron ore mining through to iron ore concentrate and pellet production and subsequent logistics. The Group's mineral properties lie within the Kremenchug Magnetic Anomaly and are currently being extracted at the Gorishne-Plavninske-Lavrykivske ("GPL") and Yerystivske deposits.

The majority shareholder of the Group is Fevamotinico S.a.r.l. ("Fevamotinico"), a company incorporated in Luxembourg. Fevamotinico is ultimately wholly owned by The Minco Trust, of which Kostyantin Zhevago, the Group's previous Chief Executive Officer, and two other members of his family are the beneficiaries. At the time this report was published, Fevamotinico held 50.3% (2019: 50.3%) of Ferrexpo plc's issued share capital.

Note 2: Basis of preparation

Whilst the preliminary announcement has been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee ("IFRIC") interpretations as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and with those parts of the Companies Act 2006, as applicable to companies reporting under international accounting standards, this announcement does not itself contain sufficient information to comply with IFRS. The Board approved the full financial statements that comply with IFRS on 16 March 2021. The financial statements have been prepared under the historical cost convention as modified by the recording of pension assets and liabilities and the revaluation of certain financial instruments.

The Group's principal risks likely to affect its future development, performance and position are set out on pages 24 to 35. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 9 to 12.

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. The update on the Group's principal risks including COVID-19 related considerations is disclosed on pages 24 to 35.

Changes in accounting policies

The accounting policies and methods of computation adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019 except for the adoption of new standards, interpretations and amendments to IFRSs effective as of 1 January 2020.

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

– Amendments to *References to the Conceptual Framework in IFRS standards* introduce a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability and clarifications in areas such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

– Amendments to IAS 1 and IAS 8: Definition of material introduce a revised definition of material information. In the new definition, reference is made to the concepts of obscured information and reasonable expectation that the information is going to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

New standards, interpretations and amendments not yet adopted

The Group has elected not to adopt early any revised and amended standards or interpretations that are not yet mandatory in the EU. The standards and interpretations below could have an impact on the consolidated financial statements of the Group.

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

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

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2* were issued in August 2020 and are effective for the financial year beginning on 1 January 2021. The changes relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and corresponding disclosure requirements. Modifications of financial assets and financial liabilities required as a direct consequence of the Interbank offered rates ("IBOR") reform and made on an economically equivalent basis are accounted for by updating the effective interest rate and a similar practical expedient is proposed for lessee accounting applying IFRS 16. All other modifications are accounted for using the current IFRS requirements. Additional disclosure requirements are introduced in order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. The Group does not expect a material impact on its consolidated financial statements from these amendments.

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

Use of critical estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make estimates and judgements that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and judgements are based on information available as at the date of authorising the consolidated financial statements for issue. Actual results could therefore differ from those estimates and judgements. The Group identified a number of areas involving the use of critical estimates and judgements made by management in preparing the consolidated financial statements and supporting information is embedded within the following disclosure notes:

Critical estimates

– Note 10 Inventories – lean and weathered ore

Critical judgements

– Note 8 Taxation – tax legislation
– Note 13 Commitments, contingencies and legal dispute – loan relationship between related parties of the Group

Note 3: Segment information

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

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

Underlying EBITDA and gross profit

The Group presents the underlying EBITDA as it is a useful measure for evaluating its ability to generate cash and its operating performance. The Group's full definition of underlying EBITDA is disclosed in the Alternative performance measures section on page 63.

US$000	Notes	**Year ended 31.12.20**	Year ended 31.12.19
Profit before tax and finance		**754,291**	501,257
(Gains)/Losses on disposal of property, plant and equipment		**1,303**	417
Share-based payments		**291**	1,022
Write-offs	5	**192**	1,241
Depreciation and amortisation		**102,475**	82,130
Underlying EBITDA		**858,552**	586,067

US$000	Notes	**Year ended 31.12.20**	Year ended 31.12.19
Revenue	4	**1,700,321**	1,506,724
Cost of sales	5	**(608,641)**	(581,743)
Gross profit		**1,091,680**	924,981

Net cash/(debt)

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

US$000	Notes	**As at 31.12.20**	As at 31.12.19
Cash and cash equivalents	11	**270,006**	131,020
Interest-bearing loans and borrowings – current	12	**(134,349)**	(138,367)
Interest-bearing loans and borrowings – non-current	12	**(132,129)**	(274,011)
Net cash/(debt)		**3,528**	(281,358)

The Group made debt repayments net of proceeds of US$148,328 thousand during the year ended 31 December 2020 (2019: US$4,374 thousand). Net cash/(debt) is an Alternative Performance Measure ("APM"). Further information on the APMs used by the Group, including the definitions, is provided on pages 63 to 65.

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 4 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 4: Revenue

Revenue for the year ended 31 December 2020 consisted of the following:

US$000	**Year ended 31.12.20**	Year ended 31.12.19
Revenue from sales of iron ore pellets and concentrate	**1,523,772**	1,352,953
Freight revenue related to sales of iron ore pellets and concentrate	**125,254**	94,617
Total revenue from sales of iron ore pellets and concentrate	**1,649,026**	1,447,570
Revenue from logistics and bunker business	**46,002**	54,168
Revenue from other sales and services provided	**5,293**	4,986
Total revenue	**1,700,321**	1,506,724

Revenue for the year ended 31 December 2020 includes the effect from the derecognition of contract liabilities of US$8,572 thousand (2019: US$4,637 thousand) deferred as revenue in the comparative year ended 31 December 2019. As at 31 December 2020, freight-related revenue in the amount of US$8,487 thousand was deferred in relation to the performance obligations not fulfilled and included in the balance of the contract liabilities.

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

US$000	**Year ended 31.12.20**	Year ended 31.12.19
Central Europe	**356,461**	529,159
Austria	***280,903***	*331,964*
Others	***75,558***	*197,195*
Western Europe	**145,311**	183,560
Germany	***145,311***	*168,875*
Others	**–**	*14,685*
North East Asia	**78,786**	250,721
Japan	***78,786***	*161,186*
Others	**–**	*89,535*
China & South East Asia	**951,718**	412,613
China	***908,949***	*347,892*
Others	***42,769***	*64,721*
Turkey, Middle East & India	**82,514**	62,717
Turkey	***82,514***	*62,717*
North America	**34,236**	–
United States	***34,236***	–
Other	**–**	8,800
Total exports	**1,649,026**	1,447,570

The Group markets its products across various regions. The disclosure of the segmentation reflects how the Group makes its business decisions and monitors its sales.

During the year ended 31 December 2020, sales made to three customers accounted for 41% of the revenues from export sales of ore pellets and concentrate (2019: 40%).

Sales to one customer that individually represented 10% or more of total sales in either the current or prior year amounted to US$316,720 thousand (2019: US$331,964 thousand).

Note 5: Operating expenses

Operating expenses for the year ended 31 December 2020 consisted of the following:

US$000	**Year ended 31.12.20**	Year ended 31.12.19
Cost of sales	**608,641**	581,743
Selling and distribution expenses	**309,276**	294,336
General and administrative expenses	**61,788**	66,036
Other operating expenses	**38,404**	26,328
Total operating expenses	**1,018,109**	968,443

Operating expenses include:

US$000	**Year ended 31.12.20**	Year ended 31.12.19
Inventories recognised as an expense upon sale of goods	**582,796**	551,141
Employee costs (excl. logistics and bunker business)	**106,782**	101,770
Inventory movements	**41,471**	(2,673)
Depreciation of property, plant and equipment and right-of-use assets	**101,278**	81,240
Amortisation of intangible assets	**1,197**	890
Royalties and levies	**34,596**	30,506
Costs of logistics and bunker business	**39,993**	49,587
Audit and non-audit services	**1,719**	3,229
Community support donations	**5,800**	5,893
Write-offs	**192**	1,241
Losses on disposal of property, plant and equipment	**1,303**	417

Write-offs for the year ended 31 December 2020 primarily consisted of obsolete inventories and property, plant and equipment as outlined below:

US$000	**As at 31.12.20**	As at 31.12.19
Write-off/(write-back) of inventories	**466**	(103)
(Write-back)/write-off of property, plant and equipment	**(288)**	1,271
Write-off of receivables and prepayments	**14**	73
Total write-offs	**192**	1,241

Auditor remuneration

US$000	**Year ended 31.12.20**	Year ended 31.12.19
Audit services		
Ferrexpo plc Annual Report	**1,356**	1,178
Additional fees charged by the previous auditor for the audit of the 2018 Ferrexpo plc Annual Report	**–**	1,834
Subsidiary entities	**213**	217
Total audit services	**1,569**	3,229
Audit-related assurance services	**150**	–
Total audit and audit-related assurance services	**1,719**	3,229
Total auditor remuneration	**1,719**	3,229

Auditor remuneration paid is in respect of the audit of the financial statements of the Group and its subsidiary companies and for the provision of other services not in connection with the audit.

Audit services for the comparative year ended 31 December 2019 include US$1,834 thousand relating to audit services provided by the previous audit firm of the Group for the year ended 31 December 2018.

Note 6: Foreign exchange gains and losses

Foreign exchange gains and losses for the year ended 31 December 2020 consisted of the following:

US$000	**Year ended 31.12.20**	Year ended 31.12.19
Operating foreign exchange gains/(losses)		
Revaluation of trade receivables	**61,948**	(47,229)
Revaluation of trade payables	**(538)**	523
Other	**(387)**	(46)
Total operating foreign exchange gains/(losses)	**61,023**	(46,752)
Non-operating foreign exchange gains/(losses)		
Revaluation of interest-bearing loans	**3,378**	(1,240)
Conversion of cash and cash equivalents	**2,506**	(4,255)
Other	**(582)**	(12,996)
Total non-operating foreign exchange gains/(losses)	**5,302**	(18,491)
Total foreign exchange gains/(losses)	**66,325**	(65,243)

The translation differences and foreign exchange gains and losses are predominantly dependent on the fluctuation of the exchange rate of the Ukrainian Hryvnia against the US Dollar. The table below shows the closing and average rates of the most relevant currencies of the Group compared to the US Dollar.

	Average exchange rates		Closing exchange rates	
Against US$	**As at 31.12.20**	As at 31.12.19	**Year ended 31.12.20**	Year ended 31.12.19
UAH	**26.958**	25.846	**28.275**	23.686
EUR	**0.877**	0.893	**0.815**	0.893

Exchange differences arising on translation of non-US Dollar functional currency operations (mainly in Ukrainian Hryvnia) are included in the translation reserve.

Note 7: Net finance expense

Finance expense and income for the year ended 31 December 2020 consisted of the following:

US$000	**Year ended 31.12.20**	Year ended 31.12.19
Finance expense		
Interest expense on loans and borrowings	**(22,381)**	(33,589)
Less capitalised borrowing costs	**14,871**	14,617
Interest on defined benefit plans	**(3,170)**	(2,730)
Bank charges	**(829)**	(710)
Interest expense on lease liabilities	**(443)**	(630)
Other finance costs	**(334)**	(1,585)
Total finance expense	**(12,286)**	(24,627)
Finance income		
Interest income	**497**	1,379
Other finance income	**56**	57
Total finance income	**553**	1,436
Net finance expense	**(11,733)**	(23,191)

Note 8: Taxation

Critical judgements

Tax legislation

The Group operates across a number of jurisdictions through its value chain and prices its sales between its subsidiaries using international benchmark prices for comparable products covering product quality and applicable freight costs. The Group judges these to be on terms which comply with applicable legislation in the jurisdictions the Group operates.

In August 2017, the State Fiscal Service of Ukraine ("SFS") commenced a tax audit for the period from 1 September 2013 to 31 December 2015 at the Group's major subsidiary in Ukraine with a focus on cross-border transactions in terms of its pellet sales to another subsidiary of the Group. Following the completion of this audit, the SFS issued its official tax audit report on 27 December 2018, claiming a tax adjustment totalling UAH448 million (US$15,845 thousand as at 31 December 2020) and issued the formal claim on 12 March 2019. The Group's subsidiary initiated legal proceedings and filed a claim to the first court instance in Poltava on 22 March 2019. The Poltava court of first court instance confirmed on 4 September 2019 the position of the Group's major subsidiary. The SFS filed its appeal in November 2019 and the Second Administrative Court of Appeal confirmed on 21 December 2019 the decision of the first court instance and supported the position of the Group's subsidiary in full. The SFS subsequently filed an application of cassation to the Supreme Court of Ukraine and, as of the date of approval of these consolidated financial statements, the date of the hearing is unknown.

On 18 February 2020, the State Tax Service of Ukraine ("STS"), formerly known as SFS, commenced two new tax audits for cross-border transactions between the Group's major subsidiary in Ukraine and two subsidiaries of the Group outside of Ukraine in relation to the sale of iron ore products during the financial years 2015 to 2017. The audits have been halted in March 2020 due to a COVID-19 related quarantine imposed in Ukraine and resumed on 10 February 2021 following a decision of the Cabinet of Ministers that tax audits in the country will resume again.

The Group considers that it has complied with applicable legislation for all cross-border transactions undertaken and continues to expect that it can successfully defend its methodology applied to determine the prices between its subsidiaries. Consequently, no provision has been recorded as at 31 December 2020, neither for the years subject to the aforementioned court proceedings nor for transactions and years subject to the newly commenced audits by the SFS in Ukraine. As of the approval of these consolidated financial statements, no claim has been made by the SFS in respect of the newly commenced audits.

As required by IFRIC 23 *Uncertainty over income tax treatments*, the Group reviewed and reassessed its exposure in respect of all uncertain tax positions, including the ongoing court proceedings and the newly commenced audits of cross-border transactions in Ukraine under the provisions of this interpretation. Considering the two favourable court decisions and third party advice obtained for the year-end 2020 and 2019, the management of the Group concluded that it is probable that the Supreme Court of Ukraine will also rule in favour of the Group's major subsidiary in Ukraine and that, if any new claims should be made by the SFS, the Group will continue to successfully defend its pricing methodology applied during these years. An unexpected outcome of the ongoing court proceeding would have an adverse impact on the Group's total income tax expense and effective tax rate in a future period.

Detached from the cases mentioned above, FPM received on 23 June 2020 a court ruling, which grants access to information and documents to the State Bureau of Investigators in Ukraine ("SBI") in relation to the sale of iron ore products to two subsidiaries of the Group outside of Ukraine during the years 2013 to 2019. The court ruling relates to pre-trial investigations carried out by SBI in relation to potential tax evasion by the Group in Ukraine. At the time of the approval of these consolidated financial statements, there is very little information provided in the court ruling in respect to the alleged offences. There is no quantified claim made by the SBI and the ruling is primarily seeking for disclosure of information in order to allow SBI to determine whether there have potentially been any offences. The Ukrainian subsidiaries cooperated with the SBI and provided the requested information as per the court ruling in order to support these pre-trial investigations. As of the date of approval of these consolidated financial statements, there were neither any actions nor any new requests received from SBI.

The Ukrainian legislation and regulations on taxation continued to evolve over the last couple of years, which are however not always clearly written and are therefore subject to varying interpretations and inconsistent enforcement by local, regional and national tax authorities. As a result, instances of inconsistent interpretations and enforcements to resolve the same or similar cases are not unusual. See also the Principal Risks section on pages 25 and 26 for further information on the Ukraine country risk.

Except for the matters in Ukraine mentioned above, the Group is not aware of any significant challenges by local tax authorities in any jurisdictions the Group operates. However, the application of international and local tax legislation and regulations can be complex and requires judgement to assess possible associated risks, particularly in relation to the Group's cross-border operations and transactions.

The income tax expense for the year ended 31 December 2020 consisted of the following:

US$000	**Year ended 31.12.20**	Year ended 31.12.19
Current income tax		
Current income tax charge	**111,160**	52,106
Amounts related to previous years	**(1,203)**	10,297
Total current income tax	**109,957**	62,403
Deferred income tax		
Origination and reversal of temporary differences	**2,611**	(6,121)
Total deferred income tax	**2,611**	(6,121)
Total income tax expense	**112,568**	56,282

Tax effects on items recognised in other comprehensive income consisted of the following for the year ended 31 December 2020:

US$000	**Year ended 31.12.20**	Year ended 31.12.19
Tax effect of exchange differences arising on translating foreign operations	**(16,278)**	20,487
Total income tax effects recognised in other comprehensive (loss)/income	**(16,278)**	20,487

The weighted average statutory corporate income tax rate is calculated as the average of the statutory tax rates applicable in the countries in which the Group operates, weighted by the profits and losses before tax of the subsidiaries in the respective countries, as included in the consolidated financial information. The weighted average statutory corporate income tax rate was 15.1% for the financial year 2020 (2019: 11.3%). A reconciliation between the income tax charged in the accompanying financial information and income before taxes multiplied by the weighted average statutory tax rate for the year ended 31 December 2020 is as follows:

US$000	**Year ended 31.12.20**	Year ended 31.12.19
Profit before tax	**747,860**	459,575
Notional tax charge computed at the weighted average statutory tax rate of 15.1% (2019: 11.3%)	**112,583**	52,072
Derecognition/(recognition) of deferred tax assets[1]	**2,139**	(10,433)
Credit for Ukrainian fuel excise tax against income tax[2]	**(1,106)**	(3,686)
Expenses not deductible for local tax purposes[3]	**1,046**	2,539
Income exempted for local tax purposes[4]	**(1,807)**	(25)
Reassessment of prior year temporary differences[5]	**–**	4,911
Effect from non-recognition of deferred taxes on current year losses[6]	**1,345**	–
Effect of different tax rates on local profit streams[7]	**779**	646
Prior year adjustments to current tax[8]	**(1,203)**	10,297
Effect from share of profit from associates[9]	**(997)**	(783)
Other (including translation differences)	**(212)**	744
Total income tax expense	**112,568**	56,282

1 The derecognition in 2020 is related to deferred tax assets recognised in 2019 in light of the change of the tax law in Switzerland. The deferred tax assets recognised were in connection with available transitional measures for companies losing the special tax status available under the old tax law. The derecognition is due to the fact that the taxable profits of the Swiss subsidiaries were lower than forecasted. Whilst the recognition is considered of a non-recurring nature, the derecognition might recur again depending on the taxable profits of the Swiss subsidiaries in the future.

2 Effective 1 January 2018, a temporary provision in the Ukrainian tax code allows a reduction in income tax payable for the amount of excise tax included in prices of fuel used for mining equipment. This provision still applied for both financial years and is considered to be of a recurring nature.

3 Effect predominantly relates to expenses not deductible in Ukraine and the United Kingdom, which is expected to be recurring to a certain extent as a portion of operating expenses is historically not deductible for tax purposes according to the enacted local tax legislation.

4 Effect in 2020 largely relates to interest income that does not incur any additional local tax in the United Kingdom due to withholding tax paid on this interest in Ukraine. This effect is considered to be of a recurring nature.

5 Effective 1 January 2019, the relevant accounting framework for tax purposes changed from local GAAP to IFRSs resulting in a reduction of temporary differences as of 31 December 2018 being of a non-recurring nature.

6 Effect relates mainly to a subsidiary in Ukraine not becoming operative yet. Due to the uncertainty in respect of the timing of the subsidiary becoming profitable for local tax purposes, no deferred tax asset has been recognised. This effect is considered to be of a recurring nature until this subsidiary becomes operative and profitable.

7 Effect in 2020 and 2019 related to different tax rates applying to different income streams in Swiss subsidiaries as a result of their specific tax status. The effect is of a recurring nature.

8 Effect in 2020 related to final tax assessments received in Switzerland. Effect in 2019 related to a retrospective tax adjustment made for the financial year 2018 in respect of prices charged by the Ukrainian subsidiaries to the Group's sales companies in Switzerland and the United Arab Emirates and an allowance recognised on the reduction of the income tax payable for the amount of excise tax in 2018. These effects are considered to be of a non-recurring nature.

9 Share of profit from associates is recognised net of taxes of the associates. This effect is of a recurring nature.

The Group operates across a number of jurisdictions and its effective tax rate is subject to various factors outside of the Group's control. This includes the volatility in the global iron ore pellet market and foreign exchange rate movements, primarily between the Ukrainian Hryvnia and the US Dollar. The effective tax rate of the financial year 2020 was 15.1% (2019: 12.2%) and was driven by higher taxable profits of the Group's subsidiaries in Ukraine as a result of strong prices for iron ore pellets on the global market and the depreciation of the Ukrainian Hryvnia. The depreciation against the US Dollar during the financial year 2020 positively impacted the profitability of the Group's local subsidiaries, whereas the Ukrainian Hryvnia appreciated during the financial year 2019 with the opposite effect.

The Group expects that its future effective tax rate will be in a range of 11.0% to 16.0% depending on the aforementioned factors. As mentioned under critical judgements on page 50, the Group is involved in ongoing court proceedings in respect of its cross-border transactions and an unexpected adverse outcome would have an adverse impact on the Group's total income tax expense and its effective tax rate in the future. The Group's future effective tax rate could also be impacted by successful challenges to the Group's cross-border operations and transactions by key jurisdictions because of legislative changes or different interpretations of the legislation and by changes in the statutory tax rates in any of these jurisdictions. See also the Principal Risks section on pages 25 and 26 for further information on the Ukraine country risk.

The net balance of income tax payable changed as follows during the financial year 2020:

US$000	**Year ended 31.12.20**	Year ended 31.12.19
Opening balance	**(21,064)**	(20,510)
Charge in the consolidated income statement	**(109,957)**	(62,403)
Booked through other comprehensive (loss)/income	**16,278**	(20,487)
Tax paid	**56,571**	83,730
Translation differences	**1,040**	(1,394)
Closing balance	**(57,132)**	(21,064)

The net income tax payable as at 31 December 2020 consisted of the following:

US$000	**As at 31.12.20**	As at 31.12.19
Income tax receivable balance	**1,351**	184
Income tax payable balance	**(58,483)**	(21,248)
Net income tax payable	**(57,132)**	(21,064)

Temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and the recognition of available tax loss carry forwards result in the following deferred income tax assets and liabilities at 31 December 2020:

US$000	**As at 31.12.20**	As at 31.12.19
Deferred tax assets	**30,574**	38,608
Deferred tax liabilities	**(101)**	(140)
Net deferred tax assets	**30,473**	38,468

The movement in the deferred income tax balance is as follows:

US$000	**Year ended 31.12.20**	Year ended 31.12.19
Opening balance	**38,468**	27,594
Charge in consolidated income statement	**(2,611)**	6,121
Translation differences	**(5,384)**	4,753
Closing balance	**30,473**	38,468

As at 31 December 2020, the Group had available tax loss carry forwards in the amount of US$116,076 thousand (2019: US$112,889 thousand) for which no deferred tax assets were recognised. US$82,100 thousand (2019: US$76,411 thousand) are related to losses incurred in Ukraine and Austria and those losses do not expire. The remaining balance totalling US$33,913 thousand (2019: US$36,478 thousand) relates to losses incurred in Hungary, of which US$22,407 thousand (2019: US$23,627 thousand) expire after more than eight years.

No deferred tax liabilities have been recognised on temporary differences in the amount of US$1,001,311 thousand (2019: US$715,834 thousand) arising from undistributed profits from subsidiaries as no distributions are planned. Other temporary differences of US$5,489 thousand have not been recognised as of 31 December 2020 (2019: US$660 thousand), of which the vast majority relates to temporary differences on property, plant and equipment in Ukraine.

Note 9: Earnings per share and dividends paid and proposed

Distributable reserves

Ferrexpo plc (the “Company”) is the Group’s holding company, with no direct operating business, so its ability to make distributions to its shareholders is dependent on its ability to access profits held in the subsidiaries. The Group’s consolidated retained earnings shown in the consolidated statement of changes in equity do not reflect the profits available for distribution in the Group as of 31 December 2020.

	Year ended 31.12.20	Year ended 31.12.19
Earnings for the year attributable to equity shareholders – per share in US cents		
Basic	**108.1**	68.6
Diluted	**107.9**	68.4
Profit for the year attributable to equity shareholders – US$000		
Basic and diluted earnings	**635,292**	402,370
Weighted average number of shares – thousands		
Basic number of Ordinary Shares outstanding	**587,496**	586,715
Effect of dilutive potential Ordinary Shares	**1,510**	1,568
Diluted number of Ordinary Shares outstanding	**589,006**	588,283

Dividends proposed and paid

Prior to the dividend proposed below and taking into account relevant thin capitalisation rules and dividend-related covenants for the Group’s major bank debt facility, the total available distributable reserves of Ferrexpo plc is US$317,646 thousand as of 31 December 2020 (2019: US$201,647 thousand).

US$000	**Year ended 31.12.20**
Dividends proposed	
Special interim dividend for 2020: 39.6 US cents per Ordinary Share	**232,729**
Special interim dividend for 2020: 13.2 US cents per Ordinary Share	**77,576**
Total dividends proposed	**310,315**

The special interim dividend for 2020 was declared on 5 January 2021 and paid on 28 January 2021.

US$000	**Year ended 31.12.20**
Dividends paid during the year	
Special interim dividend for 2020: 6.6 US cents per Ordinary Share	**39,004**
Interim dividend for 2020: 6.6 US cents per Ordinary Share	**38,796**
Interim dividend for 2020: 6.6 US cents per Ordinary Share	**39,177**
Final dividend for 2019: 3.3 US cents per Ordinary Share	**20,050**
Special final dividend for 2019: 3.3 US cents per Ordinary Share	**19,458**
Special interim dividend for 2019: 6.6 US cents per Ordinary Share	**38,961**
Total dividends paid during the year	**195,446**

Although accounts are published in US Dollars and dividends are declared in US Dollars, the shares are denominated in UK Pounds Sterling and dividends are therefore paid in UK Pounds Sterling.

US$000	Year ended 31.12.19
Dividends proposed	
Special interim dividend for 2019: 6.6 US cents per Ordinary Share	38,736
Total dividends proposed	38,736

US$000	Year ended 31.12.19
Dividends paid during the year	
Interim dividend for 2019: 6.6 US cents per Ordinary Share	38,621
Final dividend for 2018: 6.6 US cents per Ordinary Share	38,621
Special final dividend for 2018: 6.6 US cents per Ordinary Share	38,847
Special interim dividend for 2018: 6.6 US cents per Ordinary Share	38,833
Total dividends paid during the year	154,922

Note 10: Inventories

Critical estimates

Lean and weathered ore

Iron ore of various grades is being extracted at the Group’s two operating mines GPL and Yerystivske. In order to maximise the operational efficiency and output of the processing facility at FPM, management determines the optimal mix and grade of ore to be delivered to the processing facility from each mine under consideration of the market environment for iron ore pellets. As a result, ore of a lower iron content was stockpiled due to limited processing capacities during the last financial years.

The processing of the stockpiled ore was in the past dependent on the availability of additional processing capabilities. It was the Group’s intention to ramp up the processing of the stockpiled ore during the financial year 2021. Whilst the additional processing capacities are fully operational and some volumes of the stockpiled ore have been already processed in the second half of the financial year 2020, it was decided to postpone the processing of the lean ore for another year in order to maximise the financial benefits in the current high price environment for iron ore pellets. As a consequence, the entire balance of the stockpiled ore is classified as non-current whereas at the end of the comparative year a portion of the balance has been reclassified to current.

As at 31 December 2020, the stockpiled ore valued at cost totalled US$213,685 thousand (2019: US$257,252 thousand). The decrease compared to the comparative year is predominantly related to the devaluation of the Ukrainian Hryvnia reducing the carrying value as at 31 December 2020. Critical estimates in determining the net realisable value of lean and weathered ore include: i) utilisation of the ore over the expected period from 2022 to 2034, representing an average of 10% of total available processing capacity, and using an asset-specific WACC based pre-tax discount rate of 12.6%; and ii) forecasted long-term iron ore prices of US$98.4 per tonne of 65% Fe fines CFR North China.

The net realisable value of lean and weathered ore is most sensitive to changes in long-term iron ore prices and delays in the commencement of utilising the ore in the production process. Two separate stress tests assuming a further one-year delay and a US$5 per tonne lower forecast long-term iron ore price would result in a reduction in the net realisable value of US$35,300 thousand and US$37,900 thousand, respectively.

At 31 December 2020, inventories comprised:

US$000	**As at 31.12.20**	As at 31.12.19
Lean and weathered ore	**–**	2,226
Raw materials and consumables	**38,286**	43,008
Spare parts	**76,565**	81,782
Finished ore pellets	**17,699**	59,010
Work in progress	**9,679**	11,393
Other	**2,376**	2,295
Total inventories – current	**144,605**	199,714
Lean and weathered ore	**213,685**	255,026
Total inventories – non-current	**213,685**	255,026
Total inventories	**358,290**	454,740

Inventories classified as non-current comprise lean and weathered ore that are, based on the Group's current processing plans, not planned to be processed within the next year. It is the Group's intention to process this ore at a later point of time and it is expected that it will take more than one year to process this stockpile, depending on the Group's future mining activities, processing capabilities and anticipated market conditions.

Note 11: Cash and cash equivalents

As at 31 December 2020, cash and cash equivalents comprised:

US$000	**As at 31.12.20**	As at 31.12.19
Cash at bank and on hand	**270,006**	131,020
Total cash and cash equivalents	**270,006**	131,020

The Group made debt repayments net of proceeds of US$148,328 thousand during the year ended 31 December 2020 (2019: US$4,374 thousand) affecting the balance of cash and cash equivalents. Further information on the Group's gross debt is provided in Note 12 Interest-bearing loans and borrowings.

The balance of cash and cash equivalents held in Ukraine amounts to US$33,058 thousand as at 31 December 2020 (2019: US$28,351 thousand).

Note 13 Commitments, contingencies and legal disputes provides details on the Group's balance of restricted cash and deposits, which has been fully provided for during the financial years 2015 and 2016 as not available to the Group.

Note 12: Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's major finance facilities.

US$000	**As at 31.12.20**	As at 31.12.19
Current		
Syndicated bank loans – secured	**128,333**	133,333
Other bank loans – unsecured	**764**	1,494
Lease liabilities	**5,252**	3,540
Total current interest-bearing loans and borrowings	**134,349**	138,367
Non-current		
Syndicated bank loans – secured	**128,333**	266,667
Other bank loans – unsecured	**–**	764
Lease liabilities	**3,796**	6,580
Total non-current interest-bearing loans and borrowings	**132,129**	274,011
Total interest-bearing loans and borrowings	**266,478**	412,378

The Group has a syndicated revolving pre-export finance facility, with an outstanding amount of US$256,666 thousand and US$10,000 thousand undrawn and available as at 31 December 2020. At the end of the comparative year ended 31 December 2019, the syndicated revolving pre-export finance facility was fully drawn, with outstanding amounts of US$400,000 thousand. The facility is amortised in 12 quarterly instalments, commencing on 7 February 2020 and with final repayment due on 6 November 2022.

The aforementioned bank debt facility was guaranteed and secured as follows:

– Ferrexpo AG and Ferrexpo Middle East FZE, which are also joint borrowers, assigned the rights to revenue from certain sales contracts;

– PJSC Ferrexpo Poltava Mining assigned all of its rights of certain export contracts for the sale of pellets to Ferrexpo AG and Ferrexpo Middle East FZE; and

– the Group pledged bank accounts of Ferrexpo AG and Ferrexpo Middle East FZE into which sales proceeds from certain assigned sales contracts are exclusively received.

As at 31 December 2020, the Group has uncommitted trade finance facilities in the amount of US$80,000 thousand (2019: US$40,000 thousand) in addition to the afore-mentioned syndicated revolving pre-export finance facility. No amounts were drawn under these facilities as at 31 December 2020 and 31 December 2019, respectively.

Trade finance facilities are secured against receivable balances related to these specific trades.

For the revolving syndicated pre-export finance facility, arrangement fees are presented in prepayments and current assets and other non-current assets based on the maturity of the underlying facility and are amortised on a straight-line basis over the term of the facility.

The table below shows the movements in the interest-bearing loans and borrowings:

US$000	**Year ended 31.12.20**	Year ended 31.12.19
Opening balance of interest-bearing loans and borrowings	**412,378**	401,858
Cash movements		
Repayments of Eurobond issued	**–**	(173,181)
Proceeds from syndicated bank loans – secured	**–**	225,000
Repayments of syndicated bank loans – secured	**(143,333)**	(20,000)
Repayments of other bank loans – secured	**–**	(9,560)
Repayments of other bank loans – unsecured	**(1,570)**	(1,717)
Principal and interest elements of lease payments	**(3,425)**	(5,600)
Change of trade finance facilities, net	**–**	(19,316)
Total cash movements	**(148,328)**	(4,374)
Non-cash movements		
Amortisation of prepaid arrangement fees	**39**	1,462
First-time adoption IFRS 16	**–**	7,701
Additions to lease liabilities	**2,589**	5,297
Others (incl. translation differences)	**(200)**	434
Total non-cash movements	**2,428**	14,894
Closing balance of interest-bearing loans and borrowings	**266,478**	412,378

Note 13: Commitments, contingencies and legal disputes

Commitments

Commitments as at 31 December 2020 consisted of the following:

US$000	**Year ended 31.12.20**	Year ended 31.12.19
Total commitments for the lease of mining land (out of the scope of IFRS 16)	**30,874**	29,910
Total future contingent rental payments (IFRS 16)	**16,217**	15,068
Total capital commitments on purchase of property, plant and equipment	**57,526**	116,509

Critical judgements

Loan relationship between related parties of the Group

As disclosed in Note 14 Related party disclosures, the Board, acting through the Committee of Independent Directors (the "CID"), has been conducting a review into its sponsorship arrangements with FC Vorskla. Following careful consideration of the information received from FC Vorskla, and the work of the CID's third party advisers, the CID has now concluded its enquiries. As detailed in the Group's 2020 half-year report, the CID has received written confirmations from FC Vorskla and Kostyantin Zhevago, who also controls FC Vorskla, confirming the use of the funds under a loan made by a FC Vorskla entity to Collaton Limited, a related party of the Group, in connection with the construction and renovation of certain FC Vorskla stadiums and training grounds in Ukraine. The CID had also been informed that it was intended that the loan would be fully repaid using the proceeds of a sale and leaseback of certain capital projects of FC Vorskla in Ukraine. The CID has since been informed that it is possible that the sale and leaseback may not occur in the near term, given the ongoing COVID-19 pandemic and general market conditions in Ukraine. Therefore, additional arrangements have now been put in place by Kostyantin Zhevago and his associated entities for the full repayment of the loan to FC Vorskla by 31 July 2022. In the event that any of the payments made by the Group to FC Vorskla or the loan provided by FC Vorskla to Collaton Limited were not fully used for the benefit of the football club, or there was any non-compliance with legal, regulatory or other requirements, liabilities (including fines and penalties) may accrue to the Group. At the current time, the existence, timing or quantum of potential future liabilities, if any, cannot be determined and measured reliably and, as a consequence, no associated liabilities have been recognised in relation to these matters in the consolidated statement of financial position as of 31 December 2020. See Note 14 Related party disclosures for further information.

Other contingencies

If any of the critical judgements outlined in Note 5 Operating expenses and/or Note 14 Related party disclosures in the Annual Report 2019 and/or the conclusions of the Independent Review Committee in terms of the Independent Review into the Group's relationship with Blooming Land and its sub-funds, a Charity, are incorrect, in whole or in part, including as a result of information not currently known to the Group, or new information becomes available, which enables the Group to form conclusions, which were not or could not be reached by the IRC, liabilities (including fines and penalties) may accrue to the Group. No new information has been received by the Group in 2020 and to the date of the approval of these consolidated financial statements. At the current time, the existence, timing and quantum of potential future liability, if any, including fines, penalties or damages, which could be material or other consequences arising from the Independent Review cannot be determined and measured reliably and, as a consequence, no associated liabilities have been recognised in relation to these matters in the consolidated statement of financial position as of 31 December 2020.

Legal

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

There is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not given, so that the Ukrainian legislation might be inconsistently applied to resolve the same or similar disputes. See also the Principal Risks section on pages 25 and 26 for further information on the Ukraine country risk.

Deposit Guarantee Fund and liquidator of Bank F&C

The Group's former transactional bank in Ukraine, Bank F&C ("BFC"), is still going through the liquidation process after having been declared insolvent by the National Bank of Ukraine and put under temporary administration on 18 September 2015. The Group, through its major subsidiaries in Ukraine, is engaged in various court proceedings with the aim to maximise its recovery in the liquidation process of BFC as disclosed below.

Following the commencement of the liquidation process of BFC and in accordance with the applicable local legislation, PJSC Ferrexpo Poltava Mining ("FPM"), LLC Ferrexpo Yeristovo Mining ("FYM") and LLC Ferrexpo Belanovo Mining ("FBM"), collectively referred to as "Ukrainian subsidiaries", submitted on 21 January 2016 their claims for cash and deposit balances held with BFC on the date of introduction of temporary administration totalling UAH4,262 million (US$150,736 thousand as of 31 December 2020).

On 22 April 2016, the liquidator of BFC issued certificates recognising UAH540 million (US$19,098 thousand as of 31 December 2020) of these claims and recognised these claims in the ninth rank. The aforementioned Ukrainian subsidiaries are still involved in legal proceedings in respect of the under-recognition of the claims amounting to UAH3,722 million (US$131,637 thousand as of 31 December 2020) and the ranking of the claims in the liquidation process.

The court proceedings commenced in October 2016 and, following various hearings during the financial year 2017, the relevant court instance dismissed in October 2017 FPM's claim in full. FPM filed an appeal in November 2017. In July 2018, the court ruled in favour of FPM and the counterparty subsequently filed its cassation appeal against this decision. On 11 December 2018, the Supreme Court of Ukraine upheld the cassation appeal and the case was directed for new consideration to the Northern Commercial Court of Appeal. On 19 June 2019, the Northern Commercial Court of Appeal satisfied the claim of FPM and the opposing party filed a cassation appeal. On 31 October 2019, the Supreme Court cancelled the decision of the Northern Commercial Court of Appeal and directed the case to this court instance for new consideration. The date of the hearing by the Northern Commercial Court of Appeal is scheduled for 22 April 2021.

FYM's claim on the same matter was dismissed by the Kyiv Commercial Court on 6 February 2019 and FYM filed its appeal against this decision on 28 February 2019. On 20 May 2019, the Northern Commercial Court of Appeal dismissed the appellate claim of FYM in full and FYM filed its cassation claim on 18 June 2019. On 20 August 2019, the Supreme Court upheld the appeal of FYM and directed the case to the court of first instance for new consideration. On 22 September 2020, the Kyiv Commercial Court satisfied the claim made by FYM in full. The counterparty filed its appeal on 9 November 2020 and the hearing by the Northern Commercial Court of Appeal on 16 February 2021 dismissed the claim of the opposing party and satisfied FYM's claim in full.

The outcomes of the aforementioned legal proceedings will not have an adverse impact on the Group's financial result in future periods as a full allowance was recorded for the claimed amounts during the financial year 2015.

In relation to the aforementioned insolvency of BFC, an investigating judge of the Pecherskyi District Court of Kyiv City granted in November 2019 an order to arrest (freeze) certain assets in connection with the investigation involving Kostyantin Zhevago and BFC (the "Order"). The assets subject to the Order include 50.3% of Ferrexpo AG's ("FAG") shareholding in FPM. FAG filed an appeal against the order and the Kyiv Court of Appeal satisfied on 2 June 2020 this appeal and cancelled the arrest of FAG's share in FPM.

On 17 June 2020, FPM received an official notification that an investigating judge of the Pecherskyi District Court of Kyiv City granted again an order to arrest 50.3% of FAG's shares in FPM and FAG filed on 22 June 2020 an appeal against this order. On 5 October 2020, the full text of the decision of the Kyiv Court of Appeal was announced, which dismissed FAG's appeal. On 10 November 2020, FAG filed a claim to the Pecherskyi District Court of Kyiv City to cancel this arrest and a hearing by the Pecherskyi District Court of Kyiv City took place on 24 November 2020. On 30 November 2020, the full text of the decision of the Pecherskyi District Court of Kyiv City was announced, stating that the court cancelled the arrest. The arrest order itself did not affect ownership of the shares in FPM, but did prohibit their transfer, and has had no impact on the operations of the Group.

Share dispute

On 23 November 2020, the Kyiv Commercial Court opened court proceedings in relation to an old shareholder litigation. In 2005, a former shareholder in FPM brought proceedings in the Ukrainian courts seeking to invalidate the share sale and purchase agreement pursuant to which a 40.19% stake in FPM was sold to nominee companies that were previously ultimately controlled by Kostyantin Zhevago, amongst other parties. After a long period of litigations, all old claims were fully dismissed in 2015. In January 2021, Ferrexpo AG (FAG) received a claim from a former shareholder in FPM to invalidate part of the share sale and purchase agreement concluded in 2002 related to the sale of 9.32% shareholding in FPM. Following the receipt of the claim FAG, as the parent company of FPM, filed on 27 January 2021 its statement of defence to the court in response to this claim.

In February 2021 after the first hearing of the Kyiv Commercial Court on this case, FAG became aware that three new claims have been filed by other three former shareholders in FPM. Taken together four claimants seek to invalidate the share sale and purchase agreement concluded in 2002 pursuant to which a 40.19% stake in FPM was sold similarly to the previous claims made back in 2005. FAG filed on 5 March 2021 its statements of defence to the court in response to these new claims. The next hearing of the Kyiv Commercial Court is scheduled for 25 March 2021.

Based on legal advice obtained and considering the dismissal of the claims made by a former shareholder in FPM back in 2015, it is management's view that FAG has compelling arguments to defend its position in the court.

Note 14: Related party disclosures

During the years presented, the Group entered into arm's length transactions with entities under the common control of Kostyantin Zhevago, a controlling shareholder of Ferrexpo plc, with associated companies and with other related parties. Management considers that the Group has appropriate procedures in place to identify, control, properly disclose and obtain independent confirmation, when relevant, for transactions with the related parties.

Entities under common control are those under the control of Kostyantin Zhevago. Associated companies refer to TIS Ruda LLC, in which the Group holds an interest of 49.9% (2019: 49.9%). This is the only associated company of the Group.

Related party transactions entered into by the Group during the years presented are summarised in the following tables:

Revenue, expenses, finance income and expense

	Year ended 31.12.20			Year ended 31.12.19		
US$000	**Entities under common control**	**Associated companies**	**Other related parties**	Entities under common control	Associated companies	Other related parties
Other sales [a]	**323**	**–**	**7**	833	–	14
Total related party transactions within revenue	**323**	**–**	**7**	833	–	14
Materials [b]	**6,299**	**–**	**–**	7,894	–	–
Spare parts and consumables [c]	**3,063**	**–**	**–**	4,537	–	–
Other expenses [d]	**524**	**–**	**–**	19	–	–
Total related party transactions within cost of sales	**9,886**	**–**	**–**	12,450	–	–
Selling and distribution expenses [e]	**4,552**	**19,073**	**–**	10,824	18,477	–
General and administration expenses [f]	**1,747**	**–**	**482**	1,650	–	393
Finance expense	**25**	**–**	**–**	19	–	–
Total related party transactions within expenses	**16,210**	**19,073**	**482**	24,943	18,477	393
Other income [g]	**21**	**–**	**–**	319	–	–
Total related party transactions	**16,554**	**19,073**	**489**	26,095	18,477	407

A description of the most material transactions, which are in aggregate over US$200 thousand in the current or comparative year is given below.

Entities under common control

The Group entered into various related party transactions with entities under common control. All transactions were carried out on an arm's length basis in the normal course of business.

a Sales of diesel to DVD Trans during the comparative year ended 31 December 2019 US$322 thousand. The company ceased to be a related party in September 2018; in accordance with the Listing Rules, all transactions with DVD Trans within one year from cessation were still considered as related party transactions and disclosed as such; and

a Sales of scrap metal to OJSC Uzhgorodsky Turbogas totalling US$157 thousand (2019: US$239 thousand).

b Purchases of compressed air, oxygen and scrap metal from Kislorod PCC for US$2,060 thousand (2019: US$3,645 thousand); and

b Purchases of cast iron balls from OJSC Uzhgorodsky Turbogas for US$4,191 thousand (2019: US$4,194 thousand).

c Purchases of spare parts from Holding company AvtoKraz, OJSC in the amount of US$446 thousand (2019: US$18 thousand);

c Purchases of spare parts from CJSC Kyiv Shipbuilding and Ship Repair Plant ("KSRSSZ") in the amount of US$656 thousand (2019: US$963 thousand);

c Purchases of spare parts from OJSC Uzhgorodsky Turbogas in the amount of US$675 thousand (2019: US$436 thousand);

c Purchases of spare parts from Valsa GTV of US$878 thousand (2019: US$1,165 thousand); and

c Purchases of spare parts from OJSC Berdichev Machine-Building Plant Progress of US$353 thousand (2019: US$1,931 thousand).

d Insurance premiums of US$524 thousand (2019: US$19 thousand) paid to ASK Omega for insurance cover in respect of mining equipment and machinery;

e Purchases of advertisement, marketing and general public relations services from FC Vorskla of US$4,552 thousand (2019: US$10,824 thousand). See page 61 in respect of a loan relationship between FC Vorskla and another related party.

f Insurance premiums of US$1,365 thousand (2019: US$1,156 thousand) paid to ASK Omega for workmen's insurance and other insurances; and

f Purchase of marketing services from TV & Radio Company of US$237 thousand (2019: US$296 thousand).

g Other income is related to payments of US$21 thousand received from ASK Omega in respect of claims made under insurance policies in place (2019: US$319 thousand).

Associated companies

The Group entered into related party transactions with its associated company, TIS Ruda LLC, which were carried out on an arm's length basis in the normal course of business for the members of the Group.

e Purchases of logistics services in the amount of US$19,073 thousand (2019: US$18,477 thousand) relating to port operations, including port charges, handling costs, agent commissions and storage costs.

Other related parties

The Group entered into various transactions with related parties other than those under the control of a controlling shareholder of Ferrexpo plc. All transactions were carried out on an arm's length basis in the normal course of business.

f Legal and administrative services in the amount of US$471 thousand (2019: US$362 thousand) provided by Kuoni Attorneys at Law Ltd., which is controlled by a former member of the Board of Directors of Ferrexpo plc who resigned in November 2016, but still acts as a member of the Board of Directors of one of the subsidiaries of the Group and also received Directors' fees of US$100 thousand (2019: US$100 thousand).

Purchases of property, plant and equipment

The table below details the transactions of a capital nature, which were undertaken between Group companies and entities under common control, associated companies and other related parties during the years presented.

	Year ended 31.12.20			Year ended 31.12.19		
US$000	**Entities under common control**	**Associated companies**	**Other related parties**	Entities under common control	Associated companies	Other related parties
Purchases in the ordinary course of business	**2,247**	**–**	**–**	8,935	–	–
Total purchases of property, plant and equipment	**2,247**	**–**	**–**	8,935	–	–

During the year ended 31 December 2020, the Group purchased major spare parts and equipment from OJSC Berdichev Machine-Building Plant Progress totalling US$1,719 thousand (2019: US$6,910 thousand) in respect of its regular sustaining capital expenditure programme and construction supervision services in respect of the construction of the concentrate stockyard. The Group also procured equipment from CJSC Kyiv Shipbuilding and Ship Repair Plant ("KSRSSZ") totalling US$510 thousand (2019: US$816 thousand) for several ongoing major projects, including the construction of the concentrate stockyard, the upgrade of beneficiation sections and the refurbishment of the pellet loading area.

During the comparative year ended 31 December 2019, the Group further procured services relating to the top soil removal and relocation of waste material and gravel in the amount of US$861 thousand from DVD Trans. The company ceased to be a related party in September 2018; in accordance with the Listing Rules, all transactions with DVD Trans within one year from the cessation were still considered as related party transactions and disclosed as such.

The FPM Charity Fund owns 75% of the Sport & Recreation Centre ("SRC") in Horishni Plavni and made contributions totalling US$115 thousand during the year ended 31 December 2020 (2019: US$129 thousand) for the construction and maintenance of the building, including costs related to electricity, gas and water consumption. The remaining stake of 25% is owned by JSC F&C Realty, which is under the control of Kostyantin Zhevago.

Balances with related parties

The outstanding balances, as a result of transactions with related parties, for the years presented are shown in the table below:

US$000	**As at 31.12.20** Entities under common control	**As at 31.12.20** Associated companies	**As at 31.12.20** Other related parties	As at 31.12.19 Entities under common control	As at 31.12.19 Associated companies	As at 31.12.19 Other related parties
Prepayments for property, plant and equipment [g]	**133**	**–**	**–**	1,093	–	–
Total non-current assets	**133**	**–**	**–**	1,093	–	–
Trade and other receivables [h]	**96**	**4,473**	**1**	104	2,472	2
Prepayments and other current assets [i]	**1,390**	**–**	**–**	1,662	–	–
Total current assets	**1,486**	**4,473**	**1**	1,766	2,472	2
Trade and other payables [j]	**462**	**2**	**86**	1,001	898	–
Accrued and contract liabilities	**71**	**–**	**–**		–	–
Total current liabilities	**533**	**2**	**86**	1,001	898	1

A description of the balances over US$200 thousand in the current or comparative year is given below.

Entities under common control

g At the end of the comparative year ended 31 December 2019, prepayments for property plant and equipment included prepayments totalling US$1,052 thousand to OJSC Berdichev Machine-Building Plant Progress. No such prepayments made as at 31 December 2020.

i At the end of the comparative year ended 31 December 2019, prepayments and other current assets included prepayments totalling US$921 thousand made to FC Vorskla for advertisement, marketing and general public relations services. No such prepayments made as at 31 December 2020.

i Prepayments and other current assets totalling US$1,053 thousand related to insurance premiums from ASK Omega (2019: US$605 thousand).

i Prepayments and other current assets totalling US$279 thousand related to spare parts from OJSC Berdichev Machine-Building Plant Progress (2019: US$72 thousand).

j Trade and other payables included US$195 thousand (2019: US$246 thousand) related to the purchase of compressed air, oxygen and scrap metal from Kislorod PCC and US$191 thousand (2019: US$418 thousand) related to the purchase of spare parts from OJSC Berdichev Machine-Building Plant Progress.

Associated companies

h Trade and other receivables included US$4,473 thousand (2019: US$2,472 thousand) related to dividends declared by TIS Ruda LLC.

j Trade and other payables included US$2 thousand (2019: US$898 thousand) related to purchases of logistics services from TIS Ruda LLC.

Loan relationship between related parties of the Group

As disclosed in the 2019 Annual Report & Accounts and 2020 Interim Results, the Board acting through the Committee of Independent Directors (the “CID”) has been conducting a review in connection with the sponsorship payments the Group has previously made to FC Vorskla following the identification of a loan made by FC Vorskla to Collaton Limited, a related party of the Group. Based on unaudited management accounts of FC Vorskla Cyprus Limited for the financial year ended 31 December 2019, the loan to Collaton Limited was US$16,978 thousand. FC Vorskla is considered to be a related party of the Group as Kostyantin Zhevago controls FC Vorskla. As the loan does not involve any of the Group’s subsidiaries, the loan is not a transaction between the Group and a related party and therefore does not fall under Chapter 11 of the Listing Rules. The CID has now concluded its review and arrangements have been made for the loan to Collaton Limited to be repaid in full. See also Note 13 Commitments, contingencies and legal disputes.

Sponsorship payments have in the past been made by Ferrexpo Middle East FZE to two entities: FC Vorskla Cyprus Limited, a company incorporated in the Republic of Cyprus, and Football Club Vorskla LLC, a company incorporated in Ukraine (together, “FC Vorskla”). Following the identification of the above mentioned loan in January 2020, no further payments have been made to FC Vorskla Cyprus Limited. The Group’s sponsorship payments to Football Club Vorskla LLC, based in Ukraine, for advertisement, marketing and general public relation services have continued during the financial year 2020 and totalled US$4,552 thousand (2019: US$10,824 thousand, in aggregate for FC Vorskla Cyprus Limited and Football Club Vorskla LLC). These payments made to FC Vorskla are considered to be in the ordinary course of business. The current sponsorship agreement with Football Club Vorskla LLC, as agreed in the first quarter of the financial year 2021, includes enhanced reporting requirements by the football club to the Group and additional provisions around the use of sponsorship funds.

Note 15: Events after the reporting period

No material adjusting or non-adjusting events have occurred subsequent to the year end other than the proposed dividend disclosed in Note 9 Earnings per share and dividends paid and proposed.

ALTERNATIVE PERFORMANCE MEASURES

When assessing and discussing the Group's reported financial performance, financial position and cash flows, management may make reference to Alternative Performance Measures ("APMs") that are not defined or specified under International Financial Reporting Standards ("IFRSs").

APMs are not uniformly defined by all companies, including those in the Group's industry. Accordingly, the APMs used by the Group may not be comparable with similarly titled measures and disclosures made by other companies. APMs should be considered in addition to, and not as a substitute for or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRSs.

Ferrexpo makes reference to the following APMs in this statement.

C1 cash cost of production

Definition: Non-financial measure, which represents the cash cost of production of iron pellets from own ore divided by production volume of own production ore. Non-C1 cost components include non-cash costs such as depreciation, inventory movements and costs of purchased ore and concentrate. The Group presents the C1 cash cost of production because it believes it is a useful operational measure of its cost competitiveness compared to its peer group.

US$000	Notes	**Year ended 31.12.20**	Year ended 31.12.19
C1 cash costs		**466,013**	502,887
Non-C1 cost components		**116,783**	48,254
Inventories recognised as an expense upon sale of goods	5	**582,796**	551,141
Own ore produced (tonnes)		**11,217,926**	10,518,954
C1 cash cost per tonne (US$)		**41.5**	47.8

Underlying EBITDA

Definition: The Group calculates the underlying EBITDA as profit before tax and finance plus depreciation and amortisation, net gains and losses from disposal of investments and property, plant and equipment, share-based payments and write-offs and impairment losses. The underlying EBITDA is presented because it is a useful measure for evaluating the Group's ability to generate cash and its operating performance. See Note 3 Segment information to the consolidated financial statements for further details.

Closest equivalent IFRSs measure: Profit before tax and finance.

Rationale for adjustment: The Group presents the underlying EBITDA as it is a useful measure for evaluating its ability to generate cash and its operating performance. Also it aids comparability across peer groups as it is a measurement that is often used.

Reconciliation to closest IFRSs equivalent:

US$000	Notes	**Year ended 31.12.20**	Year ended 31.12.19
Underlying EBITDA		**858,552**	586,067
Losses on disposal of property, plant and equipment	5	**(1,303)**	(417)
Share-based payments		**(291)**	(1,022)
Write-offs	5	**(192)**	(1,241)
Depreciation and amortisation		**(102,475)**	(82,130)
Profit before tax and finance		**754,291**	501,257

Diluted earnings per share

Definition: Earnings per share calculated using the diluted number of Ordinary Shares outstanding.

Closest equivalent IFRSs measure: Diluted earnings per share.

Rationale for adjustment: Excludes the impact of special items that can mask underlying changes in performance.

Reconciliation to closest IFRSs equivalent:

	Year ended 31.12.20	Year ended 31.12.19
Earnings for the year attributable to equity shareholders – per share in US cents		
Basic	**108.1**	68.6
Diluted	**107.9**	68.4

Net cash/(debt) to underlying EBITDA

Definition: Net cash/(debt) divided by the underlying EBITDA (for the last 12 months):

	As at 31.12.20	As at 31.12.19
Net cash/(debt) (US$000)	**3,528**	(281,358)
Underlying EBITDA (US$000)	**858,552**	586,067
Net cash/(debt) to underlying EBITDA	**N/A**	0.48x

Rationale for adjustment: The ratio is a measurement of the underlying EBITDA Group's leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its underlying EBITDA.

Reconciliation to net cash/(debt):

US$000	Notes	**As at 31.12.20**	As at 31.12.19
Cash and cash equivalents	11	**270,006**	131,020
Interest-bearing loans and borrowings – current	12	**(134,349)**	(138,367)
Interest-bearing loans and borrowings – non-current	12	**(132,129)**	(274,011)
Net cash/(debt)		**3,528**	(281,358)

For a reconciliation of underlying EBITDA to profit before tax and finance see page 63.

Capital investment

Definition: Capital expenditure for the purchase of property, plant and equipment and intangible assets.

Closest equivalent IFRSs measure: Purchase of property, plant and equipment and intangible assets (net cash flows used in investing activities).

Rationale for adjustment: The Group presents the capital investment as it is a useful measure for evaluating the degree of capital invested in its business operations.

Reconciliation to closest IFRSs equivalent:

US$000	**As at 31.12.20**	As at 31.12.19
Purchase of property, plant and equipment and intangible assets (net cash flows used in investing activities)	**205,779**	247,478

Total liquidity

Definition: Sum of cash and cash equivalents and available committed facilities and uncommitted facilities. Committed facilities include the Group's syndicated revolving pre-export finance facility while uncommitted facilities include trade finance facilities secured against receivable balances related to these specific trades. See Note 12 Interest-bearing loans and borrowings for further information.

Closest equivalent IFRSs measure: Cash and cash equivalents.

Rationale for adjustment: The Group presents total liquidity as it is a useful measure for evaluating its ability to meet short-term business requirements.

Reconciliation to closest IFRSs equivalent:

US$000	**As at 31.12.20**	As at 31.12.19
Cash and cash equivalents	**270,006**	131,020
Available committed facilities	**10,000**	–
Uncommitted facilities	**80,000**	40,000
Total liquidity	**360,006**	171,020