FERREXPO

SUPPLYING THE WORLD WITH IRON ORE PELLETS FOR OVER 35 YEARS

FERREXPO PLC

ANNUAL REPORT & ACCOUNTS 2015

FERREXPO IS AN IRON ORE PELLET PRODUCER WITH MINES IN UKRAINE AND SALES OPERATIONS AROUND THE WORLD.

Since Ferrexpo's IPO, in June 2007, it has been premium listed on the main market of the London Stock Exchange.

Ferrexpo is the largest exporter of iron ore pellets in the Former Soviet Union (the "FSU") and currently the third largest supplier of pellets to the global steel industry. As a result of the Group's large iron ore deposit and significant capital investments, in excess of US$2 billion since its IPO, the Group is an efficient and competitive supplier of high quality iron ore pellets to its premium customer base around the world.

2015 SUMMARY

CONTENTS

The future is in our hands
Ferrexpo believes that a successful business and a sustainable business are the same.

Operational

Record total production volumes as well as record output of the Group's premium 65% Fe pellet. Operational improvements in mining and processing helped to reduce the C1 cash cost.

IRON ORE PRICE

↓ 42%

The Platts 62% Fe CFR iron ore fines price was 42% lower in 2015 at an average of US$56/tonne
(31 December 2014: US$97/tonne)

INCREASE IN 65% FE PELLETS

↑ 79%

65% Fe pellet volumes of 10.4 million tonnes
(2014: 16% Fe pellet 5.8 million tonnes)

TOTAL PRODUCTION VOLUMES

↑ 5.8%

Production volumes of 11.7 million tonnes
(2014: 11.0 million tonnes)

SALES VOLUMES

↑ 1.5%

Sales volumes of 11.3 million tonnes
(2014: 11.2 million tonnes)

Financial

Ferrexpo has continued to generate strong EBITDA margins due to relatively stable pellet premiums and its low positioning on the global pellet cost curve.

REVENUE

US$961M

Revenue down 31% compared to Platts price reduction of 42% principally due to stable pellet premiums
(2014: US$1.4 billion)

C1 CASH COST

↓ 30%

The C1 cash cost of US$31.9 per tonne
(2014: US$45.9/tonne)

EBITDA

US$313M

EBITDA down 37%, EBITDA margin 33%
(2014: US$496 million, EBITDA margin 36%)

DILUTED EARNINGS PER SHARE BEFORE SPECIAL ITEMS

23.86¢

Earnings per share declined by 47%
(2014: US44.63 cents)

BUSINESS MODEL

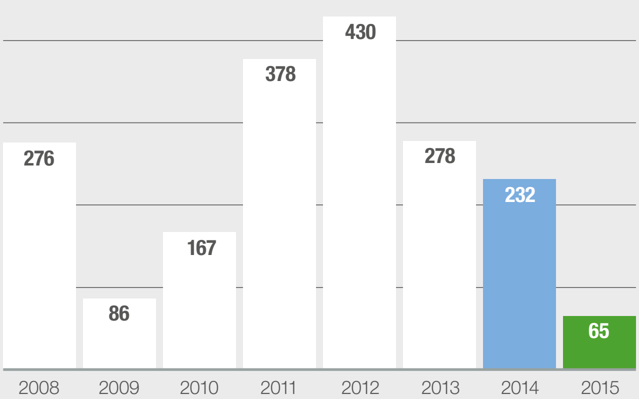
Ferrexpo is a producer of high quality iron ore pellets at a competitive cost. It operates from an established, long life, well invested asset base with a highly competitive cost structure capable of generating good margins even through cyclical downturns.

Sustainability is integral to Ferrexpo's business model. The Group is committed to zero harm, environmental stewardship, fostering strong relationships with local communities and operational excellence, which underpins long-term viability.

CAPITAL INVESTMENT

+US$2BN

Capital investment US$ million



THE GROUP HAS INVESTED MORE THAN US$2 BILLION INTO ITS MINING AND LOGISTICS OPERATIONS SINCE ITS IPO IN 2007.

INPUTS

EXPERTISE

COMPETITIVE ADVANTAGES

RESULTS IN

SUSTAINABLE STAKEHOLDER RELATIONSHIPS

RESOURCE

A long life asset base with over six billion tonnes of reserves in a central geographic location, with a skilled workforce and a low cost, well invested asset base.

EMPLOYEES

SKILLED WORKFORCE

Ferrexpo has been producing iron ore pellets for over 35 years and the Group has a deep knowledge of the skills required to consistently produce high quality pellets at a competitive cost and service its worldwide customer base.

The majority of Ferrexpo's employees are based in Ukraine. Mining is part of Ukraine's history and culture. The country has a large, well-educated and dedicated work force and the Group is actively engaged in and committed to further developing the skills of its employees and supporting the local community.

MINING

EFFICIENT AND LOW COST

Ferrexpo is one of the lowest cost producers in the world of iron ore pellets on a delivered basis. It has consistently improved its position on the global cost curve since its IPO in 2007.

The cornerstone of the cost reduction strategy is to increase production, develop its asset base with value accretive investments, and continually reduce controllable costs through the Business Improvement Programme ("BIP").

PROCESSING

NICHE VALUE ADDED PRODUCT

Ferrexpo produces iron ore pellets, which are a premium input used in the steel industry. Ferrexpo's product improves blast furnace productivity in the steel production process due to its form, substance, low level of impurities and enables air emissions during the steel making process to be reduced compared to sinter fines.

In 2015, 89% of the Group's product contained 65% iron content – this is a premium benchmark product used by the highest quality steel mills around the world. 65% Fe pellets command a price premium to the benchmark 62% Fe fines product both in terms of quality and pellet premium.

LOGISTICS

AN INTEGRATED SOLUTION

An integrated and well invested logistics system is an essential and a key competitive advantage for a bulk commodity producer.

Ferrexpo transports its finished products by rail to border dispatch points, predominantly using its own rail cars. From the border points, means of transportation include barges and rail to customers in Eastern and Central Europe and capesize vessels, through its 49% owned port, for seaborne cargo.

MARKETING

LONG-TERM CUSTOMER RELATIONSHIPS

Ferrexpo remains committed to long-term framework agreements with customers who are focused on producing high value added steel products. It has supplied some of its existing customers for a number of decades. The Group is focused on supplying a geographically diversified customer base and allocates a proportion of sales to potential new customers through trial spot cargoes.

1. HIGH QUALITY ASSETS

PG 4

2. HIGH QUALITY PRODUCTS

PG 5

3. CRISIS RESISTANT CUSTOMERS

PG 6

EMPLOYEES | **COMMUNITY** | **GOVERNMENT** | **CUSTOMERS** | **SUPPLIERS** | **CAPITAL PROVIDERS**

ABOUT FERREXPO

HIGH QUALITY ASSETS

Ferrexpo's resource base is one of the largest iron ore deposits in the world.

MODERN ASSET BASE

The beneficiation and pelletising facilities at Ferrexpo Poltava Mining ("FPM") process Poltava and Yeristovo ore. The facilities have recently undergone a significant mondernisation and produce high quality pellets which are exported to the global steel market.

YERISTOVO MINING INFRASTRUCTURE

The experience gained from FPM has underpinned the establishment of Ferrexpo Yeristovo Mining ("FYM"), which has world class mining facilities.

To find out more please visit our website www.ferrexpo.com

HIGH QUALITY PRODUCTS

The ore mined is beneficiated into high grade concentrate, which is then fired into iron ore pellets.

PREMIUM SUPPLY

The quality of Ferrexpo's pellets and the reliability of its supply means the Group has supplied some of the world's leading steel producers for many decades.

INCREASING QUALITY

One of Ferrexpo's strategic goals is to increase the iron content of its pellets. Following the completion of a significant investment programme, which modernised and upgraded its production facilities, Ferrexpo increased its production of 65% Fe pellets to record levels in 2015.

CRISIS RESISTANT CUSTOMERS

Ferrexpo's approach is based on building long-term relationships with customers who produce high quality steel and have a competitive advantage in their chosen markets.

ADDING VALUE

Ferrexpo's clients add value by using our input product to create a sophisticated end product that society needs to make modern life work.

HOW SOCIETY BENEFITS

Ferrexpo is a major investor and economic contributor to the local community in which it operates. It employs approximately one fifth of the population in Komsomolsk, Poltava.

CARE FOR THE COMMUNITY

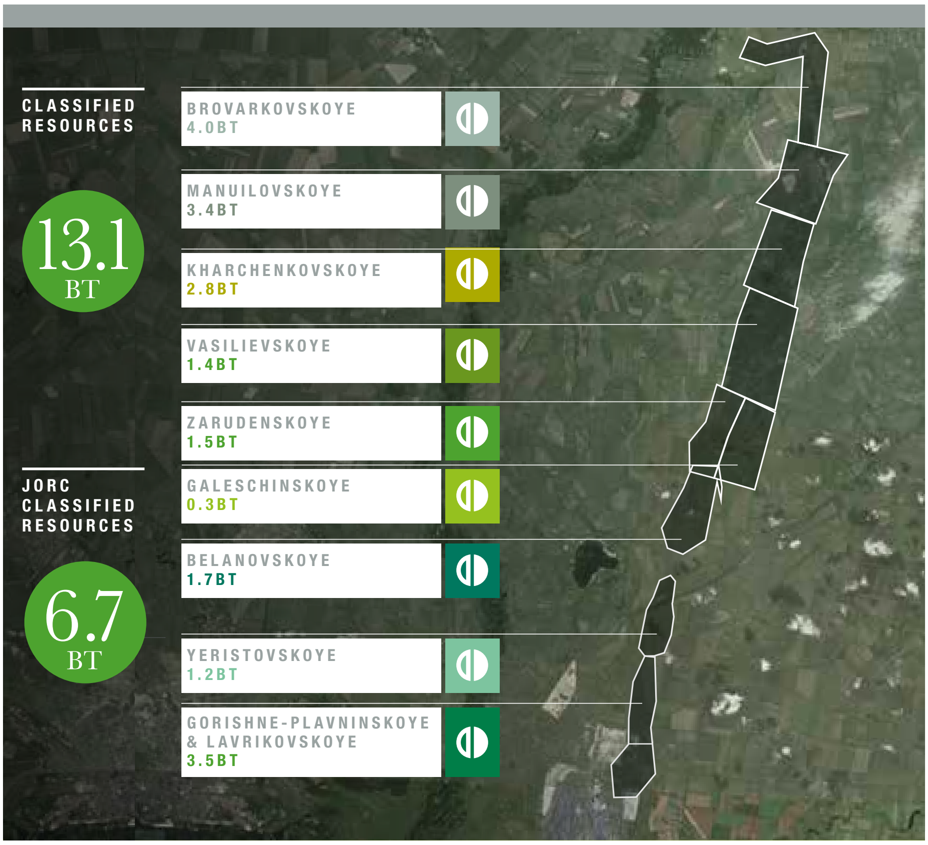
Examples of donations made include the purchase of medical equipment for hospitals; care for the elderly; heating and lighting equipment for local infrastructure; and general repairs to schools and hospitals.

EMPLOYEE HOUSING

As part of Ferrexpo's employee housing programme it constructed a modern 212 apartment block. The Group also supports the modernisation of local community infrastructure, services and sporting facilities. Ferrexpo believes this helps to develop and maintain the local labour pool.

A LONG LIFE RESOURCE

Ferrexpo's significant resource base is situated along a single ore body, which allows for efficient expansion through brownfield developments.



JORC Reserve Statements as at 1 January 2016

Deposit	Ore Reserves					
	Proved (million tonnes)	Fe grade total (% Fe tot)	Fe grade magnetite (% Fe mag)	Probable (million tonnes)	Fe grade total (% Fe tot)	Fe grade magnetite (% Fe mag)
Gorishne-Plavninskoye[1]	173	26	17	461	30	22
Lavrikovskoye[1]	34	31	21	86	32	23
Yeristovskoye[2]	228	34	27	417	32	25
JORC Reserves	**435**	**31**	**23**	**964**	**31**	**23**

1 The reserves estimates for the GPL deposits are those estimated in the report by Turgis Consulting (Pty) Ltd. dated 25 July 2008, less the volume of ore mined from GPL deposits between 2008 and 31 December 2015 from the estimates stated in that report.
2 The reserves estimates for the Yeristovskoye deposits are based on a report by Royal Haskoning DHV (UK) Ltd. dated 20 September 2013 less the volume of ore mined between September 2013 and 31 December 2015.

JORC Resource Statements as at 1 January 2016

Deposit (magnetite, unless stated otherwise)	Measured			Indicated			Inferred		
	Tonnage (million tonnes)	Fe grade total (% Fe tot)	Fe grade magnetite (% Fe mag)	Tonnage (million tonnes)	Fe grade total (% Fe tot)	Fe grade magnetite (% Fe mag)	Tonnage (million tonnes)	Fe grade total (% Fe tot)	Fe grade magnetite (% Fe mag)
Gorishne-Plavninskoye[1]	256	29	19	998	31	23	1,275	31	23
Lavrikovskoye[1]	95	31	21	679	30	22	174	29	20
Yeristovskoye[2]	234	34	27	557	33	26	364	30	23
Belanovskoye[2]	336	31	24	1,149	31	23	217	30	21
Galeschinskoye[2,3]	–	–	–	268	55	–	58	55	–
JORC Reserves	**921**	**31**	**23**	**3,651**	**33**	**22**	**2,088**	**31**	**22**

1 The resource estimates for the GPL deposits were calculated based on a review conducted by SRK in March 2008 less the volume of ore mined from the GPL deposit between 2008 and 31 December 2015.
2 The resource estimates are based on a report by SRK (UK) dated 15 June 2007. The Mineral Resource estimate for Yeristovskoye has been depleted in line with the volume of ore mined between September 2013 and 31 December 2015.
3 Haematite deposit.

FPM

The mine is adjacent to rail and port facilities on the Dnieper River. FPM operates a traditional shovel and truck open pit mining operation extracting approximately 25 to 30 million tonnes per annum of crude ore. This mine has operated successfully for over 40 years without any significant disruptions or delays in production.

6.0M *tonnes*

Of pellets produced from FPM ore in 2015 (2014: 7.3m tonnes)

To find out more please visit our website www.ferrexpo.com

FYM

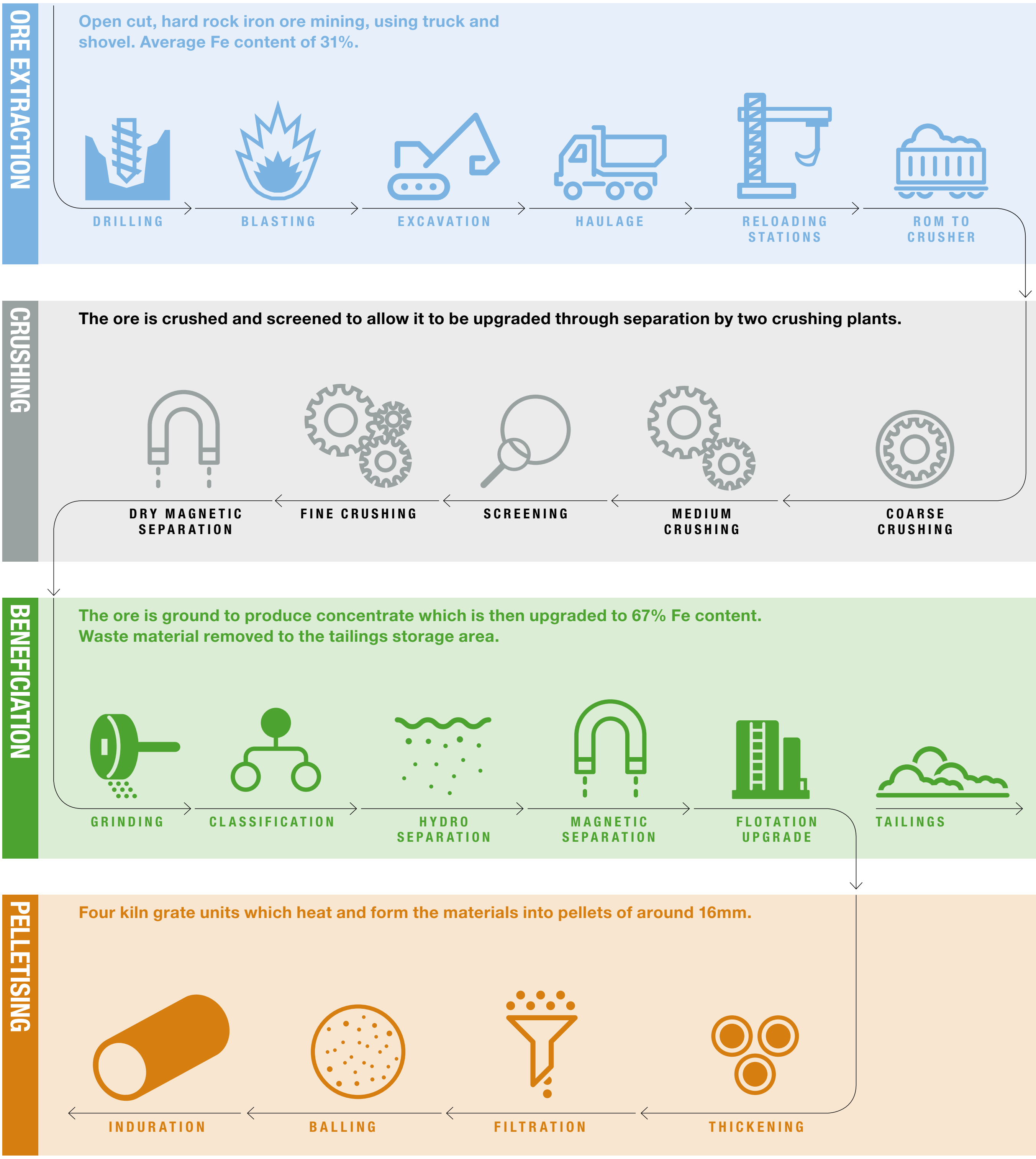
The FYM open pit mine is located approximately two kilometres north of the FPM mine. Currently FYM ore is processed at FPM's beneficiating and pelletising facilities. Subject to future cash flows, FYM will develop additional processing and pelletising facilities for the ore it mines. These processing facilities will ultimately increase the combined output of the Group to around 20 million tonnes of pellets or concentrate equivalent per annum.

5.2M *tonnes*

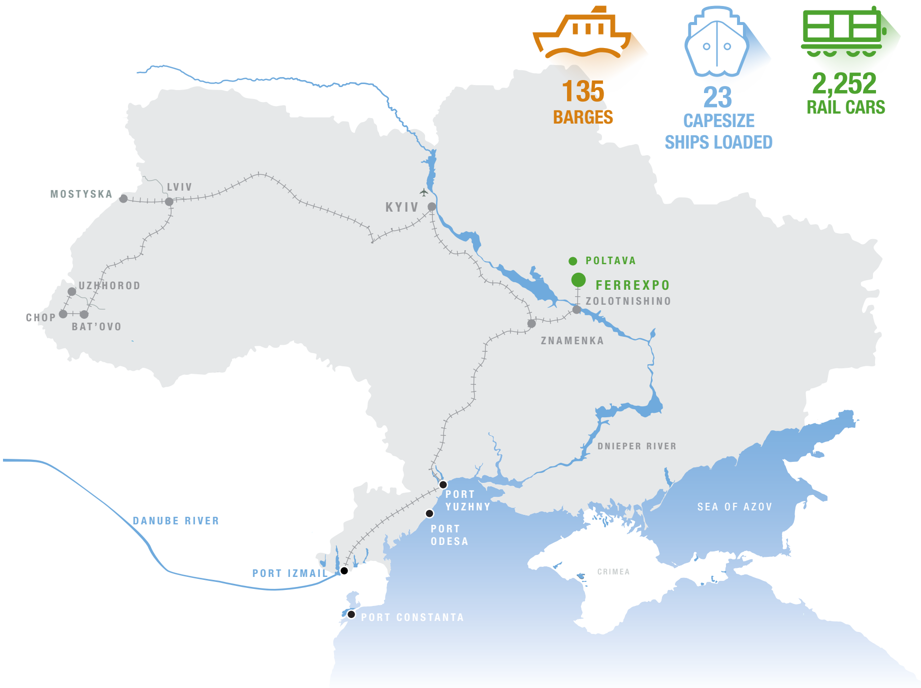
Of pellets produced from FYM ore in 2015 (2014: 3.4m tonnes)

To find out more please visit our website www.ferrexpo.com

AN EFFICIENT AND WELL INVESTED PRODUCTION PROCESS



ESTABLISHED LOGISTICS AND DIVERSIFIED CUSTOMER PORTFOLIO



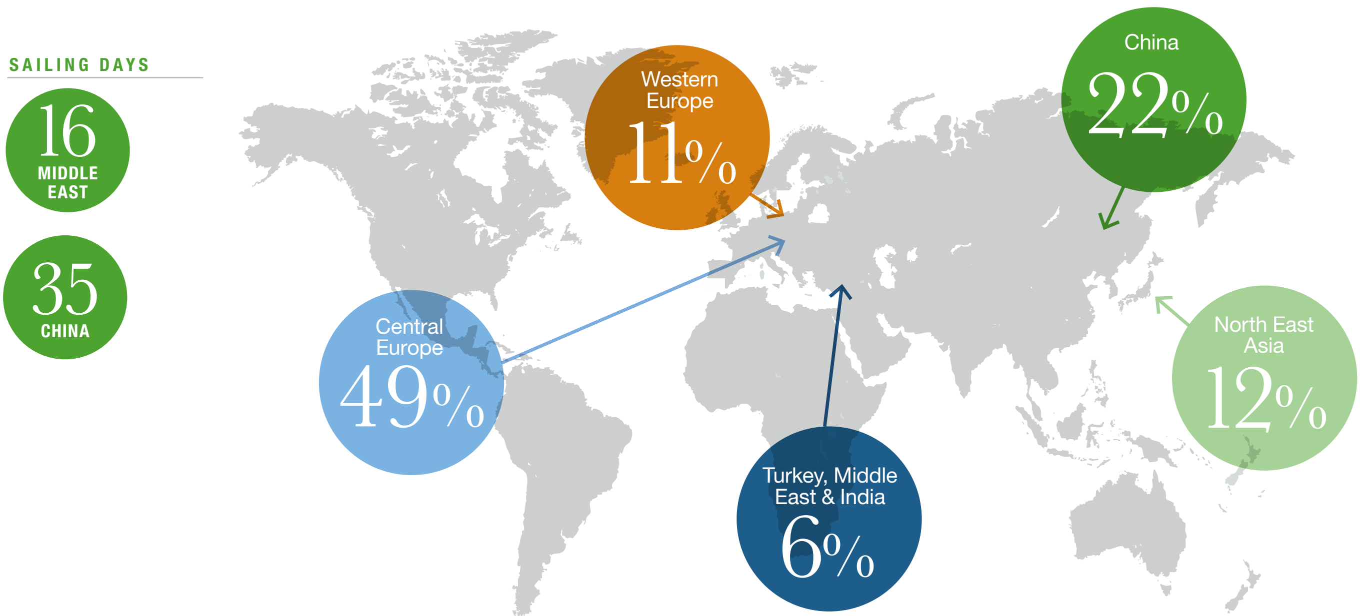
The Group's logistics infrastructure enables it to transport its pellets by rail, predominantly with Ferrexpo's own rail cars, from its mines in Poltava to the western border of Ukraine to connect with the European rail network and to the southern port of TIS-Ruda for seaborne shipments via capesize vessels.

Ferrexpo also transports approximately one million tonnes of pellets by barge along the Danube/Rhine river corridor to customers in Central Europe.

The significantly shorter shipping distance to both Europe and Asia from Ukraine, compared to key Brazilian pellet producers, allows Ferrexpo to deliver pellets on a competitive basis to these markets.

The Group is export-oriented, with virtually all of its sales made to a diversified customer base in Austria, Japan, Germany, South Korea, Slovakia, Turkey, China, as well as other European and Asian countries. Ferrexpo has marketing offices in China, Japan, Singapore, Switzerland, the UAE and Ukraine, which are dedicated marketing and trading arms and manage Ferrexpo's customer relationships.

PREMIUM CUSTOMER PORTFOLIO



STRATEGIC PRIORITIES

Ferrexpo's strategy is to produce and export high quality pellets to premium steel mills around the world who produce sophisticated steel products. It aims to be a low cost efficient producer with a reliable logistics infrastructure. Over the medium to long-term, and subject to cash flows and adequate financial return, the Group intends to increase its pellet output to approximately 20 million tonnes and to be the number one supplier of blast furnace pellets to the global seaborne pellet market. The Group looks to consistently reduce business risk and deliver sustainable value to all stakeholders over the long term.

A BE A LOW COST, EFFICIENT PRODUCER

Improve cost efficiency continuously by increasing output and reducing consumption norms, developing further best operating practice and lowering delivery costs to European and Asian markets.

B DEVELOP THE RESOURCE BASE

To increase production over the medium to long-term to 20 million tonnes of high quality iron ore product.

C IMPROVE THE QUALITY OF OUTPUT

In 2015, the Group completed its quality upgrade programme to increase the iron content of its pellets to 65% Fe. The Group will now look to reliably produce 65% Fe pellets with consistent quality and low variability.

D DEVELOP LOGISTICS CAPABILITIES

Develop, where appropriate, logistics capabilities adding to rail, port and shipping capability both within and outside Ukraine.

E DEVELOP THE CUSTOMER PORTFOLIO

Win new business by offering high quality product, reliable supply and excellent customer service.

F TRAIN AND DEVELOP THE GROUP'S EMPLOYEES

A skilled and motivated labour force will underpin innovation and business improvement, helping to develop the reserve base and sustain production for decades to come.

G MAINTAIN A SOCIAL LICENCE TO OPERATE

In order to succeed as a large business operating in a major town, Ferrexpo aims to be a major asset to its country of operation.

H EVALUATE RELEVANT INVESTMENT OPPORTUNITIES

To identify opportunities which are value accretive to the Group and that can reduce operating risk.

I MAINTAIN APPROPRIATE CREDIT METRICS AND SUFFICIENT FINANCIAL LIQUIDITY

Ferrexpo's financial strategy includes funding capital expenditures out of operating cash flows, maintaining sufficient liquidity to service short-term debt and retaining competitive credit metrics.

J MAINTAIN HIGH STANDARDS OF CORPORATE GOVERNANCE

Developing and selling a product in a global environment, to world class customers, requires the highest standards of governance, transparency and ethical dealings with all stakeholders.

RISKS RELATING TO THE GROUP'S STRATEGY

Debt Maturity Profile
Interest Rate Risk
Expansion Capital Investment

Related strategic priorities

A B C D E F G H L J

RISKS RELATING TO THE IRON ORE MARKET

Global Macroeconomic Growth
Iron Ore Prices and Pellet Premiums
C3 Freight

Related strategic priorities

B C D E F G I

RISKS RELATING TO OPERATING IN UKRAINE

Political and Legal
Ukrainian Financial System
Ukrainian Currency
Ukrainian PPI
Ukrainian VAT
Ukrainian Taxes
Counterparty Risk

Related strategic priorities

A B E I J

RISKS RELATING TO THE GROUP'S OPERATIONS

Mining and Processing Risks and Hazards
Energy Costs
Reliance on State Monopolies
Logistics

Related strategic priorities

A B D E G I

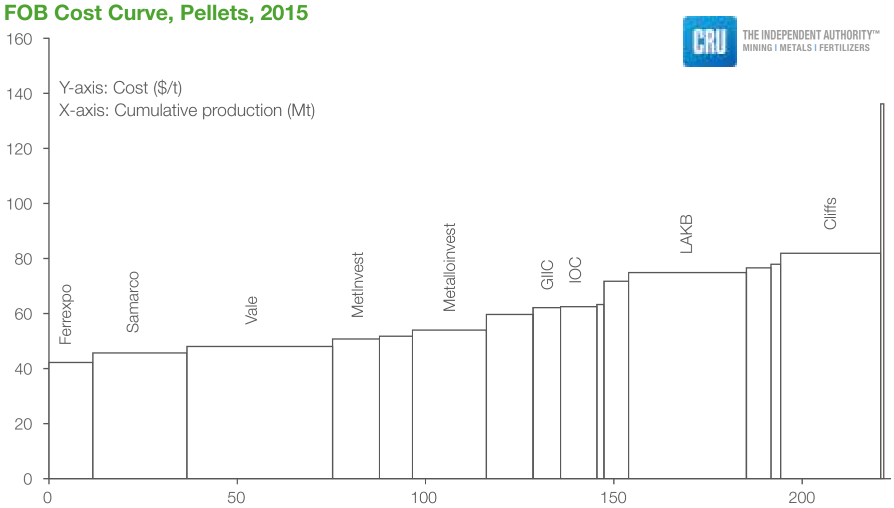
LONG-TERM CSR PRIORITIES ARE CLOSELY LINKED TO THE GROUP'S STRATEGIC OBJECTIVES.

Go to page 41 to read more about our CSR objectives.

KEY PERFORMANCE INDICATORS

Due to the progress the business continues to make, certain KPIs have been amended, compared to 2014, to better reflect the development of the Group's strategy (which remains unchanged). The details of the changes are provided under the relevant graphs.

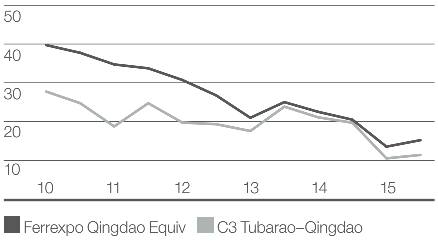
FOB Cost Curve, Pellets, 2015



A D E **Related strategic priorities**

C3 freight costs

US$ per tonne



In times of low oil prices and freight rates, the benefit of Ferrexpo's shorter shipping distance to China compared to Brazil are reduced.

A D E **Related strategic priorities**

Reduced Lost-Time Injury Frequency Rate

LTIFR

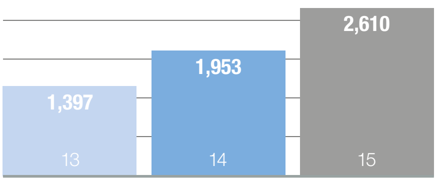
	2014	**2015**
Mining operations	0.47	**0.75**
Barging operations	9.08	**4.93**
Total Group	0.86	**0.96**

The Group was pleased to report that there were no work related fatalities in 2015 (2014: 3).

B F G **Related strategic priority**

New Markets

% of volume thousand tonnes

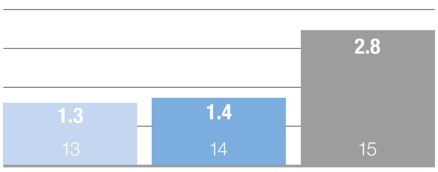


The graph above has changed compared to 2014. It now highlights sales to Europe and North East Asia which are the Group's newest markets.

E **Related strategic priorities**

Maintain Low Net Debt to EBITDA

Net debt to EBITDAx



Ferrexpo's net debt to EBITDA ratio remains within its debt covenant requirements.

B D I **Related strategic priorities**

Crude Ore Mined million tonnes

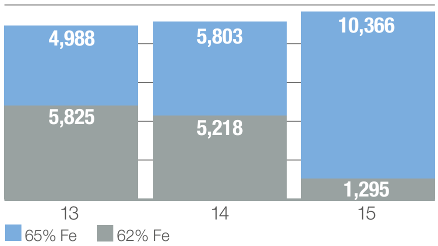
	2013	2014	**2015**
FPM	30.2	29.4	**25.0**
FYM	9.2	12.3	**14.0**
Total	39.4	41.7	**39.0**

Pellet output increased 6% to 11.7 million tonnes (2014: 11.0 million tonnes). Total crude mined ore in 2015 declined versus 2014 as the Group optimised output from the FPM and the FYM pits to maximise production and minimise costs per tonne.

A B **Related strategic priorities**

Production of Premium 65% Fe Pellets

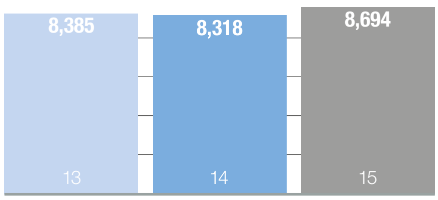
'000 tonnes



As the Group completed its Quality Upgrade programme in 1Q15, it believes it is now more appropriate to graph the proportion of premium 65% Fe pellets produced. As such, the above graph has changed compared to previous years which showed capital spend on the Quality Upgrade programme.

C G **Related strategic priorities**

Trained Employees and Contractors Number



F G **Related strategic priorities**

Corporate Governance Structure

Ferrexpo's Board has the following sub-committees:

- Audit Committee
- Corporate Safety and Social Responsibility Committee
- Remuneration Committee
- Nomination Committee
- Committee of Independent Directors
- Executive Committee
  - Financial Risk Management Committee
  - Executive Related Party Matters Committee
  - Executive Compliance Committee

J **Related strategic priorities**

PROGRESS AGAINST STRATEGY

Strategic priority	What we said we would do in 2015
A BE A LOW COST, EFFICIENT PRODUCER	– Reduce costs through increased production volumes – Improve operating efficiencies in mining and processing
B DEVELOP THE RESOURCE BASE	– Mine approximately 14 million tonnes of FYM ore – Continue mine life extension at FPM – Implementation and standardisation of global best practice in mining and production
C IMPROVE THE QUALITY OF OUTPUT	– Produce a higher amount of 65% Fe FPP in 2015 – End the 2015 year on a run rate of 100% 65% FFP output – Optimise press filtration design
D DEVELOP THE LOGISTICS CAPABILITIES	– Continue to de-bottleneck and increase utilisation of the Group's seaborne port terminal – Realise reduced distribution costs as a result of the structural improvements to distribution channels completed by the end of 2014 – Continue the purchasing programme for new rail cars as required to meet the growth in production volume
E DEVELOP THE CUSTOMER PORTFOLIO	– Finalise new long-term contracts with premium steel mills – Maintain a diverse customer base between Europe and Asia
F TRAIN AND DEVELOP THE GROUP'S EMPLOYEES	– Eliminate fatal accidents risk – Improve workforce productivity and engagement – Manage people input costs and headcount – Improve leadership and managerial competence – Upgrade people management processes and systems
G MAINTAIN A SOCIAL LICENCE TO OPERATE	– Support the community through various initiatives – Focus on complete elimination of fatalities – Further reduce consumption of key inputs such as electricity and gas and reduce emissions per tonne
H EVALUATE RELEVANT INVESTMENT OPPORTUNITIES	– Evaluate relevant investment opportunities that could de-risk or diversify the Group's operations
I MAINTAIN APPROPRIATE CREDIT METRICS AND SUFFICIENT FINANCIAL LIQUIDITY	– Continue to manage the liability profile of the Group's debt – Ensure liquidity ratios are within acceptable levels through the low point of the iron ore price cycle
J MAINTAIN HIGH STANDARDS OF CORPORATE GOVERNANCE	– Continue the Board refreshment programme – Roll out a revised code of conduct including updated anti-bribery and conflict of interest policy – Deliver key CSR actions

What we did	What we aim to do in 2016
– Production volumes increased 5.8% ✓ – The C1 cash cost of production decreased by US$14 per tonne of which increased production, efficiency gains and reduced stripping volumes reduced the C1 cash cost by US$4.1 per tonne. The Hryvnia devaluation reduced the C1 cash cost by US$8 per tonne, lower oil prices reduced it by US$2.7 per tonne while higher processing costs add US$0.8 per tonne ✓	– Stretch capacity of existing operations to increase volume output and reduce costs
– Mined 14 million tonnes of FYM ore ✓ – Optimised output from FPM and FYM pits to maximise production and minimise costs per tonne ✓ – Several best practice actions were implemented during the year in the mines such as hot seating and improved fleet management. Each truck on average moved an additional 0.1 million tonnes of material ✓	– Further implementation and standardisation of global best practice in mining and production – Progress material risk register to manage significant operational risk
– 89% of production was 65% Fe pellets ✓ – 100% production of 65% Fe pellets achieved in October 2015 ✓ – 95% of production in 4Q 2015 was 65% Fe pellets ✓ – Press filtration upgrade design on hold due to market conditions ×	– To continue to produce 65% Fe pellets with consistent quality and low variability – Approximately 90% of production to be 65% Fe pellets. A portion of 62% Fe pellets will still be produced as required by certain customers
– Shipped 6 million tonnes through the Group's seaborne port terminal in line with aim to increase capacity through process improvements ✓ – Loaded 23 capesize vessels (2014: 22) and 6 mini capes ✓ – Lowered distribution costs per tonne due to Hryvnia devaluation, cost actions taken by management and higher production volumes ✓ – No further rail cars were purchased during the year × – 86% of total sales volumes were shipped via own rail cars (2014: 82%) ✓	– Increase capacity at the Group's seaborn port terminal from nameplate capacity of 5.5 million tonnes to 7 million tonnes, through process improvements
– First shipment to steel mill in South Korea ✓ – Increase in sales to key markets in Western Europe and North East Asia ✓ – Maintained a diversified customer base between Europe and Asia ✓	– Finalise new long-term contracts with premium steel mills – Maintain a diverse customer base between Europe and Asia
– LTIFR increased at the Group's mining operations × – There were no fatalities at the Group's operations in 2015 ✓ – Tonnes of pellets per person increased 6% to 101 tonnes per full time equivalent employee ✓ – Trained 8,694 people, up 5% ✓ – Leadership conference held for "top 50" ✓ – Ongoing development of human resource systems and processes to better manage people ✓	– Eliminate fatal accidents risk – Reduce LTIFR – Improve workforce productivity and engagement – Manage people input costs and headcount – Improve leadership and managerial competence – Upgrade people management processes and systems
– Supported the community through various initiatives ✓ – Reduced consumption of key inputs such as gas and grinding media and reduced emissions per tonne ✓	– Support the community through various initiatives – Eliminate fatal accidents risk – Further reduce consumption of key inputs such as electricity and gas, and reduce emissions per tonne
– Continued to evaluate relevant investment opportunities that could de-risk or diversify the Group's operations ✓	– Continue to evaluate relevant investment opportunities that could de-risk or diversify the Group's operations, subject to funding availability
– Reviewed liquidity after insolvency of Bank Finance & Credit × – Extended 2016 Eurobond to 2018 and 2019 ✓ – Sold Ferrous Resources to provide additional liquidity in low iron ore price environment ✓ – In talks with bank debt providers to extend debt profile ✓ – Net debt to EBITDA of 2.78x ✓	– Continue to manage liability profile of the Group's debt and liquidity headroom – Ensure liquidity ratios are within acceptable levels through the low point of the iron ore price cycle
– Appointed Mary Reily and David Frauman to the Board as independent Non-executive Directors ✓ – Rolled out a revised code of conduct ✓ – CSR activities for operating subsidiaries in Ukraine were aligned and stakeholder mapping was further developed to support the prioritisation of programme activities ✓	– Continue the Board refreshment programme – Revision of the Group's corporate code of conduct and compliance framework – Deliver key CSR priorities in line with the Group's overall strategy

CHAIRMAN'S STATEMENT

Michael Abrahams CBE DL Chairman

Ferrexpo is a long established iron ore pellet exporter to the global steel industry.

Ferrexpo produces a pelletised iron ore product, which receives a premium over the Platts 62% Fe iron ore fines price. The Group sells to high quality steel mills that produce predominantly sophisticated steel products. Ferrexpo's operations are centrally located in Europe enabling it to reliably supply customers in both central and Western Europe, by rail and barge, and in Asia, by capesize vessel via its port facilities on the Black Sea.

The Group has and continues to build on its position as a key supplier to premium steel mills around the world. Most recently developing long-term relationships in Germany and Japan. In 2015 it made its first shipments to South Korea.

According to CRU[1], in 2015, Ferrexpo was the lowest cost pellet producer in the world, enabling it to remain profitable during the current downturn, and the fourth largest exporter of pellets to the global steel industry. The Group operates a long life and well invested asset base. The mining operations are in the Poltava region of central Ukraine, remote from the area of conflict in the east of the country. Operations continue to be unaffected by the ongoing unrest.

Economic conditions in Ukraine, however, have remained fragile in 2015. The National Bank of Ukraine ("NBU") estimates that GDP declined by 10% following a 7% decline in 2014.

Iron Ore Market

The supply of iron ore requires periods of large scale capital investment while demand from steel mills is heavily influenced by global economic growth, which has recently been primarily determined by China. A mis-match between new supply which takes time to displace higher costs sources of iron ore, and slowing world demand for steel has led to further iron ore price weakness in 2015.

In 2015, the average Platts 62% Fe iron ore fines price index declined 42% from US$97 per tonne to US$56 per tonne. Ferrexpo's average realised price, however, outperformed the index by 11 percentage points, reducing 31% compared to 2014. This reflects the premium that Ferrexpo, as a pellet producer, receives in addition to the iron ore fines price, as well as improved product and customer mix and lower international freight costs.

Ferrexpo Operations

In 1Q 2015, Ferrexpo completed its four year investment programme to increase the volume and quality of output. In addition to the new Ferrexpo Yeristovo mine completed earlier, Ferrexpo completed the multi-year programme in the processing facilities increasing concentrate grade and quantity with the commissioning of the final flotation circuits. As a result, pellet output increased to record levels for the third consecutive year, up 6% to 11.7 million tonnes of pellets (2014: 11.0 million tonnes) while production of premium 65% Fe pellets grew by almost 80% to 10.4 million tonnes (2014: 5.8 million tonnes).

The cost to produce and rail pellets to Ukrainian border points for dispatch was reduced in the year and is now below 2007 levels in US Dollar terms. This has been as a result of a combination of local currency weakness against the US Dollar, lower input prices of commodities, such as oil and gas, and productivity gains from mining and processing improvements. These operating improvements have led to a reduction in controllable costs, achieved through the consistent execution of the Group's strategy, namely the modernisation of FPM's mining and processing facilities, the development of the FYM mine with associated best in class infrastructure, and a focus to improve operational KPI's to world class levels.

2015 Financial Result

The weak iron ore price environment was reflected in a lower Group EBITDA of US$313 million (2014: US$496 million). Significantly reduced iron ore prices were partly offset by higher sales volumes, relatively stable premiums for pellets over the iron ore fines price, an improvement in sales mix towards 65% Fe pellets, which receive a price premium over 62% Fe pellets, lower freight costs and significantly reduced costs. Accordingly, despite the challenging circumstances for both the iron ore industry and Ukraine, the Group was able to report operating profit, before special items, of US$251 million (2014: US$409 million).

Special items totalled US$110 million after an expected tax relief credit (2014: US$84 million). Further details can be found below, see Bank F&C, as well as in the Performance Review on page 19 and in notes 13, 15, 23, 28, 29, 31 and 35 to the accounts.

Delivery of Strategy

In 2015, the Group continued to advance its strategy to become the lowest cost and largest producer of blast furnace iron ore pellets to the global market. Ferrexpo's operational progress, since its IPO in 2007, shows steady volume growth, cost control and development of a global marketing presence and logistics network supplying an increasingly high quality customer base. Total pellet output has increased 29% since 2007 and so to have its logistics capacity allowing Ferrexpo to competitively ship, rail and barge product to customers around the world.

Since 2007, Ferrexpo has generated US$3.3 billion in free cash flow from operations. Shareholders have received US$572 million in dividends and capital returns whilst, at the same time, Ferrexpo has invested approximately US$2.0 billion into its Ukrainian operations making it one of the largest investors in the country over that period.

Bank F&C

On the 18 September 2015, Bank Finance and Credit JSC ("Bank F&C"), the Group's main transactional bank in Ukraine, entered temporary administration on the order of the Deposits Guarantee Fund of Ukraine, following a decision by the NBU on 17 September 2015 that Bank F&C was insolvent.

The decision by the NBU was following recapitalisation of the bank during 2015 by its owner, Kostyantin Zhevago, for approximately UAH2.6 billion together with several agreed funding tranches of UAH1.45 billion from the NBU. On 18 December 2015, after a search for suitable investors during the temporary administration, the NBU announced that Bank F&C's banking licence had been revoked and that the bank would be liquidated in due course.

The liquidation process is now underway and in accordance with applicable

1 CRU pellet cost curve analysis January 2016.

procedures, the Group submitted its claims in January 2016. This included US$175 million, which reflects the funds held at Bank F&C on 17 September 2015, and which has been recorded as a charge in the income statement, as well as a claim for approximately US$10 million which relates to funds that have not been released back to the Group as applicable legislation requires. FPM filed a court claim against Bank F&C, under the management of the Deposit Guarantee Fund, for the release of the c.US$10 million. At a hearing on 4 December 2015, it was ruled that the cash should be returned to FPM. This was subsequently appealed and a new hearing is expected to take place in April 2016. For further information see notes 29 and 35 to the Financial Statements.

Once made, claims are converted into local currency at the exchange rate prevailing at the date of the liquidation decision of the NBU, which in Bank F&C's case was 17 December 2015. In total this amounted to UAH4,269,301,945.

Due to the uncertainty of the liquidation process and the potential length of time involved in realising the assets and making any distributions to creditors, the Group has recognised, as a special item, an allowance for an amount held with Bank F&C. Under the applicable regulations, the Liquidator is required to report provisionally on the status of Bank F&C's assets compared to its liabilities. This is currently expected in 2Q 2016 at which time the Group will make a further assessment of the position.

If ultimately no recovery is forthcoming, this will result in a loss of cash, after expected tax relief, of US$146 million.

The Board of Ferrexpo were surprised and deeply concerned by the temporary administration following the ongoing recapitalisation of Bank F&C with the support of the NBU. The Ukrainian banking sector has experienced several such unexpected events in 2015 with 45 banks placed into temporary administration and the number of operational banks falling from 163 to 117 by the end of the year. The Board fully recognises the risks involved in operating in Ukraine and is in the process of reviewing its local banking arrangements whilst still recognising the need to maintain an acceptable proportion of operational liquidity in country.

Bank F&C was ultimately controlled by Ferrexpo's largest shareholder and CEO Kostyantin Zhevago. The relationship between Ferrexpo and Bank F&C was overseen by Ferrexpo's Committee of Independent Directors and governed by the relationship agreement between Kostyantin Zhevago and the Company (for further information see page 59 in the Corporate Governance report, shareholder agreement). For further information on Bank F&C see Ukrainian Banking Sector Risk on page 35 and notes 29 and 35 to the accounts.

Increased production of its premium 65% Fe pellets by almost 80% to 10.4 million tonnes (2014: 5.8 million tonnes).

Ukrainian Banking Relationships

Bank F&C had been an effective transactional bank for the Group for over 15 years, notwithstanding an unpredictable economic and political backdrop in Ukraine throughout that time, including a fragile banking sector which between 2008 and October 2015 was regarded as having a negative outlook by Moody's credit rating agency. In November 2015, post the completed sovereign US$15.3 billion restructuring deal in August 2015, Moody's upgraded the outlook to stable for seven Ukrainian banks. However, Moody's also expressed that the macro profile for the Ukrainian banking sector "remains very weak".

The Group is now in the process of developing alternative banking relationships and currently uses Ukrsibbank, a local bank owned by BNP Paribas and the European Bank for Reconstruction and Development, as its main transactional bank.

For further information on the Ukrainian Banking Sector see Ukrainian Banking Sector Risk on page 35.

Corporate Governance and Risk Management

The Board of Ferrexpo has constantly managed the risks facing the business. This includes taking into account the country of operation and all associated counterparty risks such as the recovery of VAT, the requirement to prepay corporate profit tax and the management of legal and other related claims, amongst others.

The Board of Ferrexpo is disappointed by the potential loss resulting from the insolvency of Bank F&C, but notes the overall reduction achieved in exposure to total counterparty risk in Ukraine, through the substantial decline in the outstanding VAT balance and the elimination of the requirement to prepay corporate profit tax. The Board of Ferrexpo is also pleased to finally see progress in the resolution of the long standing legal claim for approximately 40% of Ferrexpo Poltava Mining which was being contested actively between 2010 and early 2015.

The Board of Ferrexpo continues to actively manage local counterparty risk whilst taking into consideration that the productive base of the Group resides exclusively in Ukraine, currently rated Caa3 by Moody's, and thus carries inherent risks both in terms of operation and financial management. For further information see the Principal Risks on page 32.

Debt Amortisation and Liquidity

In 2015, the Group repaid US$394 million of debt and as of 31 December 2015 gross debt had declined 31% to US$904 million compared to 31 December 2014 (US$1.3 billion). US$154 million of the debt repayment related to a prepayment to extend the Group's US$500 million Eurobond from April 2016 to April 2019, reflecting the Group's active management during the year to match its cash flow generation to its debt amortisation schedule.

Net debt as of 31 December 2015, increased to US$868 million (31 December 2014: US$678 million) principally reflecting the US$175 million reclassification of cash held at Bank F&C, for which an allowance was made.

As of 29 February 2016, the Group has a US$346 million bond maturing in equal parts in April 2018 and April 2019, a US$350 million pre export financing ('PXF') facility maturing in eight equal quarterly instalments starting in November 2016, and a US$420 million PXF facility, of which the remaining US$88 million is due to be repaid in five monthly amounts completing in July 2016. Cash on hand as of 29 February 2016 was US$36 million following the repayment of US$39 million of debt year to date.

Dividends

The Board is pleased by the continued strong operational performance of the Group, its lower costs and the recent strength in the iron ore market. The Board is not recommending a final dividend for the year in view of the uncertain iron ore pricing outlook and current gearing levels, although it is very pleased with progress to date in 2016. The Board will keep returns to shareholders under review and will return to dividend payments at an appropriate time which takes into account the strength of the business following over US$2 billion of investment and its financial position.

Board succession

As part of the Board refreshment process started in 2013, we have been developing succession planning for the Non-executive Directors in order to conform to the Corporate Governance Code and, in particular, to ensure that the Board is provided with the necessary breadth of experience and expertise.

Ferrexpo appointed two new Directors during the year following the appointment of Bert Nacken in 2014. Mary Reilly was appointed in May 2015 and brings extensive audit and financial experience from her previous career as a partner of Deloitte LLP. She became Chairman of the Audit Committee in November.

In October 2015, David Frauman was appointed to provide additional experience on a short-term basis. Having done so, he is now standing down and I am grateful to him for the wise counsel he has provided to the Board.

I am pleased to announce today that Sir Malcolm Field has been appointed as an independent Non-executive Director to the Board with immediate effect.

Mike Salamon, who joined the Board in March 2009, will not be standing for re-election at the Group's AGM in May 2016. On behalf of the Company, I would very much like to thank Mike for his outstanding contribution to the Company's affairs over the last seven years.

In view of the provisions of the Corporate Governance Code, the Board intends that when an independent director has completed a nine year term he will no longer be viewed as independent and will therefore retire from the Board once a suitable successor has been found. Wolfram Kuoni and Oliver Baring, who joined the Board in June and December 2007 respectively, will accordingly seek re-election at the AGM on the understanding that they will retire from the Board once appropriate successors have been found. A Ukrainian successor to Ihor Mitiukov, who also joined the Board in June 2007, is expected to be announced shortly and at that time Ihor will retire from the Board. Meanwhile, he also seeks re-election at the AGM.

In line with our previously stated intention that I should stand down as your Chairman at the 2016 AGM, we are now in advanced discussions with a candidate who is expected to succeed me, following a suitable handover period of no more than a few months. The candidate is expected to join the Board in the near future. I will seek re-election at the AGM in order to facilitate the handover.

Outlook

The iron ore price has currently recovered from the low point reached in December 2015 of US$38.50 per tonne to around US$62 per tonne (as of 8 March 2016). In addition, since the start of the year, pellet premiums have increased while freight rates have fallen, both of which are improving the Group's received price on an FOB basis. The Group has also continued to reduce its cash cost of production which has declined from an average of US$26.40 per tonne in December 2015 to an average of US$24.30 per tonne in February 2016.

As a result of a forecast oversupply of iron ore fines in 2016, however, prices are expected to fall further in the present macroeconomic environment, while industry participants take additional measures to reduce costs or curtail production. Ferrexpo sells iron ore pellets which, in contrast to iron ore fines, are forecast to be in under supply, and demand is expected to grow in the period to 2020. The Group's operations are positioned at the bottom of the global pellet cost curve, and it is well placed to remain profitable in the current challenging market conditions as it has consistently been throughout its 40 year history.

PERFORMANCE REVIEW

Kostyantin Zhevago Chief Executive Officer

Chris Mawe Chief Financial Officer

FINANCIAL RESULTS

In 2015 Ferrexpo responded to the challenging environment with a strong marketing and operational performance which helped offset the impact of the lower iron ore price.

Revenue

Group revenue for the period decreased by 31% to US$961 million compared to US$1,388 million in 2014. This reflected a 42% decline in the average Platt's 62% Fe iron ore fines price which reduced Ferrexpo's revenue by US$467 million.

Ferrexpo's net realised DAP/FOB price, outperformed the Platts iron fines index by 11%. This was due to relatively stable pellet premiums year-on-year, higher revenue received for additional 65% Fe pellet sales (compared to 62% Fe pellet sales) and lower C3 freight (which led to a higher net back FOB price for the Group). Together these factors added US$146 million to 2015 revenue. Lower freight costs charged to customers as well as lower revenue from the Group's barging business and other reduced total revenue by US$108 million compared to 2014. Group sales volume increased 1.5% to 11.3 million tonnes (2014: 11.2 million tonnes). For further information see Market Review, Marketing and Selling and Logistics on pages 21, 22, 23.

Costs

While revenue declined by US$428 million the Group was able to reduce costs by US$294 million, before operating foreign exchange gains, in 2015 compared to 2014.

The majority of the cost savings were driven by a 30% decline in the Group's C1 cash cost of production to US$31.9 per tonne (2014: US$45.9 per tonne) as well as lower rail and international freight costs. The lower costs were due to a combination of a weaker Hryvnia against the US Dollar, operating efficiency gains, lower oil prices and weak international freight rates. For further information see Currency, Logistics, Production Costs and Mining and Production Efficiencies on pages 20, 23, 24, 25.

Operating Profit before Adjusted Items

Operating profit from continuing operations before adjusted items was US$251 million in 2015 compared to US$409 million in 2014. This includes a non-cash operating foreign exchange gain of US$26 million. (2014: US$76 million). For further information see Currency on page 20.

EBITDA

EBITDA for the period was US$313 million compared to US$496 million in 2014. The decline reflected the fall in iron ore prices during the period offset by an improved sales mix, higher sales volumes and significant cost reductions.

Special Items

Total special items for the year, after an expected tax relief credit, amounted to US$110 million (2014: US$84 million).

The Group has recorded an allowance for US$175 million held at Bank F&C at the time the bank was placed into administration by the National Bank of Ukraine ('NBU') in September 2015. If this amount is ultimately not recovered, this would result in a loss, after an expected tax relief credit, of US$146 million. For further information on Bank F&C see the Chairman's Statement on page 16 Ukrainian Banking Sector Risk on page 35 and Notes 13, 15, 29 and 31 to the accounts.

During the year the Group disposed of its stake in Ferrous Resources resulting in a gain on disposal of US$41 million. In 2014 a US$84 million impairment of the Group's holding in Ferrous Resources was recorded.

In 2015, the Group impaired assets with a value of US$5.6 million. This principally related to the write-off of prepayments of US$4.6 million.

Interest

Finance expense was US$72 million (2014: US $68 million). The average cost of debt for the period was 5.97% compared to an average cost of 4.85% in 2014. The increase reflected a gradual rise in US LIBOR as well as the amortisation of the Group's lower cost US$420 million pre-export banking facility commencing in 2H 2014 while the Group was required to pay a higher coupon on its Eurobond (partly offset by a lower principal amount outstanding). 56% of the Group's debt is floating with the remaining 44% fixed. For further information on the Group's debt see Cash Flows below on page 20 and Financial Management in the Performance Review on page 29.

Tax

In 2015, the Group's underlying tax charge, before special items, was US$22 million resulting in an effective tax rate of 13.7% compared to 20.9% in 2014 or US$70 million.

Ferrexpo has recognised a US$28 million deferred tax asset related to the allowance booked for restricted cash. Overall the Group has recorded a tax credit of US$6 million for the year compared to a US$70 million tax charge in 2014.

The balance of prepaid corporate profit tax in Ukraine decreased to US$54 million as of 31 December 2015, compared to US$74 million as of 31 December 2014. The decrease was mainly driven by the devaluation of the Hryvnia against the US Dollar. Further details see Note 15 of the accounts.

Currency

Ferrexpo prepares its accounts in US Dollars. The functional currency of the Ukrainian operations is the Hryvnia. During 2015 the Hryvnia devalued from UAH15.77 per US Dollar as of 1 January 2015 to UAH24.00 per US Dollar as of 31 December 2015. The average rate for the period was UAH21.86 per US Dollar (2014 average: UAH11.89 per US Dollar). Balances at 31 December 2015 are converted at the prevailing rate. The devaluation of the currency since 31 December 2014 has resulted in a US$472 million reduction in the net assets of the Group and has been reflected in the translation reserve. Since 31 December 2015, the Hryvnia has further depreciated to approximately UAH27 per US Dollar.

Capital Expenditure

Capital expenditure reduced significantly in 2015 to US$65 million (2014: US$235 million) as the Group completed, in 1Q 2015, its major investment programme to increase the production of 65% Fe pellets as well as overall production volumes. Following this completion and given the low iron ore price environment, Ferrexpo has reduced its discretionary capital expenditure. For further information see Capital Investment on page 27.

The table below presents the breakdown of capital expenditures in 2015 and 2014.

Capital expenditure breakdown:

US$ million	2015	2014
FPM	**34**	136
Sustaining (incl. logistics)	**32**	43
Capacity upgrade project	**–**	37
Mine life extension	**–**	12
Quality upgrade project	**2**	44
FYM	**25**	73
Stripping and infrastructure	**24**	62
Concentrator	**1**	11
FBM, other deposits	**2**	9
Logistics	**4**	17
Total	**65**	235

Cash Flows

Net cash flows from operating activities in 2015 totalled US$128 million compared to US$288 million in 2014. The reduction principally reflected the lower iron ore price environment, partly offset by lower costs together with a US$73 million increase in working capital during the year. The increase in working capital primarily reflected higher levels of pellet stocks held due to lower prevailing prices at the year-end compared to expectations for 1Q 2016.

Capital expenditure decreased significantly to US$65 million (2014: US$235 million). For further details see Capital Investment on page 27.

Dividends paid during the period were US$78 million in line with 2014 at US$77 million. The Group received US$42 million from the sale of Ferrous Resources.

During the period the Group's cash position, before the reclassification of cash held at Bank F&C as restricted, reduced by US$406 million. The reduction was primarily a result of the repayment of US$394 million of debt (2014: US$119 million) of which US$154 million related to Eurobonds to extend the tenor from April 2016 to 2018 and 2019, US$210 million related to the amortisation of a US$420 million banking facility and the remainder related to repayment of Export Credit Agency funding. For further details see Financial Management on page 29.

Net debt as of 31 December 2015, increased to US $868 million (31 December 2014: US $678 million) principally reflecting the US$175 million reclassification of cash held at Bank F&C, for which an allowance was made.

For further information see the Chairman's statement on pages 16 to 18, Financial Management on page 29 and Notes 28, 29, 31 and 35 of the accounts.

FPM processing facilities have undergone a four year modernisation and upgrade programme.

MARKET REVIEW

In 2015, total world steel production declined by 2.5% to 1.68 billion tonnes (2014: 1.73 billion tonnes). China, the world's largest steel producer, reduced its steel output by 2.2% to 873 million tonnes. The fall in global steel output resulted in a 1.8% decline in total iron ore consumption, and the Platts 62% Fe iron ore fines price, CFR China declined by 42% from an average of US$97 per tonne in 2014 to US$56 per tonne.

Steel and iron ore statistics 2015 vs. 2014

Million tonnes	2014	2015	Change
World steel production	1,725	1,683	-2.5%
China steel production	893	873	-2.2%
Total iron ore consumption	2,117	2,078	-1.8%
Iron ore exports:			
Fines	1,032	1,024	-0.8%
Lump	201	219	8.9%
Pellet	145	151	4.3%
Pellet feed	74	79	7.1%

Source: CRU iron ore market outlook January 2016 statistical review.

Exports of iron ore fines declined by approximately 1% in 2015 (see table above), however, the market share of the four largest iron ore fines suppliers, increased to 85% (2014: 80%) at the expense of high cost suppliers who could not remain cash generative at the price levels experienced in 2015.

Geographic export of iron ore fines 2015 vs. 2014

Million tonnes	2014	2015	Change
Australia	600	630	5.0%
Brazil	227	239	5.3%
Rest of the world	206	154	-25.2%
Total exports of iron ore fines	**1,033**	**1,023**	**-0.8%**
Australia and Brazil market share	80%	85%	6.3%

Source: CRU iron ore market outlook January 2016 statistical review.

Iron ore fines supply from Australia and Brazil increased 5.0% and 5.3% respectively while supply from the rest of the world decreased 25.2%.

Exports of pellets grew 4.3% in 2015 to 151 million tonnes. This growth was due to new supply from market leaders Vale and Samarco. In contrast to the sharp decline in the iron ore fines price of 42%, the long-term contract premium paid for pellets in the key markets of Western Europe and North East Asia declined approximately 13% in 2015 from US$38 per tonne in 2014. According to Mysteel data, Chinese spot pellet premiums in 2015 declined on average by approximately 16% from US$27 per tonne in 2014 to US$23 per tonne reflecting available pellet feed from higher cost domestic iron ore producers.

The chart below highlights the top exporters of pellets to the global blast furnace and direct reduction steel markets in 2015, while the FOB cost curve on page 22 shows the cost of pellet production, including in-country distribution costs, for the major pellet producers in 2015.

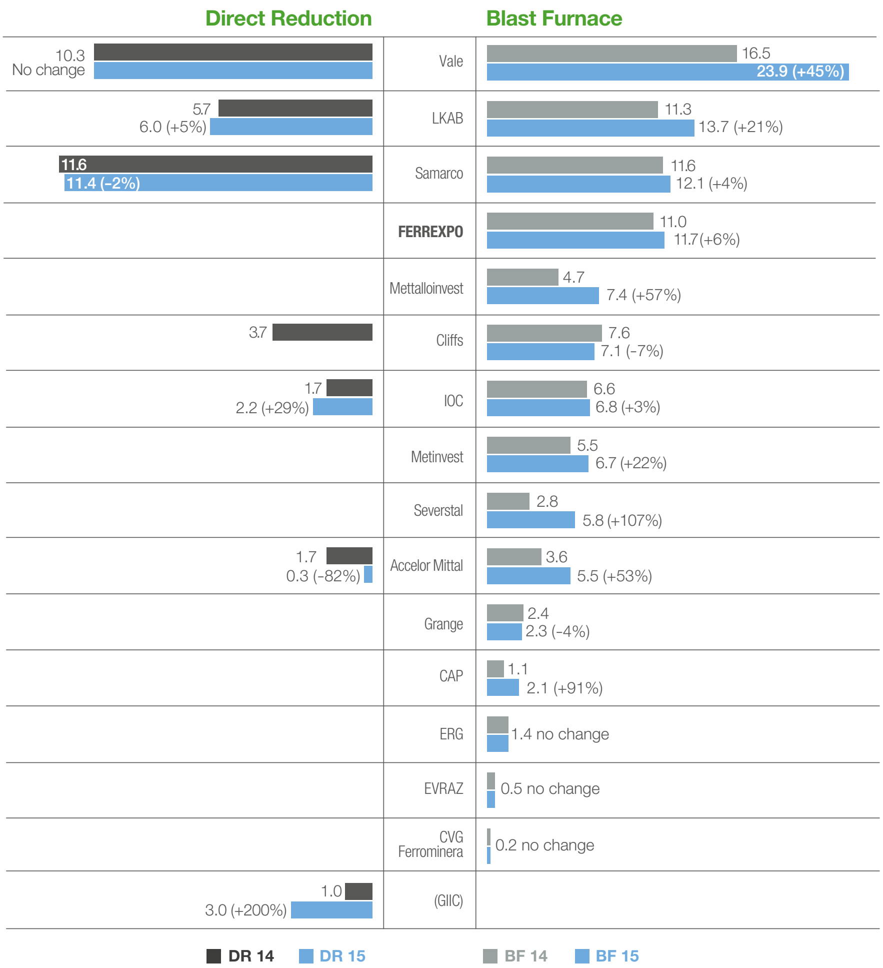
Ferrexpo was the fourth largest exporter to the blast furnace pellet market and the lowest cost pellet producer in 2015.

Pellets are a niche subsector of the iron ore market. The table on page 22 shows that historically there has been limited supply growth in pellets with exports of pellets increasing by only 45 million tonnes since 2000 (including Samarco pellet capacity, which is currently idled, of 30 million tonnes).

This compares to an increase of 759 million tonnes since 2000 in the iron ore fines segment. The limited availability of pellets reflects the highly capital intensive nature of installing beneficiation and pelletising facilities. A greenfield pellet project from mine to end product would likely cost in the region of US$1 billion to US$3 billion.

The tragic failure of a Samarco tailings dam in November 2015 resulted in the shutdown of its operations. Samarco produced approximately 30 million tonnes or around 20% of the pellet export market, which is currently absent from the market. As a result

Estimated breakdown between Blast Furnance and DR pellet exports, Mt US$ per tonne



Source: CRU pellet market analysis, March 2016.

capacity utilisation rates of other pellet producers are expected to increase in 2016. There is a possibility that higher cost idled pellet capacity of up to 7 million tonnes could re-enter the market if pellet premiums provide an acceptable return, however, overall pelletising capacity is not expected to increase significantly in the coming years due to high capital barriers to entry.

Limited historic growth in pellet capacity due to high barriers to entry

Exports of iron ore MT	2000	2015	Increase	CAGR
Pellets	**106**	**151**	**45**	**2.4%**
Lump	93	219	126	5.9%
Sinter fines	265	1,024	759	9.4%
Total	**464**	**1,394**	**930**	**10.5%**

Source: CRU iron ore market outlook January 2016 statistical review.

Demand for pellets is expected to show the strongest growth in the period to 2020 as the table below from CRU highlights with pellets forecast to grow by 4.1% on CAGR basis, while demand for iron ore fines is expected to decline by 1.2%. The decline in demand for iron ore fines is due to lower steel demand, tighter emission controls as well as improved blast furnace utilisation rates, as more expensive uneconomic steel capacity is closed, which is expected to favour pellet use over sinter fines.

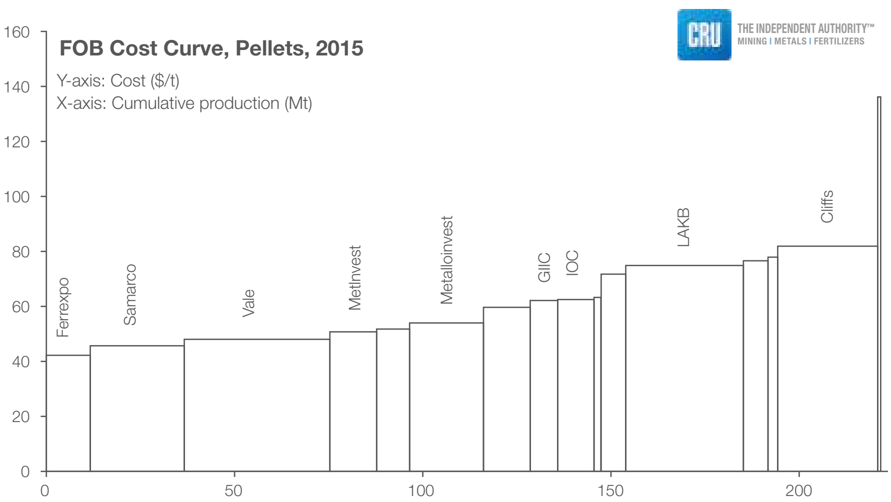
Pellet demand to show strongest growth in iron ore

Consumption MT	2015	2020	Increase	CAGR
Pellets	**408**	**498**	**90**	**4.1%**
Lump	268	309	41	2.9%
Sinter fines	1,198	1,128	-70	-1.2%
Total	**2,078**	**2,162**	**84**	**0.8%**

Source: CRU iron ore market outlook January 2016 statistical review.

Ferrexpo believes that the above market dynamics favor large scale, low cost efficient producers of sinter fines or high quality niche producers of pellets (not considered as the core business of larger producers). Ferrexpo is in the niche segment which is shown in the chart below and represents 250 million tonnes of supply out of the total world market nearing two billion tonnes of iron ore products.

The Group's past investment strategy of improving the quality of its product together with its low cost base and premium customer portfolio should ensure that Ferrexpo's operations can withstand the current cyclical downturn and emerge as a stronger and fitter Group.



Source: CRU iron ore market outlook January 2016 statistical review.

MARKETING

Ferrexpo's realised price for its 65% Fe iron ore pellets is calculated by taking the average Platts iron ore fines CFR China index, adjusting for quality and adding a pellet premium. For sales to the Far East, delivery is made on CFR terms with the resulting FOB netback determined by the actual cost of freight. For sales to European and regional markets, the resulting FOB/DAP netback is determined by deducting transparent freight market indices (such as C3) and adding appropriate freight costs for the relevant point of sale.

The C3 freight index, as published by the Baltic Exchange, represents the industry benchmark price to transport goods by sea from Tubarao, Brazil to Qingdao, China. The C3 index declined dramatically during the year following the substantial fall in the oil price. On average C3 freight reduced by US$9.4 per tonne to US$11.2 per tonne in 2015 (2014: US$20.6 per tonne) resulting in a higher net back price for the Group.

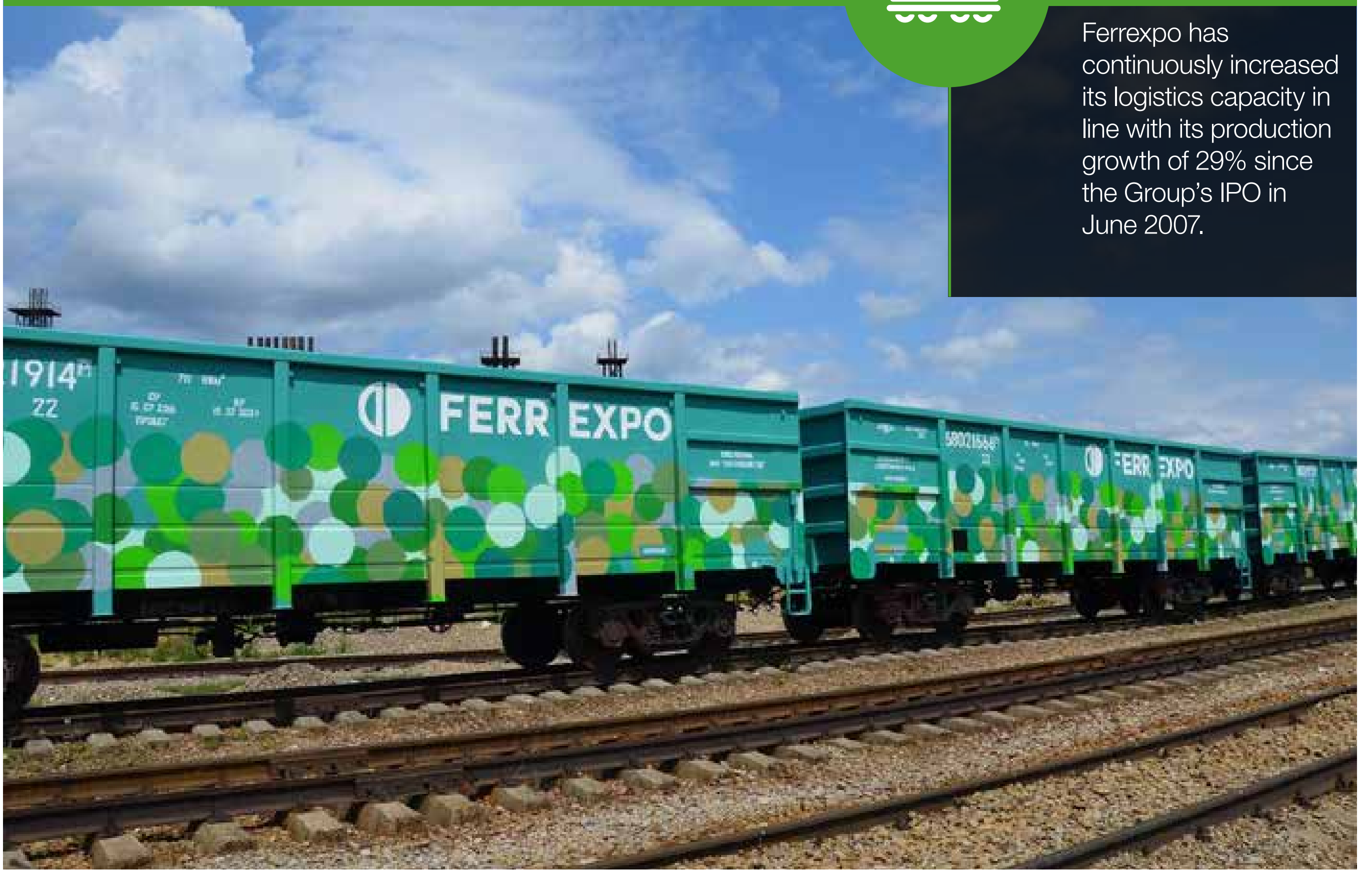
Due to relatively stable pellet premiums under long-term contracts (see Market Review), the additional iron premium received for selling a higher proportion of 65% Fe pellets and lower freight rates, the Group's average received price in 2015 outperformed the Platts 62% Fe iron ore fines CFR index by 11%, declining on average by 32% compared to the 42% decline of the Platts index.

The Group typically negotiates pellet premiums annually, half-yearly or quarterly while a monthly or three-month average is usually used to determine the average iron ore fines index price, as can be seen from the table below. The sales made at a fixed price on a particular day reflects efforts to secure margins in a falling market.

Sales volume by pricing terms:

	Year ended 31.12.15	Year ended 31.12.14
Monthly spot index	**79%**	79%
Current quarter spot index	**5%**	5%
Lagging 3-month spot index	**8%**	8%
Spot sales fixed on day	**8%**	8%
Total sales volume (million tonnes)	**11,330**	11,167

Ferrexpo has continuously increased its logistics capacity in line with its production growth of 29% since the Group's IPO in June 2007.



In 2015, Ferrexpo increased sales volumes by 1.5% to 11.3 million tonnes of pellets compared to 11.2 million tonnes in 2014. The Group sold 9.9 million tonnes of 65% Fe pellets, up 74% compared to 5.7 million tonnes in 2014. Importantly, the high quality pellets also enabled the Group to improve the sales mix by penetrating further into premium markets and away from low end markets.

The table below shows the breakdown of sales by key market regions. Overall tonnages delivered to Western Europe and North East Asia increased due to increased marketing focus in these markets, following the increase in 65% Fe pellet production. The increase in sales volumes in 2015 was lower than the increase in production volumes due to a larger number of discrete delivery points utilised during the year to service the changing sales portfolio.

Sales volume by market regions:

	Year ended 31.12.15	Year ended 31.12.14
Central and Eastern Europe	**49%**	49%
China	**22%**	25%
North East Asia	**12%**	10%
Western Europe	**11%**	8%
Turkey, Middle East, India	**6%**	8%
Total sales volume (million tonnes)	**11,330**	11,167

LOGISTICS

Selling and distribution costs decreased by 27% to US$226 million (2014: US$312 million) as a result of the devaluation of the local currency and lower international freight rates.

Costs to transport the Group's pellets to border points for international dispatch were US$112 million (2014: US$145 million). The 23% reduction was mainly due to the Hryvnia depreciation against the US Dollar, as 100% of rail costs are in local currency, as well as cost actions taken by management. Rail tariffs did increase by approximately 30% year-on-year, however, the increase was offset by the Hryvnia devaluation.

International freight costs reduced significantly to US$75 million in 2015 compared to US$123 million in 2014. This was driven by lower oil prices and depressed market conditions in the shipping industry. For further information on C3 freight see Marketing on page 22. Ferrexpo loaded 23 capesize vessels during the year (2014: 22).

MINING AND PRODUCTION

Ferrexpo is pleased to report an excellent year of operational improvement in 2015 with the Group delivering its strategy to increase the volume and quality of its output while remaining a low cost, efficient producer. The Group increased total pellet production by 5.8% to a record 11.7 million tonnes (2014: 11.0 million tonnes). Importantly, as planned, it increased the output of premium 65% Fe pellets by 78.6% to 10.4 million tonnes, another record for the Group. This compares to 5.8 million tonnes of 65% Fe pellets produced in 2014. In the 4Q 2015, the Group produced at or close to 1 million tonnes per month, of which 95% of production was 65% Fe pellets. The Group's current nameplate capacity is 12 million tonnes per annum. In 2016, Ferrexpo has planned for approximately 92% of its production to be premium 65% Fe pellets with the remaining production of 62% Fe pellets in line with existing customer requirements.

Health and Safety

The Group is pleased to be able to report that there were no work related fatalities during the year (2014: three). The lost time injury frequency rate ("LTIFR") however increased during the period to 0.96 per million man hours (2014: 0.86 per million man hours).

The LTIFR at Ferrexpo Poltava Mining ("FPM") (including contractors) increased to 0.75 per million man hours in 2015 (2014: 0.47 per million man hours) while Ferrexpo Yeristovo Mining's ("FYM") LTIFR increased to 0.74 per million man hours (2014: nil). Ferrexpo believes the increase in LTIFRs was due to a failure to correctly follow safety procedures and a lack of safety standard enforcement by team leaders.

This has been addressed across the Group's operating subsidiaries with retraining and instruction processes completed with all staff that access mobile equipment, along with increased auditing and observations by team leaders during periods of high activity, such as shift change overs and meal breaks.

LTIFR for the Group's barging operation, DDSG, including leased crews, was 4.93 per million man hours worked (2014: 9.08 per million man hours worked). The difference in LTIFR between the mining and barging operations principally reflects the lower hours worked at the barging operations compared to the mining operations. DDSG has seen a significant improvement in LTIFR since a new provider of leased crews was appointed during the year who prioritises health and safety training.

Lost time injury frequency rate	2015	2014
Mining operations	**0.75**	0.47
Barging operations	**4.93**	9.08
Total Group	**0.96**	0.86

Production Statistics

(000't unless otherwise stated)	2015	2014	Change %
Iron ore processed from FPM & FYM	**30,168**	29,957	0.7%
Average Fe content %	**33.65%**	33.38%	0.8%
Concentrate produced ("WMS")	**14,378**	13,726	5%
Weighted average Fe content %	**62.35%**	62.70%	(0.6%)
Pellets produced from FPM & FYM	**11,258**	10,670	6%
Higher grade	**9,969**	5,544	80%
Average Fe content %	**64.90%**	64.90%	0%
Lower grade	**1,289**	5,126	(75%)
Average Fe content %	**62.45%**	62.20%	0.4%
Purchased concentrate	**466**	405	15%
Average Fe content %	**66.33%**	65.80%	0.8%
Pellets produced from purchased concentrate	**403**	351	15%
Higher grade	**397**	259	53%
Average Fe content %	**64.85%**	64.90%	(0.1%)
Lower grade	**6**	92	(94%)
Average Fe content %	**62.36%**	62.20%	0.3%
Total pellet production	**11,662**	11,021	6%
Pellet sales volume	**11,330**	11,167	2%
Gravel output	**1,757**	1,819	(4%)
Total Group stripping volume (million m³)	**26,933**	49,697	(46%)

Production Costs

Costs

C1 Cash Cost of Production

The Group's C1 cash cost of production reduced by US$14.0 per tonne to US$31.9 per tonne compared to US$45.9 per tonne in 2014. Of this 30% cost reduction, approximately US$8.0 per tonne was due to the Hryvnia devaluation against the US Dollar, while US$4.1 per tonne was driven by increased production volumes, efficiency gains and reduced stripping volumes (see Mining and Production Efficiencies below) and US$2.7 per tonne was due to lower oil prices. Higher levels of production of the Group's 65% Fe pellet, which requires additional grinding and beneficiation, increased costs by US$0.8 per tonne.

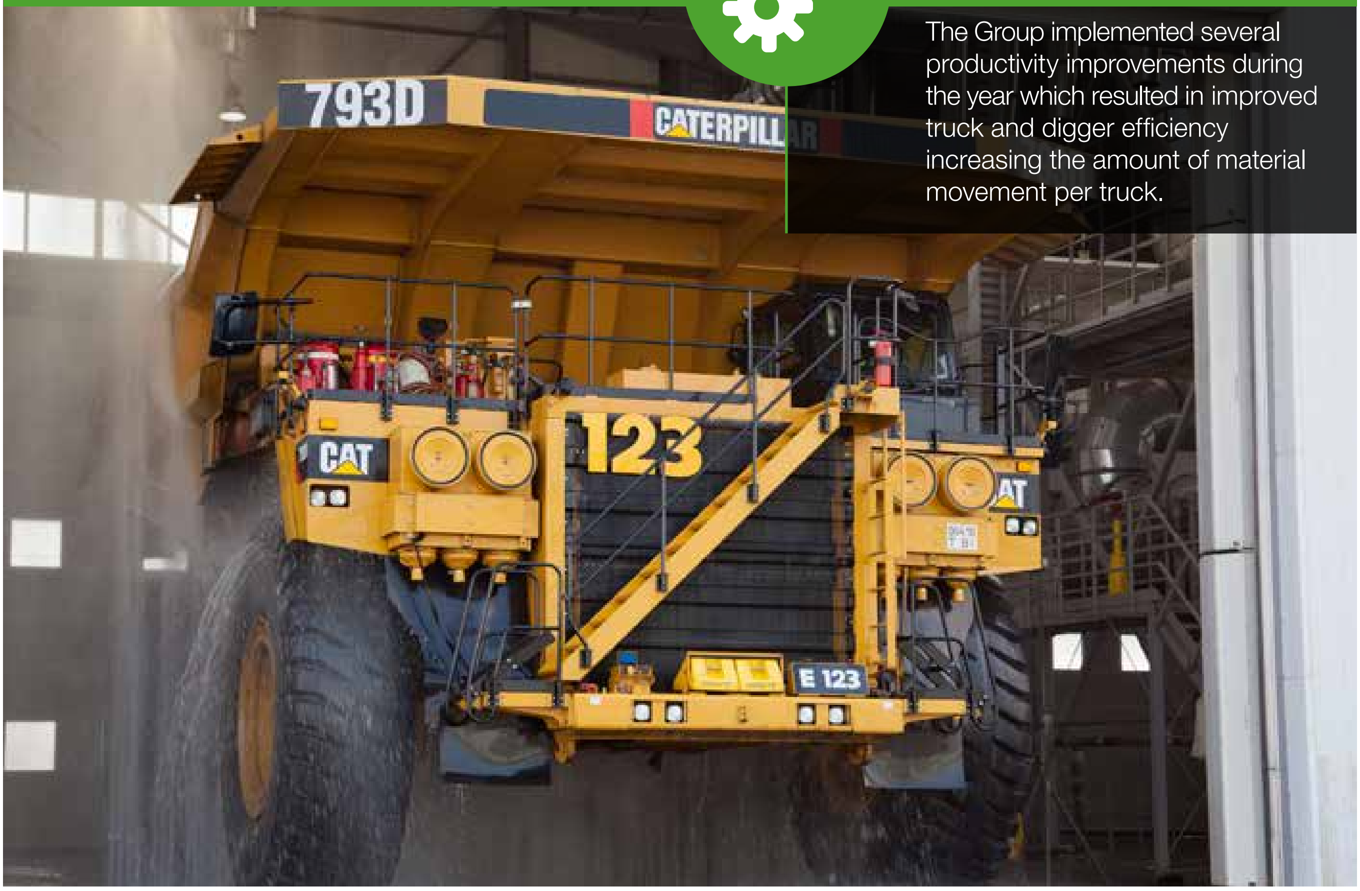
In 2015, the average exchange rate of the Hryvnia per US Dollar was 21.9 compared to 11.7 in 2014. The higher rate in 2015 reduced the C1 cost by 17% as approximately 50% of the Group's cost to produce a pellet is in Hryvnia. For further information on the impact of the Hryvnia devaluation see Currency on page 19.

Local C1 cost inflation during the period was primarily driven by wage inflation (+23% vs. average 2014) and electricity price increases (+41% vs. average 2014) following the large devaluation of the Hryvnia in February 2015. These costs, however, are still significantly lower in US Dollar terms than the prior period. The table below shows the month on month change in CPI for the year. Inflation rose strongly in March and April following the devaluation in February and thereafter the rate of increase started to slow with some months showing deflation. For further information see Update on Risks: Inflation on page 36.

Ukrainian 2015 Month-on-Month CPI

	Jan 2015	Feb 2015	March 2015	April 2015	May 2015	June 2015	July 2015	Aug 2015	Sep 2015	Oct 2015	Nov 2015	Dec 2015
Ukraine CPI	103.1	105.3	110.8	114.0	102.2	100.4	99.0	99.2	102.3	98.7	102.0	100.7

Source: www.ukrstat.gov.ua



The Group implemented several productivity improvements during the year which resulted in improved truck and digger efficiency increasing the amount of material movement per truck.

The following table shows the percentage breakdown of the Group's cost base by category:

Input	% of C1 cash cost
Electricity	28%
Gas	16%
Fuel	8%
Materials	13%
Personnel	8%
Grinding bodies	8%
Maintenance	6%
Spares	5%
Royalties	5%
Explosives	3%

Mining and Production Efficiencies

In 2015, the Group optimised output from the FPM and FYM pits so that it could maximise production, and minimise costs per tonne. This resulted in a significant reduction in stripping volumes as the revised mine plan more closely correlated with the Group's production requirement. Since implementation in January 2015, this has resulted in a 36% decrease in the amount of waste material moved compared to 2014.

The Group also implemented several productivity improvements during the year which led to improved truck efficiency and a greater amount of material movement per truck. On average, together FPM and FYM increased the amount of material moved per truck in operation by 50% from 302 tonnes per truck per hour to 452 tonnes per truck per hour. This was achieved through a combination of hot seating, faster changeovers and improved fleet management.

Another focus area during the year was improved drilling and blasting which led to increased excavator productivity.

For example, excavator productivity at FYM increased by over 25% during the year.

Overall, the above actions reduced the C1 cash cost by approximately US$4.1 per tonne or US$46 million in 2015.

Business Improvement Programme

The Business Improvement Programme ('BIP') aims to increase process efficiencies and reduce consumption norms in the production process thereby reducing the total cost of production by up to 2% per annum. Focus areas included increasing plant throughput, increasing mobile mining fleet utilisation, de-bottlenecking processing activities, and improving process control. FPM undertook 27 BIP projects during the year while FYM undertook 11 projects.

In 2015, the BIP projects generated cost savings and efficiency improvements of an estimated UAH68 million or US$3 million.

As gas and electricity represent approximately 40% of the cash cost of production, a major focus of the BIP is to identify and implement material energy savings projects in the mining and processing operations.

In September 2015, Ferrexpo began using sunflower husks as a natural gas replacement for one of its four pelletising lines. Ukraine is the largest producer of sunflower seeds in the world and the Group sourced the husks from a local company in the Poltava region. FPM saved over three million cubic metres of natural gas providing a cost saving of US$0.2 million. In December 2015, line number 2 of the pelletiser began to use husks. The Group intends to replace up to 30% of its total natural gas consumption in the pelletiser with sunflower husks.

The graphs to the right demonstrate that over the long-term Ferrexpo has improved its energy efficiency through the reduced consumption of electricity and gas per tonne of pellets produced as well as reduced its steel consumption through the reduction in grinding bodies per tonne of pellets produced.

The 1% increase in electricity consumption per kWht per tonne of pellets in 2015 is a good performance in context of the 79% increase in the production of higher grade 65% Fe pellets that require higher levels of processing in the beneficiation plant in order to upgrade the iron content of the concentrate. Gas consumption decreased despite increased levels of pellet output.

Environmental Impact

As in previous years, the Group is able to report there were no incidents regarding emissions or discharges that exceeded permissible environmental limits during the year.

CO_2 Emissions

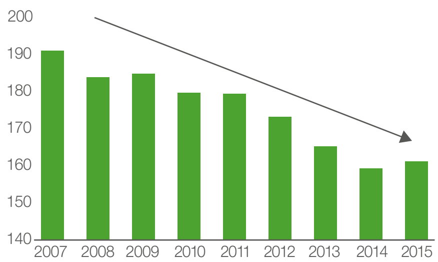
The table below shows that the Group's carbon intensity ratio in 2015 was in line with 2014. FPM, FYM, FBM and the barging operations collected information on greenhouse gas emissions created by solid, liquid, and gaseous fuels, as well as refrigerants, explosives, purchased steam and electricity.

Emissions in tonnes	2015	2014
CO_2 emissions	**2,728,313**	2,732,587
Pellets produced kt	**11,661**	11,021
Intensity ratio	**0.234**	0.238

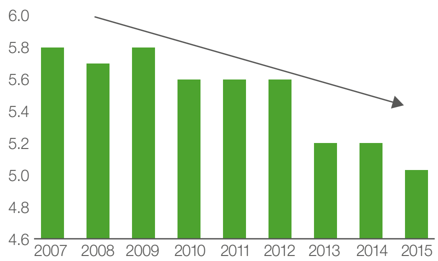
Note: 2014 data has been restated due to an incorrect factor applied to the conversion of natural gas from cubic metres into tonnes.

CO_2 emissions directly generated by the operations were 0.68 million tonnes in 2015 compared to 0.80 million tonnes in 2014. The reduction in direct emissions is as a result of a 36% reduction in stripping volumes and a corresponding 31% decline in diesel consumption. Emissions generated from indirect sources, such as electricity purchased from Ukraine's national grid were 2.05 million tonnes in 2015 compared to 1.93 million tonnes in 2014. For further information on the methodology used for the above intensity ratio and for information relating to stationary and mobile gas emissions please see the Corporate Social Responsibility report on page 41.

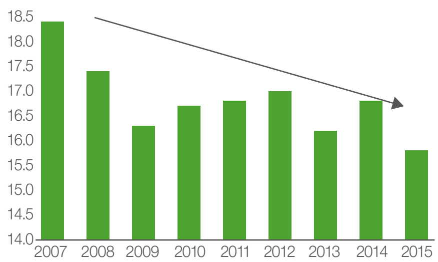
Electricity Consumption (kWh/t pellets)



Grinding Bodies (m^3/t pellets)



Gas (m^3/t pellets)



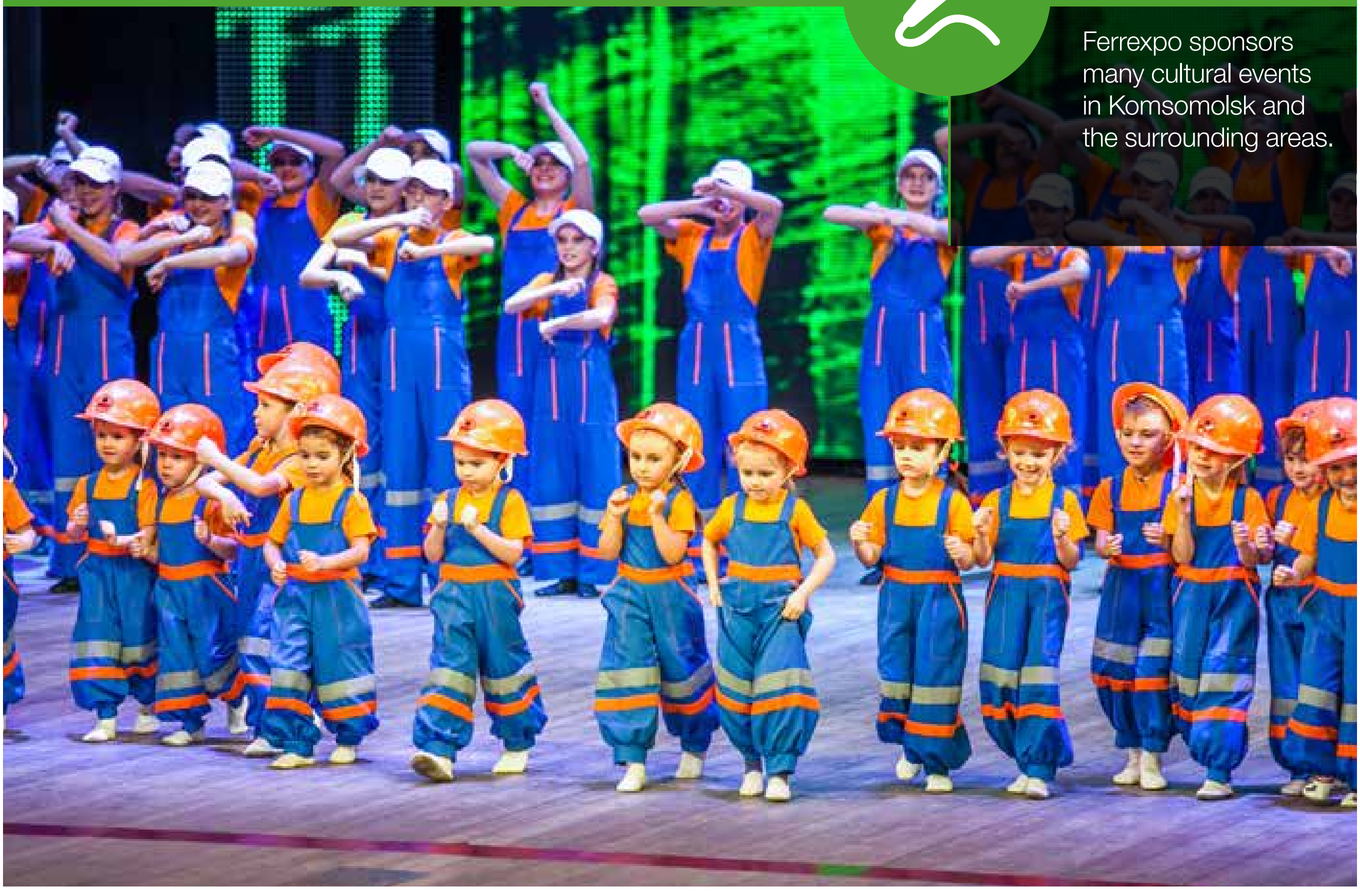
CAPITAL INVESTMENTS

In 1Q 2015, the Group commissioned the final sections of the new flotation units allowing the production facilities to produce a greater proportion of premium 65% Fe pellets while also increasing overall production volumes. This was the final part of a four year investment programme to modernise and increase the volume and quality of the Group's output. As such capital expenditure reduced significantly in 2015 to US$65 million (2014: US$235 million).

In the current iron ore price environment capital expenditure is expected to be between US$25 million to US$75 million per annum. The actual amount of expenditure will be determined by the iron ore price and the Group's cash generation ability as well as Ferrexpo's aim to balance capital expenditure with net debt reduction. If appropriate, capital investment could include small scale, high return projects that will incrementally increase production capacity.

The Group has spent over US$2 billion since its IPO in 2007 developing additional iron ore mining capacity at FYM and modernising FPM's mining and production facilities to increase pelletising output to 12 million tonnes of nameplate capacity per annum. The Group now has a well invested asset base which is efficient and low cost.

In 1Q 2015, FPM commissioned the final sections of the new flotation units allowing the production facilities to produce a greater proportion of premium 65% Fe pellets while also increasing overall production volumes.



Ferrexpo sponsors many cultural events in Komsomolsk and the surrounding areas.

CSR

Ferrexpo is an important contributor to the Ukrainian economy and has been consistently so for many years despite commodity cycles. Since its IPO on the London Stock Exchange in June 2007, the Group has paid approximately US$507 million in income and other taxes as well as US$105 million for royalty payments. According to the State Statistics Service of Ukraine, it is the largest exporter of pellets in the CIS and in 2015 the Group's revenue was 1.8% of the country's total export revenue.

The Group is also a major customer of state run infrastructure. For example in 2015, FPM was the number one customer of the Ukrainian rail network.

Ferrexpo is the largest employer in Komsomolsk, Poltava employing approximately one fifth of the population as employees or contractors. In 2015, according to the State Statistics Service of Ukraine, the average wage at Ferrexpo was 72% higher than the national average and 15% higher than the average wage received in the Ukrainian mining industry.

Due to Ukraine's weak public finances and fragile economy as well as the ongoing unrest in the east of the country, the Group continued its support for local and regional communities during the period. Community support donations were US$26 million in 2015 compared to US$39 million in 2014. The majority of this expenditure was paid to a Charity organisation called Blooming Land who then distributed the Funds to three separate charities called "Ukraine – Healthy Country (Diabetes A to Z)", "Healthy Sight (To see it all)" and "Institute of social programmes (Happy old age)" to be used on projects within Ukraine.

PEOPLE

Ferrexpo is pleased to report that it continues to maintain a good relationship with its workforce and that there was no labour related disruption to production during the year. There have been no significant industrial actions or labour disputes at FPM since its privatisation in 1995, or at FYM since its inception.

As of 31 December 2015, the Group employed 9,469 staff and 1,547 contractors (31 December 2014: 9,658 staff and 1,927 contractors). Average personnel costs at the Group's Ukrainian operations accounted for 8% of the cash cost of production per tonne of pellets (2014: 10%). In 2015, the Group experienced wage inflation of approximately 23% in local currency.

Ferrexpo believes it is important to attract, retain and develop skilled workers. In 2015, approximately 79% of the local workforce underwent training initiatives, principally related to safety and professional training. The Board would like to express its sincere appreciation to all of the Group's employees, especially in Ukraine, for their contribution to 2015's financial results and for their continued dedication during a challenging time in the country and in the iron ore industry.

UKRAINE

In 2015, Ukraine's economy continued to contract, although to a lesser extent as the year progressed. Real GDP decreased by 17.2%, 14.6% and 7.2% in the first, second and third quarters of 2015 respectively. The NBU estimates that GDP will fall by 10% for the year following a 7% decline in 2014. A significant proportion of the country's productive capacity is located in the eastern part of Ukraine, which is experiencing ongoing conflict. This has affected GDP growth as well as the banking sector, which has continued to face an increase in non-performing loans. The banking sector has also been impacted by the Hryvnia devaluation against the US Dollar as a high proportion of the financial system is Dollar based. Due to these events, the banking system is experiencing severe liquidity constraints and is regarded as significantly undercapitalised by all rating agencies.

Access to external financing in this environment has been limited for Ukrainian companies given the weak economy and the challenging geopolitical environment, as well as uncertainty as to whether the coalition government has the political support to implement policies that are necessary to restore macroeconomic stability, promote sustainable growth, and strengthen governance and transparency.

In March 2015, Ukraine received a new four-year US$17.5 billion rescue package from the IMF to help stabilise the country's weak financial position. To date US$6.7 billion of this has been disbursed. Further disbursements are contingent upon implementation of comprehensive economic reforms. In particular, it requires a further reform of Ukrainian tax legislation to bring a substantial portion of the shadow economy into the formal economy, continued reform of the energy sector through the introduction of uniform market-based energy prices, and reform of social benefits and pensions.

The country secured a debt restructuring in August 2015 for US$15.3 billion of government debt, thereby avoiding a sovereign default with private creditors, although Russia has filed a lawsuit against it for defaulting on a US$3 billion bond.

Although this has been a difficult time for Ukraine, Ferrexpo has avoided disruptions to its operations and has continued to trade profitably. As an exporter it has benefited from the devaluation of Hryvnia against the US Dollar.

For further information see Risks Relating to Ukraine on page 34.

FINANCIAL MANAGEMENT

Net debt as of 31 December 2015, increased to US$868 million (31 December 2014: US$678 million) principally reflecting the US$175 million reclassification of cash held at Bank F&C, for which an allowance was made. Net debt to EBITDA as of 31 December 2015 was 2.78x (31 December 2014: 1.4x).

In 2015, the Group repaid US$394 million of debt and as of 31 December 2015 gross debt had declined 31% to US$904 million compared to 31 December 2014 (US$1.3 billion). US$154 million of the debt repayment related to a prepayment to extend the Group's US$500 million Eurobond from April 2016 to April 2018 and 2019, reflecting the Group's active management during the year to match its cashflow generation to its debt amortisation schedule.

As of 29 February 2016, the Group has a US$420 million pre export financing ("PXF") facility, of which US$88 million is remaining and due to be repaid in five monthly amounts completing in July 2016, a US$350 million PXF facility, maturing in eight equal quarterly instalments starting in November 2016, and the above US$346 million Eurobond maturing in equal parts in April 2018 and April 2019. Cash on hand as of 29 February 2016 was US$36 million following the repayment of US$39 million of debt year to date.

As a result of the forecast cash flows of the business, the large reserve base and the competitive positioning of the business on the global iron ore and pellet cost curves, the accounts have been drawn up on a going concern basis, however attention is drawn to the Going Concern section of the Financial Statements, Note 2, on page 105 and the Principal Risks on page 32.

RISK MANAGEMENT

The Group has established risk management and internal control systems which support the identification, understanding and mitigation of the key risks that it faces.

Approach

The Group's risk management processes provide a framework to support the identification, prioritisation and management of the risks involved in the Company's activities. It is not and cannot be designed to eliminate risk, particularly in an emerging market economy.

Ferrexpo's risk management policies and procedures have been established to identify and analyse the risks faced by the Group, to set appropriate limits and controls and take relevant mitigating actions where considered by the Board of Ferrexpo and its executive management to be beneficial.

Risk Assessment

The Group's risk matrix is regularly reviewed and monitored by the Executive Committee and its subcommittee, the Finance and Risk Management Committee, as well as the Audit Committee and the Board. This review process includes ensuring that any new risks are identified, their potential impact on the Group assessed and appropriate controls established.

The risks identified are ranked based on the monetary impact and the probability of occurrence in order to assess their impact on the Group's operation and viability. The impact and the probability are reassed on a regular basis based on latest developments in the Group's macro and micro environment. It is the responsibility of the Group's Executive Committee to define appropriate actions to adequately monitor those risks and establish an effective control environment. The controls are generally conducted by the Group's Internal Audit function or members of the Executive Committee and updates are provided to the Executive Committee and the Board.

Risk Governance

The Ferrexpo Board is ultimately responsible for defining the Group's attitude to risk and ensuring that appropriate systems of risk management and internal control are established and embedded across the Group, in conformity with its desired risk management culture. Its responsibility extends to ensuring that the principal risks faced by the Group are robustly assessed and that the Company's exposure to such risks are aligned with its strategic objectives.

The Audit Committee assists the Board in its regular monitoring of risk exposures and the Group's risk matrix, and is responsible for evaluating the adequacy and effectiveness of the established risk management and internal control systems. It also oversees how management monitors compliance with risk management policies and procedures, with assistance from the Group Internal Audit function which conducts ad-hoc reviews of risk management controls and procedures as part of its annual programme of work. For more information relating to the Audit Committee's monitoring and assessment of the effectiveness of the risk management and internal control systems, see the Audit Committee Report on page 63.

The Finance and Risk Management Committee oversees the centralised financial risk management structures, while the Corporate Social Responsibility Committee monitors safety, environment and community risks and the Executive Compliance Committee monitors compliance and the activities of the Group and local compliance officers. These three committees assist the Audit Committee and Board in the identification and analysis of risk.

Assurance on the internal control and risk management systems is provided in the form of management information, reports and updates from the Group Internal Audit function, external audits and the oversight by the Executive Committee, Audit Committee and Board.

2015 Risk Assessment

The risks set out in the matrix were assessed by the Finance and Risk Management Committee, Executive Compliance Committee and the Audit Committee, as appropriate, and the risks identified as posing the biggest threat to the Company's operations (based on their potential impact and taking account of the mitigating measures in place) were analysed in order to identify the principal risks faced by the Group for assessment by the Board.

The principal risks identified are set out on pages 32 to 39.

At each Board meeting throughout the year, the Board reviewed the risk register and assessed the risks facing the Company over both the short and long-term. The viability statement is set out on page 40.

RISK MANAGEMENT PROCESS

Ferrexpo Board
– Overall responsibility for maintaining sound risk management and internal control systems
– Sets strategic objectives and defines risk appetite
– Monitors the nature and extent of risk exposure

Audit Committee
– Support the Board in monitoring risk exposure and risk appetites
– Review effectiveness of risk management and control systems

Executive Committee
– Assess and mitigate company-wide risk
– Monitor internal controls

CSR Committee
– Oversight of CSR matters and performance

Finance & Risk Management Committee
– Monitor centralised financial risk management structures

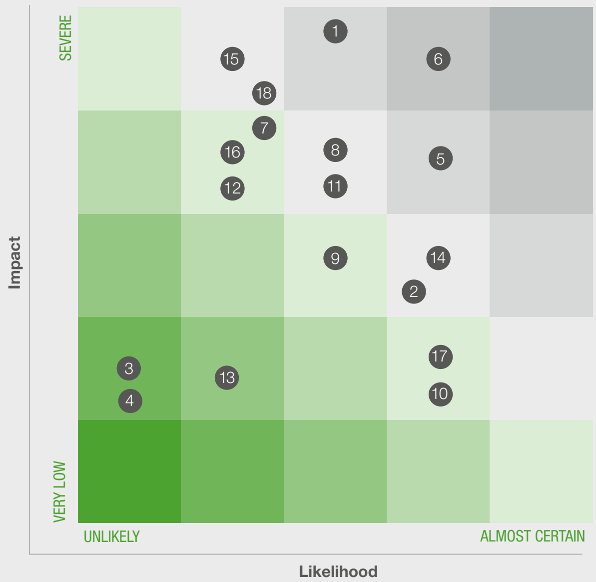
Executive Compliance Committee
– Monitor Group compliance
– Monitor Group and local compliance officers

Internal Audit Function
– Support the Audit Committee in reviewing the effectiveness of risk management
– Internal control systems

Operational Level
– Risk management processes and internal controls embedded across all Ferrexpo operations.

RISK MATRIX HEAT MAP

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



PRINCIPAL RISKS

RISKS RELATING TO THE GROUP'S STRATEGY

1. DEBT MATURITY PROFILE

Change from 2014

Possible Impact

Due to the weak iron ore price, Ferrexpo has been reviewing its debt facilities with a view to better matching the positive cash flow generation of the business to its debt amortisation profile.

Ferrexpo remains in compliance with all relevant conditions in its financing agreements. In a continuing weak iron ore price environment there is a risk that the Group may not able to comply with some or all financial covenants.

For further information see the Viability statement on page 40 and the Going Concern note on page 105 of the financial statements.

Mitigation

- In 2015 the Group successfully extended the maturity of its 2016 Eurobond to 2018 and 2019 (see Financial Management on page 29).
- The Group intends to maintain an open and constructive dialogue with its existing and potential new lenders, including, if appropriate, regarding refinancing of both its shorter and longer dated debt maturities in order to ensure that the Group has additional headroom, following the repayment of its debt facilities, to withstand a downturn in prices from current levels.
- In 2015, Ferrexpo was the lowest cost pellet producer in the world, according to CRU.

Associated Strategic Priorities B D E F G H I

2. INTEREST RATE RISK

Change from 2014

Possible Impact

A portion of the Group's debt facilities are linked to US Dollar LIBOR rates. An increase in interest rates will increase the Group's funding costs. An extension to the Group's maturity profile, as referred to above, could also result in higher interest rates.

Mitigation

- The Group has a mix of debt facilities at fixed and floating interest rates. As of 31 December 2015, the debt facilities subject to fixed interest rates represented approximately 44% of the Group's outstanding debt. The Group's average cost of debt for the year ended 31 December 2015 was 5.97%.

Associated Strategic Priorities A B D E F G H I

3. EXPANSION CAPITAL INVESTMENT

Change from 2014

Possible Impact

The Group's growth depends on its ability to upgrade existing facilities and develop its iron ore resource base. For any major capital project there is a risk of insufficient controls, cost overruns, shortage of required skills, and unexpected technical problems affecting the time taken to complete the project and the return on the capital invested.

Mitigation

- The Group has established strict procedures to control, monitor and manage this expenditure which is regularly reviewed by the Investment and Executive Committee and the Board.

Associated Strategic Priorities A B D E I

4. GOVERNMENT APPROVALS OF EXPANSION

Change from 2014

Possible Impact

The Group does not yet have all the governmental approvals required to develop future deposits. Although all approvals that have been applied for have been granted, there is no guarantee that others will be granted in the future.

Mitigation

- Ferrexpo maintains an open and proactive relationship with various governmental authorities and is fully aware of the importance of compliance with local legislation and standards.
- The Group monitors and reviews its commitments under its various mining licences in order to ensure that the conditions contained within the licences are fulfilled or the appropriate waivers obtained. Ferrexpo maintains strict compliance with the Ukrainian mining code and execution of work in accordance with the project design through active engagement of Ukrainian and international legal advisers.

Associated Strategic Priorities B D E

We have indicated how our principal risks would impact our ability to deliver against our strategy.

- A A low cost producer
- B Develop the resource base
- C Improve the quality of output
- D Develop logistics capabilities
- E Develop the customer portfolio
- F Train and develop employees
- G Maintain a social licence to operate
- H Evaluate relevant investment opportunities
- I Maintain appropriate credit metrics and sufficient financial liquidity
- J Maintain high standards of corporate governance
- Denotes a risk that the Board considers more likely to impact the viability statement

RISKS RELATING TO THE IRON ORE MARKET

5. GLOBAL MACROECONOMIC GROWTH

Change from 2014

Possible Impact

The demand for steel, and hence iron ore, is driven by global economic growth trends, which in the recent past has been largely determined by Chinese economic growth, and for the past seven years China has produced more than 45% of the world's steel output. A reduction in world or Chinese GDP growth could impact demand for steel and iron ore. Conversely the supply of iron ore requires long periods of large scale, capital intensive investment. A miss-match between increasing supply of iron ore and lower demand has led to further iron ore price weakness in 2015.

Mitigation

– Ferrexpo's marketing strategy is to supply high quality pellets to established steel mills who produce premium steel products through the commodities cycle.
– Ferrexpo does not sell to commodity steel producers whose demand is likely to fluctuate.
– Pellets are a niche iron ore product that have high capital barriers to entry.
– Due to the characteristics of pellets, demand growth is expected to be strongest compared to other types of iron ore products.
– The Group has a logistics infrastructure which can service regional and seaborne markets. This provides flexibility should a particular region experience a decline in demand.

Associated Strategic Priorities B D E F G I

6. IRON ORE PRICES AND PELLET PREMIUMS

Change from 2014

Possible Impact

Fluctuations in iron ore prices as well as in demand have negatively impacted the financial results of the Group in 2015. The benchmark price for 62% Fe fines CFR China declined 40% from US$72 per tonne as of 2 January 2015 to US$43 per tonne as of 31 December 2015. The average price was 42% lower at US$56 per tonne compared to an average of US$97 per tonne in 2014. The average price for the two months ended February 2016 was US$44 per tonne.

Ferrexpo receives a pellet premium in addition to the iron ore fines price. Currently, a substantial portion of the Group's profit is due to this premium the Group receives from its customers. Long-term contract pellet premiums have ranged historically from US$12.40 per tonne to US$61.70 per tonne, while spot market pellet premiums in China have fallen to approximately US$10 per tonne in the past.

The average long-term contract premium paid for pellets in the key markets of Western Europe and North East Asia declined to US$33.6 per tonne in 2015 from US$37.4 per tonne in 2014 while Chinese spot pellet premiums declined on average from US$26.4 per tonne in 2014 to US$22.7 per tonne in 2015. Chinese spot premiums were, however, weaker in the second half of 2015 closing the year at approximately US$11 per tonne. Overall, the pellet premium currently represents a high proportion of the underlying iron ore fines price.

Mitigation

– Ferrexpo is the lowest cost pellet producer in the world according to CRU.
– Over 90% of the Group's sales are based on pellet premiums agreed under long-term contracts.
– Ferrexpo has a well invested modern asset base that does not require high levels of sustaining capex in a low price environment.
– Ferrexpo's competitive cost base has enabled it to produce at full capacity and remain profitable throughout past commodities cycles. It has successfully operated for over 40 years.
– The Group has an established, broad customer base and logistics infrastructure which can service regional and seaborne markets. This provides flexibility should a particular region experience a decline in demand.

Associated Strategic Priorities B D E F G I

- A A low cost producer
- B Develop the resource base
- C Improve the quality of output
- D Develop logistics capabilities
- E Develop the customer portfolio
- F Train and develop employees
- G Maintain a social licence to operate
- H Evaluate relevant investment opportunities
- I Maintain appropriate credit metrics and sufficient financial liquidity
- J Maintain high standards of corporate governance
- Denotes a risk that the Board considers more likely to impact the viability statement

7. C3 FREIGHT

New risk

Possible Impact

C3 freight, as published by the Baltic Exchange, represents a transparent index reflecting the market freight rate for ocean transportation of iron ore from the Brazilian port of Tubarao (where Ferrexpo's largest pellet competitors are based) to Qingdao, China. For sales to the Far East, delivery is made on CFR terms with the resulting FOB netback determined by the actual cost of freight. For sales to European and regional markets, the resulting FOB/DAP netback is determined by deducting transparent freight market indices (such as C3) and adding appropriate freight costs for the relevant point of sale.

In times of low oil prices and lower cost time charter rates, the benefit of Ferrexpo's shorter duration trade against C3 are diminished. The high proportion of fixed costs for Ukraine loading and Suez Canal transits mean that the Group's actual freight costs may at times exceed that of C3.

Mitigation

- Global freight rates are heavily influenced by oil prices and market conditions in the shipping industry.
- Ferrexpo has freight and distribution specialists to analyse and price freight competitively on behalf of the Group.

Associated Strategic Priorities D E I

RISKS RELATING TO UKRAINE

8. POLITICAL AND LEGAL

Change from 2014

Possible Impact

The ongoing conflict in Eastern Ukraine and political instability have negatively impacted the economy, notably the banking sector, and relations with the Russian Federation.

The economic recession has also impacted the Government's ability to fund usual social services and could lead to social upheaval and political tension within local communities.

The above factors have had an adverse effect on the Ukrainian financial market. The ability of local companies and financial institutions to obtain funding from the international capital markets has been impacted as a result of decreased appetite for Ukrainian credit exposure. Any continuing or escalating conflict in Eastern Ukraine could have a further adverse effect on the economy.

The current situation in Ukraine could also affect the ability of Ferrexpo to obtain financing or refinancing or the ability of Ferrexpo to use its cash held in Ukraine or the Government's ability to meet its payment obligations to Ferrexpo on amounts due, such as VAT refunds.

Other risks include a weak judicial system that is susceptible to outside influence, and can take an extended period of time for the courts to reach final judgement.

For further details see the Chairman's Statement on pages 16 to 18 and Notes 28, 29 and 35 to the accounts.

Mitigation

- The Group holds liquidity offshore to ensure smooth operations should the economic weakness of the country disrupt the financial system.
- At the time of writing, Ferrexpo's operations have remained largely unaffected by the current situation within the country.

Associated Strategic Priorities A B D E I

9. UKRAINIAN BANKING SECTOR

Change from 2014

Possible Impact

From 2008 to October 2015, Moody's maintained a negative outlook on Ukraine's banking sector due to the steep depreciation of the Hryvnia against the US Dollar in 2008, 2014 and 2015 as well as a substantial increase in non-performing loans materially worsening the sector's asset quality, profitability and capital adequacy indicators.

In November 2015, following the improvement in the creditworthiness of the Sovereign following its US$15.3 billion debt restructuring completed in August 2015, Moody's upgraded the outlook for seven Ukrainian banks to stable from negative. Nevertheless Moody's expressed the view that the macro profile for Ukrainian banks remains "Very Weak". This is due to the highly fragile macroeconomic conditions in Ukraine and that the country's adverse operating environment will continue to exert pressure on the Ukrainian banking system.

Since 2014, the Ukrainian banking sector has been subject to a series of stress tests by the National Bank of Ukraine ('NBU'). Throughout 2014 and 2015, the Board of the NBU declared 62 banks insolvent and subsequently revoked their banking licenses and placed the banks into liquidation. As such, the number of operating banks in Ukraine has fallen to 117 as of 31 December 2015 compared to 180 at the start of 2014. On 17 September 2015, the NBU declared that Bank Finance and Credit JSC ('Bank F&C'), ultimately controlled by Ferrexpo's largest shareholder Kostyantin Zhevago, was insolvent. At the time Ferrexpo held approximately US$175 million in funds at the bank.

For further details see the Chairman's Statement on pages 16 to 18 and Notes 28, 29 and 35 to the accounts.

Mitigation

- The vast majority of the Group's financial transactions and cash flows originate in Ukraine and flow through the banking system. The Group regularly reviews its banking arrangements, and the stability, service and reliability of its providers, in the context of the overall banking sector within the country.
- The Group is developing alternative banking relationships and currently uses Ukrsibbank, a local bank owned by BNP Paribas and the European Bank for Reconstruction and Development, as its main transactional bank.
- Ferrexpo holds funds in Ukraine to fund immediate operational expenditures and scheduled commitments such as debt servicing.

Associated Strategic Priorities A B D E I J

10. UKRAINIAN CURRENCY

Change from 2014

Possible Impact

Fluctuations in the Group's operational currency can impact its profitability and the book value of its assets.

During the year the Hryvnia devalued from UAH15.8 per US Dollar as of 31 December 2014 to UAH24.0 per US Dollar as of 31 December 2015. The average rate during the year was UAH21.9 per US Dollar. Balances at the year-end are converted at the prevailing rate. The devaluation reduced the Group's local costs, net of inflation, by US$125 million during the year, however, it also reduced the net assets of the Group as of 31 December 2015 by US$477 million compared to 31 December 2014 (for further information see Statement of Other Comprehensive Income).

Conversely, if the Hryvnia were to strengthen against the US Dollar this could increase the Group's cost base and impact its ability to remain a low cost operator.

For further detail of the impact of the Hryvnia on the economy please see Ukrainian Banking Sector risk on page 35.

Mitigation

- Historic weakness of the Hryvnia in times of low commodity prices has provided a natural cost hedge during downturns in the commodity cycle.
- All of the Group's revenue is received in US Dollars while over 50% of the Group's costs to deliver a tonne of pellets to border dispatch points are in Hryvnia. Ferrexpo benefits from a devaluation through lower costs, although the benefits may be eroded over time due to inflation.
- The accounting value of the fixed assets in Ukraine reduce due to a devaluation, however, this has no effect on the underlying ability of the assets to generate future cash flows.

Associated Strategic Priorities A D I

A A low cost producer
B Develop the resource base
C Improve the quality of output
D Develop logistics capabilities
E Develop the customer portfolio
F Train and develop employees
G Maintain a social licence to operate
H Evaluate relevant investment opportunities
I Maintain appropriate credit metrics and sufficient financial liquidity
J Maintain high standards of corporate governance
Denotes a risk that the Board considers more likely to impact the viability statement

11. UKRAINIAN PRODUCER PRICE INFLATION ("PPI")

Change from 2014 ↑

Possible Impact

As over 50% of the Group's cost to produce and deliver a tonne of pellets to border dispatch points for export are in Hryvnia, the Group is exposed to local cost inflation.

Following the substantial devaluation of the Hryvnia in 2015, PPI increased by 36% compared to 2014. The two areas of greatest cost inflation for the Group were wages (+23% vs. 2014) and electricity tariffs (+41% vs. 2014). All local costs, however, in 2015 were lower in US Dollar terms but this situation could reverse over time due to inflationary, or even hyperinflationary, pressures.

Mitigation

- The Group's BIP has achieved continuing efficiency improvements and cost reductions over many years. Since inception of BIP in 2006, the cash cost of production has reduced by US$6.8 per tonne of pellets. The Group also has a consistent track record of producing at full capacity to achieve maximum overhead absorption and is set to expand production output in 2016.
- It is usual for cost inflation to correspond to rising prices in a commodity cycle. Most market commentators currently believe iron ore is in a downcycle as prices are trading at levels last seen in 2003. The current outlook for iron ore prices remains subdued.
- Month-on-month PPI trends in 2015 were more benign e.g. PPI in December 2015 compared to November 2015 was just 0.3%.

Associated Strategic Priorities A B D I

12. UKRAINIAN VAT RECEIVABLE

Change from 2014 ↓

Possible Impact

As nearly all of the Group's output is exported, Ferrexpo does not receive substantial amounts of VAT on local sales (which could otherwise be offset against VAT incurred on purchases of goods and services). The Ukrainian government refunds the outstanding balance of VAT, although not always on a timely basis and repayment can be dependent on the overall health of the government's finances. See political and legal risk.

The late repayment of VAT results in increased working capital, which must be funded from operating cash flows and debt. As Ukrainian VAT balances are in local currency the balances in US Dollar terms are exposed to the devaluation of the UAH.

As of 31 January 2016, Ferrexpo had received all outstanding VAT repayments for 2015 in full from the government. Full details of the movement on VAT is included in note 23 to the accounts.

Mitigation

- The Group maintains an open dialogue with the government and operates to best international standards, ensuring the validity of the VAT claims.
- Where possible, Ferrexpo plans working capital requirements to help ensure sufficient liquidity headroom.

Associated Strategic Priorities A B D G I

13. UKRAINIAN TAXES

Change from 2014 ↓

Possible Impact

As part of an ongoing agreement with the majority of industry players in Ukraine, the tax authorities have been remitting regular VAT refunds in exchange for the pre-payment of corporate profit tax in respect of future periods. This can result in significant amounts of taxation being paid in advance of the profits being earned, which as a result of falling prices, and or increasing costs, changes in tax legislation or financial difficulties experienced by the country, may lead to the Group not recovering or being able to offset these amounts against future profits.

As Ukrainian taxes are paid in local currency the balance in US Dollar terms is exposed to the devaluation of the Hryvnia.

As of 31 December 2015, Ferrexpo's prepaid corporate profit tax balance was US$54 million compared to US$73 million as of 31 December 2014. The reduction in the balance was driven by the devaluation of the Hryvnia against the US Dollar during the year.

Mitigation

- The Group takes regular advice on tax matters from Ukraine tax experts and complies with all known requirements. The Group maintains a transparent and open relationship with local, regional and national tax authorities.
- As of 29 February 2016, Ferrexpo had received all outstanding VAT repayments for 2015 from the government. As of December 2015, the Group is no longer required to prepay corporate profit tax ("CPT") in return for VAT refunds. It is estimated that all corporates in Ukraine have an outstanding prepaid CPT balance of at least UAH15 billion (or approximately US$600 million). The government is considering resolving the issue of prepaid CPT through the issue of local currency bonds.

Associated Strategic Priorities A B D I

14. COUNTERPARTY RISK

Change from 2014 ↑

Possible Impact

The Group operates in Ukraine which has a weak country credit profile as defined by international credit rating agencies. Financial instability of the Group's counterparties, including its major suppliers, the government, local banks which operate in a weak banking sector, can absorb high amounts of working capital, or result in material financial loss.

Counterparty risk could also lead to lower sales volumes, delays in projects and interruption of production or financial loss in the event of a default by counterparties and adversely affect its future financial results.

In 2014, the Group placed an order for 300 rail cars. Due to the ongoing conflict in eastern Ukraine, where the rail cars are manufactured, only 52 rail cars were received by the Group during the financial years 2014 and 2015. The full amount of the prepayment for the rail cars was provided for in the 2014 financial year. As the situation did not improve in 2015 the full amount of US$3.6 million (at 31 December 2015 exchange rates) was fully written off. For further information see Related Party Disclosure note 39.

Poor relations with the Russian Federation can impact the ability of Ukrainian companies to import oil and gas from Russia as well as have a general negative impact on Ukrainian GDP growth.

As a result of the annexation of Crimea by the Russian Federation, certain Russian individuals and organisations were sanctioned by the European Union, the United States and other countries. This could have a negative impact on Ferrexpo if any of these individuals or organisations were customers or suppliers to the Group.

For further details see note 39 of the accounts.

Mitigation

- The financial strength of all of the Group's counterparties is subject to regular and thorough review. The results of these reviews are used to determine appropriate levels of exposures consistent with benefits obtained, and available alternatives in context of the Group's operations, in order to mitigate the potential risk of financial loss. To date, the Group has not experienced any financial losses from transactions with its counterparties.
- 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.
- The Group does not sell any of its product into Russia or have any financial arrangements with Russian banks.

Associated Strategic Priorities A B D E I J

- A A low cost producer
- B Develop the resource base
- C Improve the quality of output
- D Develop logistics capabilities
- E Develop the customer portfolio
- F Train and develop employees
- G Maintain a social licence to operate
- H Evaluate relevant investment opportunities
- I Maintain appropriate credit metrics and sufficient financial liquidity
- J Maintain high standards of corporate governance
- Denotes a risk that the Board considers more likely to impact the viability statement

RISKS RELATING TO THE GROUP'S OPERATIONS

15. MINING AND PROCESSING RISKS AND HAZARDS

Change from 2014

Possible Impact

Mining risks and hazards may result in employee and contractor fatalities as well as material mine or plant shutdowns or periods of reduced production. Such events could damage the Group's reputation and operating results.

Mitigation

- Safety, environmental and operational performance is regularly and rigorously reviewed throughout the organisation including the Chief Operating Officer, the Executive Committee and the Board.
- Through its capital investment programme Ferrexpo has modernised its mining and production facilities which is improving safety, environmental and operational performance.
- All accidents are fully investigated and lessons are drawn and implemented.
- Appropriate safety training is regularly provided to employees.
- Employee remuneration is linked to safety performance.
- Active management of operational risk register to ensure predictable volumes and quality.

Associated Strategic Priorities A B C E F G I

16. ENERGY COSTS

New risk

Possible Impact

Energy costs account for a large portion of production costs (approximately 45% in 2015) and are greater for pellets than for other forms of iron. An increase in oil prices and other energy related costs may affect Ferrexpo's production costs disproportionately. Oil prices also heavily influence international freight rates which is likely to impact the net price the Group receives for its pellets (for further information see risk: Logistics and C3 Freight Rates).

Mitigation

The Group continually looks to reduce its energy consumption through the Business Improvement Programme. For example, in 2015 Ferrexpo has been investigating methods to turn waste product into power.

Ukraine is the largest producer of sunflower seeds and in September 2015, Ferrexpo began using sunflower husks as a natural gas replacement for one of the four pelletising lines. It sourced the husks from a local company in the Poltava region and saved over 3 million cubic metres of natural gas providing a cost saving of US$200,000. In December, line number 2 of the pelletiser began to use husks as well. The Group intends to replace up to 30% of its total natural gas consumption in the pelletiser with sunflower husks.

Associated Strategic Priorities A B C D

17. RELIANCE ON STATE MONOPOLIES

Change from 2014

Possible Impact

The Group purchases certain goods and services from state-owned enterprises, and changes in the related tariffs affect the Group's cost base. Availability of services can also be limited, which could affect the Group's ability to produce and deliver pellets.

During December 2014, Ferrexpo experienced reductions in the supply of electricity during certain times of the day. This resulted in a small loss of 144 thousand tonnes of pellet production. To date, these disruptions have not continued in 2015 or in 2016.

The supply of gas to Ukraine predominantly comes from Russia. The recent geopolitical tension has increased the risk of disruption to supply.

Other areas of reliance on state monopolies include railway tariffs and availability of rail wagons, supply of gas and electricity and associated tariffs, and mining royalties.

Mitigation

– The factors affecting the Group's future cost structure are closely managed.
– Cost reduction initiatives are planned and reported to the Board.
– Since inception of BIP in 2006, it has reduced the C1 cash cost by US$6.8 per tonne of pellets.
– The Group has purchased its own rail wagons to reduce reliance on state-owned rail cars.
– Ferrexpo has contingency plans in place to purchase natural gas or heavy duty fuel on behalf of a local power station to generate. emergency electricity should there be an electricity shortfall (see Political and Legal risk on page 34).
– Ferrexpo is diversifying its natural gas supplier base.
– Recent reforms to the Ukrainian gas sector have increased competition and improved pricing transparency.
– Energy efficiency improvements and lower domestic consumption of gas has reduced Ukraine's reliance on gas imports.
– To date, the Group has not experienced any material supply disruption of key inputs since its IPO in 2007.
– Ferrexpo actively looks to invest in areas to reduce reliance on state monopolies, subject to funding availability.

Associated Strategic Priorities A B E G I

18. LOGISTICS

Change from 2014

Possible Impact

The Group's logistics capability is dependent on services provided by third parties and state-owned organisations, mainly in relation to rail and port services. Logistical bottlenecks may affect the Group's ability to distribute its products on time, impacting customer relationships.

Mitigation

– The Group continues to maintain, and where appropriate invest, and subject to funding availability, its logistics capabilities to ensure available capacity to better service its customers, lower costs and reduce reliance on third-party providers. Beside considerable investment in the rail car fleet over recent years, Ferrexpo owns 135 barges operating on the Danube/Rhine River corridor. It also owns a 48.6% interest in the port of TIS Ruda which guarantees the Group independent access to the seaborne markets avoiding reliance on the state port.

Associated Strategic Priorities A D E I

VIABILITY STATEMENT

The Board monitors the Group's risk management and internal control systems on an ongoing basis, and confirms that during the year it carried out a robust assessment of the principal risks facing the Group, their potential impact and the mitigating strategies in place as described on pages 30 to 39 above. The principal risks include those that would threaten the Group's strategic business model, future performance, liquidity or solvency.

For the purposes of assessing the Group's viability, the Directors have chosen a five-year time period given the cyclical nature of the commodities industry and the Board's strategic planning period.

The Directors have focused their assessment on the following key risks which are critical to Ferrexpo's success (these risks were highlighted within the Principal Risks section on pages 32 to 39 with the symbol).

- Political and legal;
- Global macroeconomic growth;
- Iron ore price and pellet premiums;
- Debt maturity profile;
- C3 freight;
- Energy costs;
- Ukrainian currency;
- Ukrainian producer price inflation;
- Mining and processing risks and hazards;
- Ukrainian VAT receivable; and
- Ukrainian taxes

In determining the viability of the business, the Directors have stress tested which individual risks and combination of risks would have the most significant impact, including changes to the Group's realised price (incorporating iron ore price, pellet premiums, C3 freight changes), the Hryvnia against the US Dollar and higher inflation expectations applied to the entire cost base.

The viability of the Group under these scenarios remains sound, due to the Group's position on the iron ore cost curve and its high quality product offering, ensuring that it should continue to be cash generative under the various scenarios. Should a scenario arise, where the Group's cash generation does not fully meet debt repayment obligations, management actions are available to redress the situation. These include adjusting capital allocation, accessing additional funding and adjusting mining schedules, if necessary.

Capital Structure

The Directors believe that due to the strength of the operations it should continue to meet its debt obligations. If this is not the case, the Group expects to be able to refinance any remaining portion of its debt. The Directors, have recognised the existence of a material uncertainty in respect of the Going Concern Basis of Preparation of the Financial Statements in Note 2 on page 105, principally as a result of the volatility in the iron ore price.

Conclusion

It is impossible to foresee all risks, and the combinations in which they could manifest, and there may be risks that currently or individually do not appear material that could turn out to be material, particularly if occurring in close sequence.

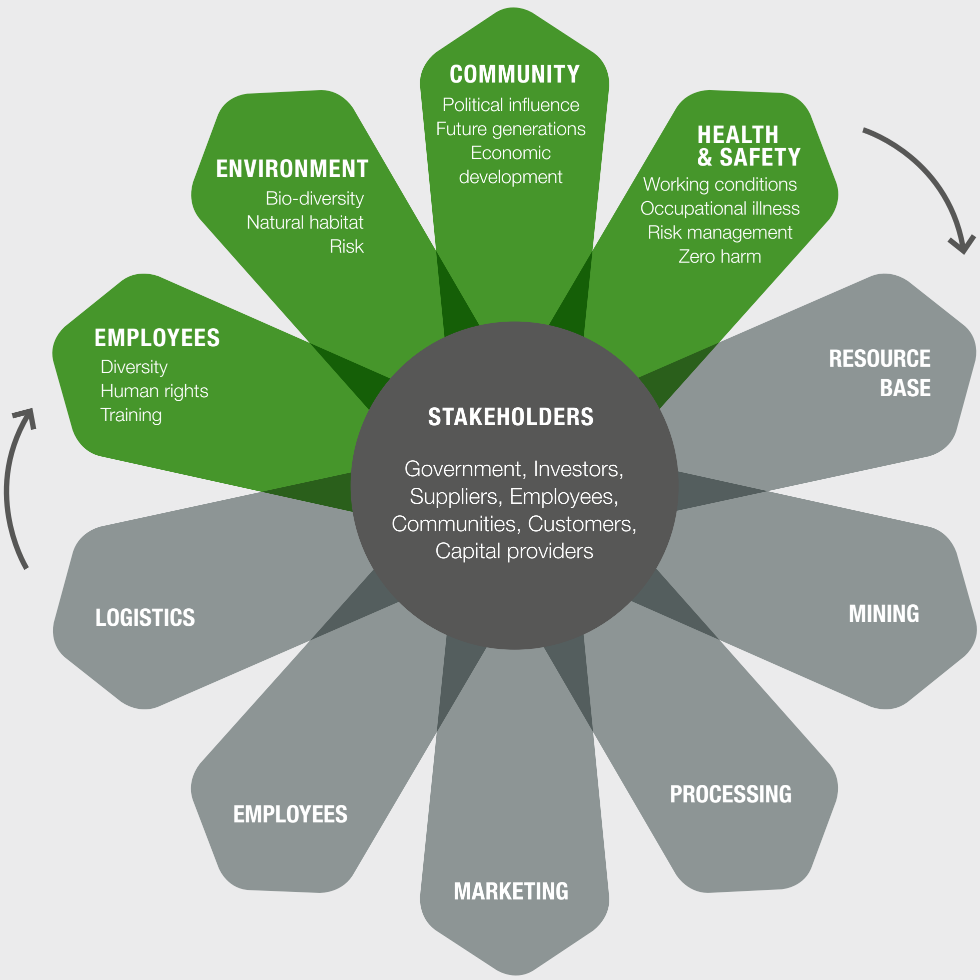
Having taken into account the matters set out above, and in particular the assumption in relation to, refinancing its debt, if required, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meets its liabilities as they fall due over the five-year period of their assessment.

CORPORATE SOCIAL RESPONSIBILITY

Ferrexpo's operations are based in Ukraine which is an emerging market and has in recent times experienced political instability, economic recession and ongoing conflict action in eastern parts of the country.

As a substantial employer in the Poltava region of the country, the Company believes it has a responsibility to develop and support the communities that surround its operations as well as ensure that it minimises its impact on the environment.

The diagram below shows how CSR is viewed within the overall Group.



A properly implemented CSR strategy can bring along a variety of competitive advantages, such as enhanced access to capital and markets, increased sales and profits, operational cost savings, improved productivity and quality, a talented and efficient employee base, improved brand image and reputation, enhanced customer loyalty, better decision making and risk management processes.

As Ferrexpo continues to mature as an organisation, it initiated a full review of its CSR strategy in 2015 with the aim of achieving a standardised approach across its three subsidiaries in Ukraine. In 2Q 2015, the development of site risk registers and risk mitigation plans commenced and will be implemented in 2016. Risk assessment training is continuing and post completion risk workshops will be undertaken to develop operational risk registers to ensure zero harm to people, the environment and the community.

The Board's commitment to CSR stems from a shared belief that the Group's licence to operate will be underpinned by the Group's CSR performance.

A key priority during the year was the development of a CSR reporting system. As a result, during the year CSR reporting was centralised and data was collected through the Group's accounting system. CSR activities for the three operating subsidiaries in Ukraine were aligned and stakeholder mapping was further developed to support the prioritisation of programme activities.

The diagram opposite highlights the management framework and engagement plan implemented during the year to represent Group CSR activities.

The CSR Committee met four times during 2015 to assist the Board in its oversight of all CSR related activities. This included full discussions around health and safety including detailed reports on serious and fatal incidents, as well as general CSR risk control, compliance with regulatory requirements and community spend.

The CSR Committee also oversees the preparation of the CSR section of Ferrexpo's Annual Report.

The above health and safety, community, employee and environment (including sustainable resources and BIP) teams support the leadership to the Group by developing and implementing management frameworks; focusing on the prevention of catastrophic and fatal accidents, identifying relevant CSR trends, tracking performance and reporting against targets and identifying opportunities for improvement.

Stakeholder mapping and engagement

In 2015, Ferrexpo undertook to formalise its engagement programme with all key stakeholders. The purpose of this is to create a structured programme, which besides identifying key stakeholder needs, also formally captures all stakeholder feedback so as to support the overall structure of the Group's CSR programme.

As a result the materiality matrix of the Group's key CSR areas is presented above. The matrix is dynamic and continues to be developed by the Company.

CSR GOVERNANCE AND MANAGEMENT FRAMEWORK AT FERREXPO

THE BOARD
Oversight of CSR matters and performance

CSR COMMITTEE[1]
Chairman – Viktor Lotous Members – Michael Abrahams, Kostyantin Zhevago, Bert Nacken, Greg Nortje Secretary – David Leonard

EXCO COMMITTEE
Focus on priorities and execution of CSR activities

HEALTH & SAFETY | **COMMUNITY** | **EMPLOYEES** | **ENVIRONMENT & SUSTAINABLE RESOURCES**

STRATEGIC RELATIONSHIPS – LICENCE TO OPERATE
Employees | Communities | Suppliers | Customers | Capital providers & shareholders | Government

1 Viktor Lotous – FPM Chief Operating Officer and Head of Managing Board; Michael Abrahams – Ferrexpo plc Non-executive Chairman; Bert Nacken – Independent Non-executive Director; Greg Nortje – Group Head of Human Resources; Kostyantin Zhevago – Ferrexpo plc CEO

MATERIAL MATRIX, RISK AND STRATEGY

INCREASING CONCERN TO STAKEHOLDERS

LOW IMPACT, HIGH CONCERN	MEDIUM IMPACT, HIGH CONCERN	HIGH IMPACT, HIGH CONCERN
– Youth cultural development	– Job security – Local community infrastructure	– Community funding – Economic viability of operation – Consistent quality and reliability of supply
– Learning and development of personnel	– Climate change and energy efficiency	– Community Recreational facilities – Sustainable resources and BIP
	– Adverse environmental impact – Water management	– Health & Safety performance – Community Educational support

INCREASING CURRENT OR POTENTIAL IMPACT ON FERREXPO

Due to the large scale of the Group's mining operations and production facilities any CSR related incidents have the potential to significantly adversely affect Ferrexpo employees, local communities, customers, as well as the viability of the Group's operations. In the risk matrix above, the Group has identified what it believes to be the most important CSR related risks. These risks are linked to the Group's overall strategy. Specifically Ferrexpo's strategic priority of maintaining a license to operate (see page 12) needs to ensure that the Group encompasses the following priorities:

– a strong health and safety track record;
– a positive significant economic contribution;
– a supportive community that attracts and retains employees to the areas; and
– minimised environmental impact.

Ferrexpo's strategy of being a low cost producer that can survive through cyclical downturns is also dependent on the Business Improvement Programme and the Group's ability to reduce key consumption norms, such as energy,

The following table visually links the Group's four CSR objectives to the Group's strategy.

STRATEGIC OBJECITVES

CSR OBJECTIVES	Be a low cost, efficient producer	Develop the resource base	Improve the quality of output	Develop logistics capabilities	Train and develop employees	Develop customer portfolio	Maintain a social licence to operate	Evaluate relevant investment opportunities	Maintain appropriate credit metrics and sufficient financial liquidity	Maintain high standards of corporate governance
Health and Safety Ferrexpo targets zero harm to all employees	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Community Ferrexpo is committed to ensuring a positive impact on the quality of people's lives in the communities surrounding its operations		✓					✓			✓
Employees Ferrexpo aims to have a motivated and skilled workforce	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Environment Ferrexpo is committed to minimising its impact on the environment and to reducing energy consumption per tonne of pellets, where possible	✓	✓	✓	✓	✓	✓	✓	✓		✓

on a per unit basis while increasing production volumes and the quality of its pellets. Ferrexpo's strategic priority to train and develop its employees should ensure an engaged, able and skilled workforce which underpins the Group's competitive advantages of being an efficient producer of high quality pellets. Lastly, high standards of corporate governance is a requirement for all stakeholders from customers to capital providers.

Ferrexpo's Contribution to the Ukrainian Economy

In order to succeed as a large business operating in a major town, Ferrexpo believes it should be a significant asset to its country of operation and local community. The town of Komsomolsk was established in 1960 to service the Group's operations.

The Group has been a consistent employer, investor and tax payer through the commodities cycle and through periods of political instability. Since its IPO on the London Stock Exchange in June 2007, Ferrexpo has paid approximately US$507 million in income and other taxes in Ukraine as well as US$105 million for royalty payments. Over 80% of Ferrexpo's total taxes are paid in Ukraine. The Group has also invested over US$2 billion into its Ukrainian operations.

The Group is the largest employer in Komsomolsk, which has a total population of approximately 55,000 people, of which over 11,000 employees and contractors, or 20%, work for Ferrexpo. In 2015, according to the State Statistics Service of Ukraine, the average wage at Ferrexpo was 72% higher than the national average and 15% higher than the average wage received in the Ukrainian mining industry.

Due to Ferrexpo's presence as a major local employer and its contributions to community initiatives, unemployment in Komsomolsk is significantly below the national average. To date, Ferrexpo has not experienced any labour or social related disruptions at its operations. Ferrexpo's strategy is to operate responsibly and sensitively and to assist the local community.

Ferrexpo has supported many initiatives at schools in Komsomolsk and the surrounding areas, including the purchase of laptops and iPads as well as upgrading heating systems and lighting.

HEALTH AND SAFETY

Priorities

The Group's health and safety objective is to prevent fatalities and work related injuries to its employees and contractors. To realise this objective the Group continues to focus on developing a culture of safe production which is recognised as cost-effective, and leads to improved workplace conditions and safe work behaviour of the workforce.

In 2009, the Group set the objective of achieving the best mining safety record in Ukraine which is supported by targets including a continual reduction in the lost-time injury frequency rate ("LTIFR") and zero fatalities.

GOALS	Progress
Elimination of fatalities, serious injuries and health impairment through implementing significant risk control procedures.	↑
Implement effective health protection and safe workplace systems to achieve international standards of safety excellence.	↑
Development of safety culture that ensures we create a workplace which minimises the risk of serious injury or health impairment to our workforce.	→

0

Fatalities 2015 (2014: 3)

Safety Performance

Measurement of leading indicators in safety performance continues to be the primary focus, with specific attention paid to significant incident reporting which is a major factor in the elimination of fatalities and exposure to fatal risk. At FPM there have been instances of operators and maintainers falling during the process of accessing and egressing machines. The predominant causing factor has been the failure to comply with the requirement to maintain three points of contact with the machine at all times.

PREVENTING FATALITIES

FPM LABOUR SAFETY

During the year the Group developed and signed a unified health, safety, environment and community ('HSEC') policy across all subsidiaries as well as agreed Group wide requirements for the purchase of health and safety equipment. Standardised health and safety uniforms and personal protection equipment was ordered for all FPM, FYM, FBM and logistics employees.

This issue has been addressed across the business with retraining and instruction processes being completed with all staff that access mobile equipment, along with increased auditing and observations by team leaders during periods of high activity, such as shift changeovers and meal breaks.

A significant incident reporting procedure was developed and implemented in 1Q 2015 to ensure the timely reporting of serious accidents as well as high risk, near miss events to the senior leadership of the Group. This has improved the effectiveness of the response to these events as well as created a review mechanism to ensure adequate actions are being taken to prevent recurrence. In 3Q 2015 and 4Q 2015 there was a subsequent improvement in the level of reporting and the process is becoming routine.

The Group is certified for DSTU OHSAS 18001:2010 (operational health and safety system) confirming that it measures and manages it operations in line with international standards of compliance.

DDSG Safety Performance

Safety performance at DDSG, Ferrexpo's barging subsidiary, improved in 2015 compared to 2014. During the year, management reviewed the crew leasing arrangements and appointed a new provider in order to improve health and safety training. In 4Q 2015 an improvement in safety performance was recorded with a notable decline in LTI.

Ferrexpo's injury and safety statistics (including contractors) were as follows:

The Group was very pleased to report no fatalities in 2015.

	2015	2014
Lost time injury frequency rate (Number of work-related lost time injuries per million man hours)		
Mining operations	0.75	0.47
Barging operations	4.93	9.08
Total Group	**0.96**	0.86
Accidents		
Mining operations	14	7
Barging operations	5	9
Total Group	**19**	16
Fatalities		
Mining operations	–	3
Barging operations	–	–
Total Group	–	3

Occupational Health

Employee occupational health and wellbeing is monitored through an annual medical check of all employees who work in production areas. In 2015, FPM's medical centre carried out annual medical examination of 9,083 employees.

Every five years, the Company is legislatively required to identify those production areas which could expose employees to harmful conditions and potentially negatively impact their health. The statutory five year review was undertaken in 2015 by specialists of the Scientific and Research Institute of Preventative Medicine who aim to prevent occupational illnesses and injuries. If an occupational illness is identified or suspected, employees are referred to the Department of Occupational Health and Illnesses at the Kharkov National Medical University.

One incident of silicosis was identified during the period.

Employees who have worked for over ten years in conditions that exceed statutory exposure limits are on prophylactic monitoring and undergo sanatorium-resort treatment in the specialised resorts of Ukraine. In 2015, 744 FPM employees attended such sanatorium resorts. This includes 35 employees who returned from the conflict in the East of the country during the year, for 25 of these employees it was deemed beneficial for their families to attend as well.

Another key priority during the year was a project to increase self-awareness of employees' own health care. Articles were published in local media and videos were shown on local television highlighting the prevention of occupational disease.

EMPLOYEES

Priorities

Ferrexpo's human resources strategy is aligned to the Group's ambition to transform the business into a world leading (single) commodity producer through sustained growth and to create long-term stakeholder value. This remains the Group's aim, irrespective of commodity cycles and global economic conditions.

The Group aims to increase employee skills and functional training in support of operational excellence. In 2015, investment continued to be made in health and safety training, job related technical skills training and other general functional training (e.g., financial skills training). Training takes the form of basic and specialised training, retraining and refresher training, both internally and externally.

The average employee salary at Ferrexpo's Ukrainian operations is above the national average, according to the Komsomolsk municipal statistics committee. Ferrexpo's strategy is to ensure that its employees and contractors operate in fair working conditions and allow for grievances to be heard and resolved. To date, Ferrexpo has not experienced any labour or social related disruptions at its operations.

Ferrexpo recognises that individual and collective contributions of people at all levels are essential to the success of the Company. In recognition of this, Ferrexpo seeks to create an environment that encourages the Group's employees to give their best and to develop rewarding careers within the Group. The Group is therefore committed to the human and labour rights principles of the UN Global Compact which are integrated into the overall human resource policy. Policies and practices are well developed and designed to ensure that all employees enjoy the protection and advancement of human rights in the

GOALS

Progress

Short-term (1–2 years)
Implement world class human resource management standards and workforce development that promotes employee engagement and motivation as well as assures senior leadership succession.

Medium-term (3–5 years)
Integrate workforce planning and recruitment systems with life of mine plans and achieve international benchmark productivity and engagement

Long-term (5 years+)
Improve leadership and first line manager competence through employee training and development programmes to improve the efficiency of the Group's operations

STRATEGIC AWAY DAY

A Group leadership conference, involving the top 50 senior managers from across the Group, was held in Kyiv in October 2015. The event, which was facilitated by the Executive Management team, demonstrated Ferrexpo's commitment to developing its leaders and assuring senior succession from within the Group.

Delegates undertook a number of exercises aimed at enhancing their personal leadership. The event also provided exposure to the Groups strategic priorities and highlighted the collective actions needed to drive the changes and improvements necessary to transform the business, enabling the Group to achieve its strategic ambitions. The focus on engaging with leaders from across the Group was particularly relevant, given the low iron ore price environment.

workplace. The implementation of these policies seeks to assure that in addition to basic legal compliance, that the workplace is free from discrimination and harassment for all employees and contractors. Ferrexpo also requires high standards of ethical conduct from all employees and provides for freedom of association, fair labour practices and the right to a safe and healthy workplace for all employees are seen as important fundamental values that underlie all aspects of the employment relationship.

Number of Employees

In 2015, the Group employed on average 9,625 staff (2014: 9,879) and 1,547 contractors (2014: 1,927). The number of employees and contractors declined by 569 over the course of 2015 (4.9%). The decline was managed through natural attrition, contract completions, voluntary separation and early retirements. These employees were not replaced due to improvements at the Group's Ukrainian operations, especially in mining.

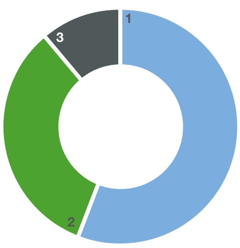
Approximately 28% (2014: 27%) of the Group's total current workforce are female, as can be seen from the table below. Overall 21% (2014: 22%) of all Ferrexpo's managers are women.

	Female	Male	Total
Total Employees	2,623	6,846	9,469
% of workforce	28%	72%	100%
Of which:			
Directors of Ferrexpo plc	1	7	8
Exco members	0	8	8
Managerial employees	219	824	1,043

Number of Employees and Contractors Trained

In 2015, a total of 7,588 employees and 1,106 contractors received training in health and safety (56%), job related technical skills training (33%) and other general functional professional training (11%).

Number of employees and contractors trained
%



1. **Health and safety training 56%**
2. **Skills training 33%**
3. **Functional training 11%**

The number of employees trained in the period at each subsidiary is shown below.

2015	Employees	Contractors	Total
Corporate	**3**	**–**	**3**
FPM	**6,020**	**983**	**7,003**
FYM	**1,458**	**0**	**1,458**
FBM	**82**	**123**	**205**
DDSG	**25**	**0**	**25**
Total	**7,588**	**1,106**	**8,694**

2014	Employees	Contractors	Total
Corporate	3	–	3
FPM	6,191	442	6,633
FYM	1,537	–	1,537
FBM	145	–	145
DDSG	–	–	–
Total	7,876	442	8,318

Collective Agreement

Approximately 87% of the workforce working at FPM are unionised, while at FYM an employee representative council is in operation that allows for management and employees to engage on matters affecting the workplace. In 2015, FPM concluded a new two year collective agreement with the FPM labour union. The relationship between management and the union remains good and there has been no major industrial action or labour dispute at the Company's Ukrainian operations since its privatisation in 1995.

Whistleblowing

A whistleblowing policy is in place under which staff may in confidence, via an independent, secure website, raise concerns about financial or other impropriety. Employees or other stakeholders can access https://ferrexpo.alertline.eu/ to report concerns securely and confidentially.

For further information on employees see the Performance Review on page 28 and Note 33 of the accounts on page 150.

During the year increased focus was paid to health and safety training and the development of a "near miss" risk register.

COMMUNITY

Ferrexpo believes a positive relationship with its local community helps to retain and attract the next generation of employees and underpins its social licence to operate. Building a successful relationship with the community requires a two way dialogue between the community and the Company so that both parties have a proper understanding of each other's needs.

Ferrexpo has been a significant investor in local community initiatives since the establishment of the mine investing funds in the social infrastructure of the local town, Komsomolsk, and the surrounding area. Total expenditure on social projects was US$39 million in 2014 and US$26 million in 2015. The majority of this expenditure was paid to a Charity organisation called Blooming Land who then distributed the Funds to three separate charities called "Ukraine – Healthy Country (Diabetes A to Z)", "Healthy Sight (To see it all)" and "Institute of social programmes (Happy old age)" to be used on projects within Ukraine.

Links with the local community are strengthened through meetings with Ferrexpo senior management, as well as supporting local celebration days, giving vocational guidance and vacation work to the students of local schools and organising student excursions to Poltava and its museum.

Priorities

- Community access to senior leadership to ensure Ferrexpo partners with stakeholders and develops its CSR policy.
- Provide expertise and services to sustain and/or improve community infrastructure.
- Participate in the development of modern cultural and social programmes and activities in the local area.
- Work with local town and village councils to understand expectations.
- Focus CSR activities to deliver maximum value and contribute to the social, economic and institutional development of local communities.
- Employ qualified local residents when filling vacancies.

Engineers of the future. Ferrexpo purchased 12 lego sets for robot construction at school No1, Komsomolsk and sponsored the first Robotics Festival in Komsomolsk.

GOALS

GOALS	Progress
Short-term (1–2 years) Contribute to the development, education and skills of the local population	↑
Support the modernisation of local community infrastructure, services and sporting facilities.	↑
Develop and maintain the local labour pool	↑
Work with local communities to designate land for mining infrastructure	↑
Engage regularly, openly and honestly with people affected by Ferrexpo's operations and consider their views and concerns in the Group's decision making	↑
Medium-term (3–5 years) Align the growth of the operations with city planning processes for rural and urban living	→
Progress long-term (5 years+) Work jointly with local communities to create new infrastructure, social programmes, and leisure facilities and activities	↑
Develop partnerships that foster sustainable development of host communities, enhance benefits from the Group's operations and contribute to poverty alleviation	↑

Community Engagement Strategy

A key priority in 2015 was the establishment of official working groups with local and regional administrators in order to define cooperation agreements with FPM, FYM and FBM. This was achieved and meetings took place with Ferrexpo representatives.

FPM Charity Fund Activity in 2015

FPM's charity fund aims to improve the quality of life in Komsomolsk and the surrounding communities. This includes upgrading and modernising facilities at educational and medical institutions, supporting sports associations and public departments as well as providing aid to the most vulnerable citizens.

Our City

Examples of work undertaken during the year as part of Our City project include:

- Upgrade and reconstruction of the heating system at Ryabinka nursery school.
- Refurbishment of the façade of a Goldfish nursery school.
- Reroofing and furniture replacement at Cinderella nursery school.
- Purchase of 12 lego sets for robot construction at school No1 and sponsorship of the first Robotics Festival in Komsomolsk.
- Refurbishment of studying and utility rooms at school No2.
- Refurbishment of classrooms at schools No5 and No6.
- Modernising the lighting at all Komsomolsk schools with energy efficient LED technology. This resulted in a significant reduction of electricity consumption.
- Financial support was provided to the Komsomolsk Music School for concert tours.
- Refurbishment of a children's holiday camp to ensure the children are in a safe and comfortable environment.
- Allocation of funds towards the rehabilitation programme of disabled children.
- Construction of an indoor and outdoor tennis centre with the courts' surfaces meeting the standards of the US Open.
- A city wide community education programme.

Due to Ferrexpo's support, students, sportsmen and sportswomen from Komsomolsk regularly win academic and sporting competitions at regional and national levels. Three rowers from Komsomolsk competed at the junior world championship in July 2015 in the under 18 and under 23 divisions. Dmitriy Yanchuk became a two-time world champion in the canoe-pair for 1,000 metres and canoe-four for 500 metres. Pavel Altukhov achieved second place in the single canoeing for 1,000 metres, and Nataliya Ushakova took 13th place in the single canoeing for 500 metres and came sixth in the canoe-pair race for 200 metres.

Ferrexpo sponsors sportsmen and women from Komsomolsk. At the junior world rowing championships in July 2015, Dmitriy Yanchuk and Pavel Altukhov both won gold medals.

Ferrexpo sponsors a yearly family day for employees and their children.

Kind Heart

The Kind Heart project is aimed at supporting medical institutions in Komsomolsk. In 2015, the Charity Fund provided funding for the reconstruction of a local infectious disease ward. This included the purchase of diagnostic medical equipment.

Social Support

The Social Support programme provides 5,500 elderly people with food packages if their monthly pension claim is less than UAH1,500. Financial support is also provided to orphans.

If local citizens, including employees, are conscripted for military services the Charity Fund will purchase military uniforms, footwear, body armour and sleeping bags to ensure all employees have essential safety and survival equipment.

Poltava Region Development

The Charity Fund implements programmes in Kremenchug, Globino, Kobelyaki, Kozelschina and other districts of Poltava region on an annual basis. The project is focused on solving the most pressing social issues in cooperation with local and district authorities. The Fund provides funding for the development of infrastructure, modernisation and maintenance of schools, hospitals, specialised educational establishments as well as supporting the development of culture and sports facilities in these neighbouring districts.

ENVIRONMENT

Priorities

The Group is pleased to report there were no reportable environmental incidents in 2015 (2014: nil).

In 2015, FPM spent approximately US$3 million (2014: US$5 million) on the implementation of environmental protection measures. Additionally, US$6 million (2014: US$7 million) was spent on environmental monitoring and maintenance activities and other related activities. Charges payable under emissions regulations totalled US$2 million (2014: US$5 million).

GOALS	Progress
Short-term (1–2 years) Keep controlled emissions (dust, gas and effluent) below permitted limits and reduce further where possible	↑
Medium-term (3–5 years) Adapt production techniques so as to minimise use of inputs and minimise waste	↑
Long-term (5 years+) Increase productive output while reducing the impact on the environment through new processes and technology	↑

A key priority for the Group in 2015 has been the standardisation and development of a Group wide energy saving policy, which includes the implementation of an automatic fuel and energy accounting system. During the year a full energy efficiency audit was completed and the Group is now implementing the actions. The Group has also been working on a unified environmental policy which was developed and signed during the year.

The Group is certified for DSTU ISO 14001: 2006 (environmental management system) confirming that it measures and manages its operations in line with international standards of compliance.

Business Improvement Programme (“BIP”)

Since 2006, FPM has implemented a number of measures within the BIP aimed at cost reduction, optimisation of technological processes, efficient utilisation of inputs and production equipment.

The Group undertook 27 BIP projects in 2015, including 11 at FYM for the first time.

A particular focus of these projects is on lowering the consumption of electricity, gas and diesel used per tonne of pellets produced. Power is a relatively scarce resource in Ukraine given the country’s partial reliance on external sources for gas supply and reduced coal mining in the east of Ukraine due to the ongoing conflict in that region. As a result, Ferrexpo has been investigating methods to turn waste product into power.

Ukraine is the largest producer of sunflower seeds and in September 2015, Ferrexpo began using sunflower husks as a natural gas replacement for one of the four pelletising lines. It sourced the husks from a local company in the Poltava region and saved over 3m^3 of natural gas providing a cost saving of US$200,000. In December, line number 2 of the pelletiser began to use husks as well. The Group intends to replace up to 30% of its total natural gas consumption in the pelletiser with sunflower husks.

For further information on BIP please see page 26 of the Performance Review.

Stationary Sources of Emissions

Emissions in tonnes	2015	2014
Nitrogen dioxide	**4,839**	3,755
Carbon monoxide	**3,030**	2,391
Sulphur dioxide	**707**	328
Particulates	**3,290**	6,087
Total	**11,866**	12,561

Note: the above table does not include CO_2 emissions which are reported separately.

Overall, total stationary sources of emissions decreased 5.5%. Dust emissions from the FPM plant reduced due to the use of new filtration equipment in the pellet plant. While waste stripping volumes at both of the Group’s mines were significantly reduced (see Waste Volumes overleaf) which led to a large decrease in dust emissions. FPM and FYM also improved watering procedures in the pits which also reduced dust emissions.

In 2015, the calculation of gas emissions was changed in accordance with new Ukrainian legislation. If 2014 data had been calculated using the same methodolgy the change per year for nitrogen dioxide, carbon monoxide and sulphur dioxide would have been 2%, 3% and 1% respectively, below the 5.8% increase in production volumes during the year.

Mobile Sources of Emissions

Ukrainian legislation does not require the collection of mobile gas emissions. In 2015, however, the Group began to collect the data so as to improve its reporting in this area. The table below shows mobile gas emissions for 2015.

Emissions in tonnes	2015
Nitrogen dioxide	**1,738**
Carbon monoxide	**2,874**
Sulphur dioxide	**229**
NMVOC	**449**
Other	**29**
Particulates	**2,661**
Total emissions	**7,980**

Note: the above table does not include CO_2 emissions which are reported separately.

CO_2 Emissions

The table below shows the Group’s carbon intensity ratio which is in line with 2014. FPM, FYM, FBM and the barging operations collected information on greenhouse gas emissions created by solid, liquid, and gaseous fuels, as well as refrigerants, explosives, purchased steam and electricity.

Emissions in tonnes	2015	2014
CO_2 emissions	**2,728,313**	2,732,587
direct	**678,288**	801,676
indirect	**2,050,025**	1,930,912
Pellets produced kt	**11,662**	11,021
Intensity ratio	**0.234**	0.248

Note: 2014 data has been restated due to an incorrect factor applied to the conversion of natural gas from cubic metres into tonnes.

The methodology for the calculation of CO_2 for the Group’s primary iron ore operations was based on energy volumes reported, and multiplied by the stated factors as follows:

- Liquid, solid, gaseous fuels, refrigerants, purchased Heat & Steam (DEFRA 2013 Factors as per their UK website).
- Purchased Electricity (European Bank for Reconstruction and Development – Development of the electricity carbon emission factors for Ukraine – Baseline Study for Ukraine, Final Report 14 October 2010).
- Blasting Explosives (Australian Government Department of Climate Change – National Greenhouse Accounts (“NGA”) Factors – January 2008).

Management recognises that reaching the highest standards will involve a continuous process of evolution and improvement founded on a sound corporate governance framework.

CO_2 emissions directly generated by the operations were 0.68 million tonnes in 2015 compared to 0.8 million tonnes in 2014. The reduction in direct emissions is as a result of a 36% reduction in stripping volumes and a corresponding 31% decline in diesel consumption. Emissions generated from indirect sources, such as electricity purchased from Ukraine's national grid, were 2.05 million tonnes in 2015 compared to 1.93 million tonnes in 2014.

Waste Volumes

Waste volumes in million m³	2015	2014	2013
Total Overburden	**66.5**	122.9	114.3
Of which:			
Waste Rock	**50.6**	87.5	80.1
Covering/Mantle Rock	**16.0**	35.4	34.2
Total Processing Tailings	**17.8**	18.6	19.5
Total Waste	**84.3**	141.5	133.8

The amount of waste rock mined in 2015 reduced significantly as the Group optimised its waste mining schedule, in light of the weak iron ore price environment. The revised mine plan more closely correlates with the ore plant's requirements. In undertaking this change, the Company minimises the time between cash expenditure related to mining waste and the realised revenues from processing the ore that is exposed as a result of this stripping.

During 2015, FPM completed an investment programme to upgrade the Group's beneficiation equipment, so as to increase recoveries of contained iron in the ore. As a result, FPM produced higher levels of concentrate from a similar level of ore processed, compared to 2014. This lead to a reduction in the amount of tailings compared to 2014.

Water Management

Water extracted by source (all figures m³, unless stated)	FPM	FYM
River water	656,364	–
Pit water	12,100,370	9,585,100
Dewatering wells	879,245	8,851,700
Ground water	21,540	28,800
Komsomolsk water supply	1,890,432	–
Total	**15,547,951**	**18,465,600**
% Reused	86%	0%

FPM and FYM's main sources of water can be seen from the table above with the majority of the water supply coming from the pits. FPM reuses approximately 86% of its water in its processing facilities. The remaining 14% is lost in process circuits, trapped in concentrate and tailings ponds, or evaporates when used to suppress dust. As FYM does not have any of its own processing facilities none of its water is reused except for a small proportion that is used for dust suppression on its mine roads. FYM's water is pumped back into the Dnieper River, the water does not contain any harmful substances.

Tailings Dam Management

Ferrexpo has a statutory inspection related to its tailings dam facilities four times a year. It is currently up to date with all inspections and has no outstanding actions.

Mine Closure and Rehabilitation

Ferrexpo recognises that its activities have an impact on the environment and the communities in which it operates. The Group is aware that a commitment to sustainability requires FPM and FYM to prepare now for the cessation of mining operations even though that eventuality remains many years in the future. In 2005, the Group developed a closure and rehabilitation design for the existing FPM pit and associated waste rock dumps. Every second year this plan is reviewed by the Yuzhgiproruda design institute; the most recent review took place in 2014 and included a mine closure plan for FYM.

On the basis of the reviewed design, FPM adjusts its reserves for the restoration of mining lands. Both FPM & FYM will be restored primarily as forest, with an area of open water remaining in part of the open pit. Ferrexpo will fully provide for the costs of mine closure and rehabilitation as they develop, and is committed to complying fully with the terms of its operating licences and the requirements of Ukrainian law.

Biodiversity

The Group is committed to minimising the impact of its operations on the environment and the surrounding ecology.

Environmental Management Systems ("EMS") have been implemented at FPM and FYM, and these systems have been certified in accordance with ISO 14001. The cornerstone of the EMS is continual improvement of the Group's performance to environmental protection.

Ferrexpo is currently conducting a scoping study to understand the impact of the Group's mining and processing operations on the bird wildlife that is found within the industrial impact zone of FPM and FYM operations. The investigation will be carried out by PNPE – Kiev Sozological Centre, and will focus on the following aspects:

- species of migrating bird identification and population;
- exploration of the bird fauna's nest aspect within the research area;
- definition of potential impact if any;
- development of mitigation plans to minimise operational impact; and
- develop list of rare bird species, populations and habitation areas;
- creation of information packages to promote awareness.

Once the scoping study is complete a budget for the project will be prepared for review and approval by the CSR Committee with the intention that the project will commence in 2016, subject to estimated cost.

The Strategic Report was approved by the Board of Directors on 9 March 2016 and signed on its behalf by:

Michael Abrahams
Chairman

Christopher Mawe
Chief Financial Officer
9 March 2016

BOARD OF DIRECTORS

Michael Abrahams CBE DL
Non-executive Chairman

Date of Appointment

14 June 2007

Other Appointments

Chairman of the Prudential Staff Pension Scheme since 1991.

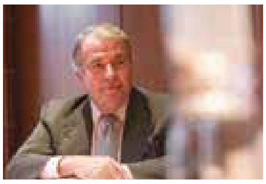
Background and Experience

Michael Abrahams has long and varied experience as a chairman and director of quoted and unquoted companies since 1968.

- Chairman, The London Clinic, 1996–2012
- Chairman, KCOM Group plc, 1999–2009
- Deputy chairman, Prudential plc, 1990–2000

Committee Membership

He is a member of the Nominations and CSR Committees.



Oliver Baring
Senior Independent Non-executive Director

Date of Appointment

1 December 2007

Other Appointments

Non-executive chairman of Sumin Resources Limited since 2014 and of First Africa Holdings Limited since 2000, and a member of the Advisory Council of Sentient Resources Fund since 2000.

Background and Experience

Oliver Baring is a well-respected member of the investment community with particular expertise in mining.

- Non-executive director, BlackRock World Mining Trust plc, 2005–2014
- Chairman, Mwana Africa plc, 2005–2013
- Until 2010 at UBS Warburg: latterly as head of the International Mining Group (with responsibility for Africa and Europe), and previously as head of the mining equity sales team with responsibility for its coverage and sales activities; a partner in Rowe and Pitman before its merger with SG Warburg.

Committee Membership

He is Chairman of the Nominations Committee and a member of the Audit and Remuneration Committees.

David Frauman
Independent Non-executive Director

Date of Appointment

26 October 2015

Other Appointments

None.

Background and Experience

Mr. Frauman has over 40 years' experience as a lawyer, most recently as a partner at Allen and Overy. He also has many years of experience as a board director of a wide range of companies. He holds a BA, magna cum laude from Columbia University and JD from Rutgers University.

Committee Membership

None.

Wolfram Kuoni
Independent Non-executive Director

Date of Appointment

14 June 2007

Other Appointments

Founder and senior partner of Kuoni Attorneys-at-Law, Zurich, Switzerland since 2005, and also serves on a number of boards of directors of companies in various European and other jurisdictions.

Background and Experience

Wolfram Kuoni is the head of a Swiss law firm and has wide-ranging experience originally in the banking sector.

- Senior partner, Kuoni Attorneys-at-Law, since 2005
- Various positions and assignments within UBS Investment Banking (Zurich and New York), 2000–2005, including: – head of the European export and project finance team – originating and structuring cross-border acquisitions and equity capital markets transactions

Member of the Zurich Bar
Doctor of Law (Zurich)
MBA (INSEAD)

Committee Membership

He is a member of the Audit, Remuneration and Nominations Committees.

Christopher Mawe FCA
Chief Financial Officer

Date of Appointment

7 January 2008

Other Appointments

None.

Background and Experience

Chris Mawe has substantial experience gained in senior financial roles in the mining industry in the UK and continental Europe, together with operational and managerial experience in the engineering industry.

- Finance director, UK Coal plc, 2004–2007
- Finance director, Carclo plc, 1999–2004
- Finance director of various large subsidiaries of IMI plc, 1992–1999

Chartered Accountant, Coopers & Lybrand, 1991
First-class honours degree in Engineering, 1987

Committee Membership

None.

Ihor Mitiukov
Independent
Non-executive Director

Date of Appointment

14 June 2007

Other Appointments

Senior advisor and head of country for Ukraine, Morgan Stanley since 2008 and General Director of the Financial Policy Institute (a Ukrainian NGO) since 2002.

Background and Experience

Since Ukraine became independent, Ihor Mitiukov has occupied many senior positions in finance and government that give him unrivalled breadth of experience.

- Ambassador of Ukraine to the United Kingdom, 2002–2005
- Minister of Finance, Ukraine 1997–2001
- Special Representative (with Vice-Prime Minister credentials) to the European Union, 1995–1997
- Vice-Prime Minister of Ukraine for Banking and Finance, 1994–1995
- Deputy Governor, National Bank of Ukraine, 1994

PhD in Economics from the Institute of Economy, Academy of Sciences, Ukraine, 1985

Committee Membership

He is a member of the Audit Committee.

Bert Nacken
Independent
Non-executive Director

Date of Appointment

1 August 2014

Other Appointments

Independent mining consultant.

Background and Experience

Bert Nacken is a mining engineer with experience of worldwide mining operations acquired over a 34-year career with BHP Billiton and Billiton International Metals, including:

- COO, Western Australian Iron Ore, 2009–2011
- Vice-president, Resources and Business Optimisation, 2007–2009
- President, Minera Escondida (copper), Chile, 2004–2007
- President and COO, American nickel operations and Colombia country manager, 2002–2004
- President Cerro Matoso (ferro-nickel), Colombia, 1997–2001
- Posts in Shell/Billiton Research BV in the Netherlands, the USA and Indonesia, 1976–1997

PhD in Chemistry, University of Aachen, Germany 1976

Committee Membership

He is a member of the Remuneration and CSR Committees.

Mary Reilly
Independent
Non-executive Director

Date of Appointment

27 May 2015

Other Appointments

Non-Executive Director and the Chair of Audit Committee of Travelzoo INC; Chair of the Group Audit and Risk Committees of the UK Department of Transport and of Crown Agents Ltd.

Background and Experience

Mary Reilly is a Chartered Accountant and a former audit partner of Deloitte LLP, where she worked with a range of industrial and charitable organisations for nearly 40 years prior to retiring in 2013. Between 2002 and 2013, Mary ran Deloitte's Outsourcing Unit offering payroll, accounting and back office services to multinational clients; and was the London Audit Practice's Corporate Responsibility Leader and a member of the Advisory Committee of the Board from 2008 to 2013 responsible for CSR and environmental issues. Mary was a divisional Head with HR responsibility and strategy development.

Committee Membership

She has chaired the Audit Committee since 1 November 2015.

Miklos Salamon
Independent
Non-executive Director

Date of Appointment

27 March 2009

Other Appointments

Non-executive director of Gem Diamonds.

Background and Experience

With a career spanning more than 30 years, including at a senior level with BHP Billiton, Mike Salamon has extensive knowledge of the mining and extractive industries.

- Non-executive director, Central Rand Gold, 2007–2014
- Non-executive director, Minera Las Ceniza, 2011–2013
- Executive chairman, New World Resources plc, 2007–2012
- Managing director, AMCI Capital, 2007–2012
- Executive director, BHP Billiton, 2003–2006
- Chairman of Operating Committee, BHP Billiton, 2001–2006
- Executive director, Billiton plc, 1997–2001
- Previous experience in the coal industry with Gencor Ltd, Shell Group and Anglo American

MBA, London Business School, 1981 Degree in Mining Engineering, Witwatersrand, 1975

Committee Membership

He is the Chairman of the Remuneration Committee.

Kostyantin Zhevago
Chief Executive Officer

Date of Appointment

Appointed as a Non-executive Director on 14 June 2007 and as Chief Executive on 1 November 2008. He has been the controlling shareholder of Ferrexpo since IPO in June 2007

Other Appointments

None.

Background and Experience

Kostyantin Zhevago has substantial management and investment experience gained over a 25-year business career in Ukraine.

- Non-executive director, New World Resources plc, 2008–2014
- Member of Parliament, Ukraine, since 1998
- Chairman of the management board and deputy chairman of the supervisory board, Bank Finance & Credit, Ukraine, 1996–2000

Degree in international economics from the Kiev National Economic University, Kiev, 1996

Committee Membership

He is a member of the CSR Committee.

EXECUTIVE COMMITTEE

Nikolay Goroshko
General Director, FYM

Nikolay became Acting Group Chief Financial Officer in April 2007, and Chief Commercial Officer in charge of the Group's Growth Projects in December 2007.

A graduate of the Kiev National Economic University, specialising in Industrial Planning.

Jason Keys
Group Chief Marketing Officer

Jason has significant industry experience in the European and Asian iron ore markets. He was previously global marketing manager for Iron Ore at BHP Billiton for five years, and for the 12 years prior to that he held senior sales and marketing roles within BHP Billiton Coal and Rio Tinto Coal and Iron Ore.

Certified Professional Accountant; Bachelor of Commerce degree from the University of Western Australia.

Nikolay Kladiev
Chief Financial Officer, FPM

Nikolay spent several years as an audit manager with Ernst & Young and CFO of a large Russian factory.

Chartered Accountant (UK); Masters in International Economic Relations from the Kiev National Economic University.

Viktor Lotous
Chief Operating Officer and Head of Managing Board, FPM

Viktor became Chief Engineer in 1997 and General Director and Chief Operating Officer in April 2007.

A graduate of Kryvy Rih Mining and Ore Institute, and of the Kiev National Economic University, specialising in Finance.

Christopher Mawe FCA
Chief Financial Officer

See page 52 for details.

Jim North
Group Chief Operating Officer

Jim was COO of London Mining plc before joining Ferrexpo in November 2014. He has wide-ranging operational mining experience at a senior level with Rio Tinto, BHP Billiton and Mount Isa Mines in Africa, South America and Australia covering commodities including iron ore, coal, base metals and aluminium.

Advanced Diploma in Metallurgy; Degree in Business Administration.

Greg Nortje
Group Head of Human Resources

Greg joined Ferrexpo in January 2014. He previously held a variety of international Human Resource leadership positions with Anglo American and BHP Billiton.

Advanced management qualifications from the University of Stellenbosch Business School and the Gordon Institute of Business Science; Bachelor of Arts degree and post graduate Diploma in Education from the University of the Witwatersrand.

Kostyantin Zhevago
Chief Executive Officer

See previous page for details.

CORPORATE GOVERNANCE REPORT

Michael Abrahams CBE DL Chairman

CHAIRMAN'S INTRODUCTION

Dear Shareholder,
I am pleased to present our Corporate Governance Report which sets out our governance structure and highlights the governance activity of the Board and its principal committees during the course of the year. The events relating to Bank Finance & Credit ("Bank F&C") (which are reported on elsewhere in the Annual Report) have taken up much of the Board's time. This has been addressed in detail in the Strategic Report, and in particular in my introductory statement on pages 16 to 18 and is therefore not dealt with directly in this report.

The Board remains committed to, and actively engaged in, ensuring good corporate governance practices and culture throughout the Company's business. We believe that the structure, policies and procedures we have adopted, and which are described in this report, the Directors' Report and the reports of the various Committees, support this commitment, but we recognise the need to keep them under review and to make changes where necessary to ensure that standards are maintained. The Board and management of the Group have a policy of conducting all business affairs in a fair and transparent manner and of maintaining high ethical standards in dealings with all relevant parties.

In addition to close monitoring of the situation in Ukraine, the key areas of Board focus during the year have been around Non-executive Director appointments and refreshment of the composition of Board Committees. We have also, with assistance from the Audit Committee, addressed the new requirements introduced by the 2014 UK Corporate Governance Code (the Governance Code) relating to risk management and internal control, and in particular the requirement for a longer-term viability statement. Our viability statement is set out on page 40 of the strategic report.

Information on Board succession is set out in my Statement on page 18.

Recognising the importance of refreshing the membership of the Board Committees, a number of changes to Committee membership were approved by the Board in July. The changes are described in the following report. Also in July the Board determined that Mike Salamon should now be considered independent in accordance with Provision B.1.1 of the Governance Code, as his relationship with the BXR Group (now CERCL Holdings Limited) (a significant shareholder of the Company) had ceased more than three years ago. More detail relating to the Board's determination of Mike's independence is set out on page 59. Further changes to the composition of the Committees will of course be required following Mike Salamon's departure at the 2016 AGM and once Wolfram Kuoni, Ihor Mitiukov and Oliver Baring cease to be independent later in the year.

Finally, we have amended the format of this year's Corporate Governance Report to reflect the sections of the Governance Code (Leadership, Effectiveness, Accountability, and Relations with Shareholders – for remuneration, please see the Remuneration Report on page 69), and have enhanced the reports of both the Nominations and Audit Committees. I hope that this helps to give a clear description of the work we have done and our approach to ensuring good governance throughout the Group and compliance with the relevant provisions of the Governance Code.

Michael Abrahams
Chairman

Statement of Compliance
(In Accordance with Listing Rule 9.8.6R)
During the year to 31 December 2015 the Company complied with all relevant provisions of the 2014 UK Corporate Governance Code (the Governance Code which is available at www.frc.org.uk) with the exception of the new Provision D.1.1 of the Governance Code which requires that performance related remuneration schemes should include malus and clawback provisions. An explanation for this non-compliance is set out in the Remuneration Report on page 69.

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

LEADERSHIP

GOVERNANCE STRUCTURE

SHAREHOLDERS

THE BOARD

AUDIT COMMITTEE

Responsibilities include:
- Monitoring integrity of financial statements;
- Reviewing internal control and risk management systems;
- Relationship with external auditor.

More info: Audit Committee Report page 63

REMUNERATION COMMITTEE

Responsible for reviewing and approving all aspects of remuneration for Executive Directors and members of the Executive Committee.

More info: Directors' Remuneration Report on pages 69 to 83

NOMINATION COMMITTEE

Responsible for identifying and nominating (for Board approval) candidates to fill Board vacancies, having due regard to the need for appropriate balance and diversity.

More info: Nomination Committee Report on page 62

COMMITTEE OF INDEPENDENT DIRECTORS (CID)

Responsibilities include:
- Ensuring compliance with Chapter 11 of the Listing Rules and the Relationship Agreement;
- Authorising (if appropriate) related party transactions on behalf of the Board;
- Conflicts of interest procedure under the 2006 Companies Act

See page 57

CORPORATE SAFETY AND SOCIAL RESPONSIBILITY COMMITTEE

Responsible for formulating and monitoring the implementation of the Group's policy on CSR issues as they affect operations.

More info: CSR section on pages 41 to 51

CHIEF EXECUTIVE OFFICER

EXECUTIVE COMMITTEE[1]

Responsible for:
- Execution of Board approved strategies
- Delegated authority levels for senior management
- Development and implementation of group policies
- All material matters not reserved for the entire Board

See page 57

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

The Board

The Board is responsible for setting the Group's objectives and policies, providing effective leadership and control required for a public company. The Board has a formal schedule setting out the matters requiring Board approval and specifically reserved to it for decision. These include:
- approving the Group strategy and budget;
- annual and long-term capital expenditure plans;
- contracts for more than a certain monetary amount;
- monitoring financial performance and critical business issues;
- approval of major projects and contract awards;
- approval of key policies and procedures including dividend and treasury policies; and
- through the CID, monitoring and authorising related party transactions.

Certain aspects of the Board's responsibilities have been delegated to the Committees shown in the chart above to ensure compliance with the Act, FCA Listing Rules and the Governance Code. The terms of reference for each of the Audit Committee, Nominations Committee, Remuneration Committee and CSR Committee are available on the Company's website at http://www.ferrexpo.com/about-us/corporate-governance/board-committees.

It is the responsibility of the CEO and the Executive Committee to manage the day-to-day running of the Group.

Role descriptions

The division of responsibilities between the Chairman and the CEO has been clearly established in writing and is agreed by the Board. A summary of the roles of the Chairman, the CEO, the Senior Independent Director, the Independent Non-executive Directors and the Company Secretary is set out in the table below. The table also includes an overview of the role of the Executive Committee and of the CID. The roles of the Audit and Nominations Committees are set out later in this Corporate Governance Report, the role of the CSR Committee in the Corporate Social Responsibility Report on page 41, and the role of the Remuneration Committee in the Remuneration Report on page 69.

Role	Description
Chairman	The Chairman is responsible for leadership of the Board, ensuring its effectiveness, setting its agenda and ensuring effective communication with shareholders. The Chairman also ensures that there is a constructive relationship between the Executive and Non-executive Directors. From time to time the Chairman holds meetings with the Non-executive Directors without the Executive Directors present. Mr Abrahams's other current responsibilities are set out in the biographical notes on page 52. There has been no increase in those commitments during the reporting period.
CEO	The role of the CEO is to provide leadership of the executive team, to develop proposals for the Board to consider, and to oversee and implement Board-approved actions. Mr Zhevago has no other directorships of quoted companies. He has other business interests and is a member of the Ukrainian parliament, but devotes the majority of his time to Ferrexpo.
Senior Independent Director	The Senior Independent Director, Oliver Baring, in conjunction with the other independent Non-executive Directors, assists in communications and meetings with shareholders concerning corporate governance matters. He also chairs the Nominations Committee and the Committee of Independent Directors. At least once a year, the Senior Independent Director meets the Non-executive Directors, without the Chairman present, to evaluate the Chairman's performance. The Senior Independent Director is available to discuss with shareholders any issues that the Chairman has been unable to resolve to shareholders' satisfaction.
Non-executive Directors	The Non-executive Directors provide an independent and objective viewpoint to Board discussions and bring experience from a variety of industry backgrounds. Their role is to provide constructive support and challenge to Executive Management. Acting either as the Board or as members of its Committees, the Non-executive Directors: approve budgets; discuss and contribute to strategic proposals and approve strategy; monitor the integrity, consistency and effectiveness of financial information, internal controls and risk management systems; monitor management's execution of strategy against agreed targets and determine their remuneration accordingly; and monitor executive succession planning (for Board succession planning, see Nominations Committee Report below).
Company Secretary	The Company Secretary is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for advising the Board on governance issues and for ensuring, with the Chairman, that information reaches Board members in a timely fashion, so that they are alerted to issues and have time to reflect on them properly before deciding how to address them. All Directors have access to the advice and services of the Company Secretary.
Executive Committee	The Executive Committee is a key decision making body of the Group, responsible for managing and taking all material decisions relating to the Group apart from those set out in the Schedule of Matters Reserved for the Board. It has delegated responsibility from the Board for the execution of Board-approved strategies for the Group, for ensuring that appropriate levels of authority are delegated to senior management, for the review of organisational structures and for the development and implementation of Group policies. The Executive Committee meets regularly during the year.
Committee of Independent Directors	The CID is composed of the Senior Independent Director, the Chairman of the Board, and the other Independent Directors. The Committee considers and, if appropriate, authorises on behalf of the Board related party transactions within the terms of Chapter 11 of the Listing Rules of the Financial Conduct Authority and otherwise ensures compliance with Chapter 11 and with the Relationship Agreement entered into between Fevamotinico S.a.r.l., Mr Zhevago, The Minco Trust and the Company. The CID holds delegated authority to consider and, if appropriate, approve transactions where there is a risk of a conflict of interest for any member of the Board under the Companies Act 2006. The CID keeps under review the authorisation and approval process relating to such transactions (which have previously been reviewed in detail by the ERPMC (see "Conflicts of Interest" above)) and satisfies itself that, as required under the Relationship Agreement, related party transactions have been properly conducted at an arm's length basis on normal commercial terms and in compliance with Chapter 11, and that no disclosures have been omitted or misstated in the financial statements. The Committee's terms of reference also cover the oversight of anti-bribery procedure implementation.

Board Composition

As at the date of this report, the Board (excluding the Chairman) comprises two non-independent Executive Directors and seven Non-executive Directors, all of whom are now considered by the Board to be independent in accordance with Provision B.1.1. of the Governance Code. This structure ensures that the Executive Directors are subject to appropriate independent and constructive challenge by the Non-executive Directors, and that no single Director can dominate or unduly influence decision making. The Board considers that David Frauman is independent in character and judgement, notwithstanding the fact he receives additional remuneration from the Company under a Consultancy Agreement, given his professional background and lack of prior links to the Company or its major shareholders.

Composition of the Board and Committees is illustrated in the table below:

Board members	Role	Audit	Remuneration	Nomination	CID	CSR[1]
M Abrahams	Non-executive Chairman			•	•	•
K Zhevago	Chief Executive Officer					•
C Mawe	Chief Financial Officer					
O Baring	Senior Independent Non-executive Director	•	•	••	••	
D Frauman	Independent Non-executive Director				•	
W Kuoni	Independent Non-executive Director	•	•	•	•	
I Mitiukov	Independent Non-executive Director	•			•	
B Nacken	Independent Non-executive Director		•		•	•
M Reilly	Independent Non-executive Director	••			•	
M Salamon	Independent Non-executive Director		••		•	

1 CSR Committee also includes some members of senior management; see Corporate Social Responsibility Report on page 41
• Committee member
•• Committee Chairman

Biographical details of the Directors at the date of this report are set out on pages 52 and 53.

Board Activity in 2015

Five scheduled Board meetings were held in 2015, all in Switzerland, and the regular matters discussed at these meetings included:
- oral reports from the chairmen of the committees meeting before the Board meeting, and minutes of earlier meetings of the committees;
- Chief Executive Officer's report including production and operations, iron ore market conditions, and updates on the position in Ukraine;
- Chief Financial Officer's report including status vs. budget, forecasts and funding update;
- Bank F&C update report;
- Related Party matters (including Directors' interests/conflicts);
- Investor Relations Report (including shareholder feedback);
- Strategy, Business Plan and budget;
- formal risk review; and
- Board refreshment/succession planning/independence/Committee composition.

Matters reviewed as required included:
- review of half year or annual results, going concern, dividend policy/recommendations, investor presentation;
- Board/Chairman/Director performance evaluation;
- review of AGM statement, and proxy agency comments/recommendations;
- annual review of Bank relationships within and outside Ukraine; and
- annual review of Treasury policy.

Other ad-hoc matters considered by the Board at scheduled meetings during 2015 included:
- capital projects;
- bank debt negotiations;
- approval of documentation and structure of Bond exchange offers;
- updates on Ferrous Resources Ltd (including decision to dispose of the Group's interest); and
- CSR matters, including health and safety and community spending.

The Board visited the Group's operations in Komsomolsk between 30 September and 2 October 2015. During such visit the Board received various presentations from executive management in respect of operations and strategy, and held an informal meeting at which many of its standard agenda items were covered.

In addition to its scheduled meetings and the site visit described above, the Board also met on a further 13 occasions from September 2015 onwards to discuss and address the developing situation around the insolvency of Bank F&C and the resulting actions required by the Board and the Company.

The Chairman also hosted several Board dinners during the year, usually on the evening immediately prior to a scheduled Board meeting. The dinners provide an opportunity for Directors to discuss key matters in a more informal setting, and therefore assist in promoting an open and constructive relationship between members of the Board.

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

EFFECTIVENESS

Board Balance and Independence

The composition of the Board is regularly reviewed by both the Nominations Committee and the Board itself. In July, the Board reviewed the independence of Mike Salamon who was previously not considered independent due to his historic connection with CERCL Holdings (formerly the BXR Group), a significant shareholder in the Company. Mr Salamon's relationship with BXR ceased in 2012 and, having consulted its financial advisers, the Board determined that he should now be considered independent for the purposes of the Governance Code.

Controlling Shareholder – Relationship Agreement

Kostyantin Zhevago is a beneficiary of The Minco Trust which owns 100% of Fevamotinico S.a.r.l., the majority shareholder in the Company. Consequently he, The Minco Trust and Fevamotinico S.a.r.l. (collectively "the Controlling Shareholder") have entered into a Relationship Agreement with the Company in order to ensure that the Group is capable of carrying on its business independently, that transactions and relationships between the Group, Fevamotinico S.a.r.l., The Minco Trust and Mr Zhevago are at arm's length and on normal commercial terms, and that there shall be at all times a majority of Directors independent of Fevamotinico S.a.r.l., The Minco Trust and Mr Zhevago on the Board (the "Relationship Agreement") (under the Relationship Agreement Mr Zhevago would be entitled, if he was not the CEO, to appoint himself or another person as his representative Director). The Relationship Agreement terminates if, inter alia, the shareholding of Mr Zhevago and his associates in the Company falls below 24.9%. This Relationship Agreement complies fully with the UK Listing Rules. The Board monitors compliance with the Relationship Agreement through the Committee of Independent Directors (see under "Conflicts of Interest" below), which reviews the work of the Executive Related Party Matters Committee ("ERPMC") (both bodies are independent of Mr Zhevago), with the CID reviewing the minutes of the ERPMC and all related party transactions with regard to the Class Tests and the potential need to consult the Sponsor. The ERPMC is authorised to approve transactions that are in the ordinary course of business, of a revenue nature and have no unusual terms; others are referred to the CID. More generally, the CID keeps under review the independence of the Board and compliance with the Governance Code, as the Relationship Agreement requires.

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

- Ferrexpo has entered into a Relationship Agreement with its Controlling Shareholder, as required by LR 9.2.2A R (2)(a).
- Ferrexpo has complied with the independence provisions contained in the Relationship Agreement during 2015.
- So far as Ferrexpo is aware, the Controlling Shareholder and its associates have also complied with the independence provisions during 2015.
- So far as Ferrexpo is aware, the procurement obligation set out in LR 9.2.2B R (2)(a) (which requires the Controlling Shareholder to procure the compliance of the "non-signing Controlling Shareholders" (in this case, the other beneficiaries of The Minco Trust) and their associates with the independence provisions) has also been complied with during 2015.

Conflicts of Interest

The Board has an established procedure (see 'Controlling Shareholder – Relationship Agreement' on the left hand side of this page) to deal with Directors' conflicts of interest and the recording, reporting and, where appropriate, approval of related party transactions and review of relevant disclosures. This procedure is in line with published guidance, the Articles and the provisions in section 175 of the Companies Act 2006 on conflicts of interest. Schedules of a Director's actual or potential conflicts and related party transactions have been compiled based on disclosures made by the Director. These are updated and reviewed on a regular basis by the Executive Committee, the ERPMC (which is composed of certain members of the Executive Committee and other members of senior management not including Mr Zhevago) and the Committee of Independent Directors ('CID'). Any changes to the schedules are noted, and confirmed as correct, at the next Board meeting. The CID has delegated authority to carefully consider and (if deemed appropriate in the circumstances) approve on behalf of the Board transactions where there is a risk of a conflict of interests. This procedure operates effectively in identifying potential conflicts and ensuring that they are managed appropriately and that conflicted individuals are not involved in the relevant decision making process. The Group aims to follow emerging best practice in this area. For a discussion of the management of conflicts of interest in relation to Bank F&C, please see page 16 of the Chairman's Statement.

Training and Professional Development

The Chairman is responsible for agreeing training and development requirements with each Director to ensure they have the necessary skills and knowledge to continue to contribute effectively to the Board's discussions. All Directors receive updates given to the Board as a whole on changes and proposed changes in laws and regulations affecting the Group. Site visits are also encouraged and held at least annually to ensure all Directors are familiar with the Group's operations, and Directors may visit the operations of the Group independently to the extent to which they feel this is necessary. During the year, as in previous years, the Board spent two days visiting the site in Ukraine. In addition, training may be provided by the Group's advisers in respect of specific areas of interest to the Board, including general economic and market conditions, developments in Corporate Governance regulations and best practice and any other matters as agreed by the Chairman.

All Directors may take independent professional advice at the expense of the Group in the furtherance of their duties.

Induction

On appointment, all Directors are advised of their duties, responsibilities and liabilities as a Director of a public listed company. In addition, an appropriate induction programme is provided to each Director upon appointment, taking into consideration the individual qualifications and experience of the Director.

Following their appointments as Non-executive Directors in May and October 2015 respectively, Mary Reilly and David Frauman each received a tailored induction which included meetings with Directors and key members of the senior management team. They were also provided with relevant information including the Company's most recent financial reports, Board packs and Group policies and procedures, and met representatives of the Group's significant shareholders. In addition Mary Reilly met the external auditors in view of her prospective membership of the Audit Committee.

Information Flow

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

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

Time Commitment

Non-executive Directors would normally expect to spend two days a month, on average, on Ferrexpo's affairs, and in the case of the Senior Independent Director, the Committee Chairmen and in particular the Chairman of the Board, considerably more than that. Due to increased Board activity in the latter part of 2015, the time commitment required from the Chairman and Non-executive Directors has been substantially increased, and all our Non-executive Directors have been able to make themselves available for the majority of the ad-hoc Board meetings and update calls held in the year notwithstanding their external commitments. The attendance of the Directors at Board and Committee meetings during 2015 is shown in the table below.

The Non-executive Directors are required to confirm at least annually that they are able to commit sufficient time to the affairs of the Company, and all of our Non-executive Directors have given this confirmation in respect of 2016.

Board and Committee attendance in 2015

	Board[1]		Committees[1]					
						CID		
Director	Scheduled	Ad Hoc[2]	Audit	Rem	Nom	Scheduled	Ad Hoc[2]	CSR
Michael Abrahams	5/5	13/13			1/1	6/6	3/3	3/4
Kostyantin Zhevago	5/5	12/13			1/1			4/4
Chris Mawe	5/5	13/13						
Oliver Baring	5/5	12/13	5/6	3/3	1/1	6/6	3/3	
D Frauman	1/1	8/8				1/1	0/0	
W Kuoni	5/5	12/13	6/6	3/3	1/1	5/6	1/3	
I Mitiukov	5/5	13/13	6/6	3/3	1/1	5/6	3/3	
B Nacken	5/5	13/13		3/3		6/6	3/3	3/3
M Reilly	2/2	13/13	3/3			3/3	3/3	
M Salamon[3]	5/5	12/13				2/2	3/3	

1 Figures show number of meetings attended out of those the Director was eligible to attend.
2 Figures show regular updates held by conference call, mostly in the last quarter of the year.
3 Appointed in November, and no Remuneration Committee meeting held between appointment and the end of the year.

Performance Evaluation

The annual performance evaluation of the Board and its Committees was carried out internally in 2015 by the Chairmen of these bodies. The evaluation process involved the completion of questionnaires by Board and Committee members, with responses collated and analysed by the Chairmen with assistance from the Company Secretary. Our last externally facilitated evaluation (the Company's first) was conducted in 2013 and was reported on in the 2013 Annual Report. In line with the Governance Code, we therefore intend to conduct an externally facilitated performance evaluation process during 2016.

The conclusion of the 2015 evaluation process was that the Board, its Committees, and each Director continued to function effectively during the year, and apart from one or two minor issues which were raised and subsequently addressed, no particular areas were identified as needing improvement. Although the mixture of skills and experience on the Board and the Committees was considered to be appropriate, the evaluation process supported the general view that the appointment of two new Non-executive Directors since the 2014 evaluation had provided the opportunity to refresh the composition of the Committees. Committee membership was therefore refreshed following a proposal by the Chairman tabled at the Board meeting held in July 2015.

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

Oliver Baring Chairman of the Nominations Committee

Nominations Committee Report

Dear Shareholder,
I am pleased to present the Nominations Committee Report for 2015.

The Committee met formally on one occasion during the year. In addition to that meeting, members of the Committee were active in interviewing candidates for the new Non-executive Director role and in recommending Mary Reilly's appointment to the Board. Members of the Committee also met potential successors for Michael Abrahams's role as Chairman of the Board; the search for a successor was put on hold by the Board, before a suitable candidate had been found, in October 2015 in light of other developments, but has since been resumed (see Chairman's introduction on page 18).

The composition of the Committee was changed in July with Ihor Mitiukov and Kostyantin Zhevago ceasing to be Committee members. The Committee is now composed of two independent Non-executive Directors and the Chairman, and therefore complies with the Governance Code requirement that a majority of members be independent. As circumstances permit, the Committee will again focus in 2016 on the refreshment of the Board as existing Non-executive Directors reach nine years' service, and on succession planning generally.

Oliver Baring
Chairman of the Nominations Committee
9 March 2016

Membership and Meetings

The Nominations Committee is chaired by Oliver Baring and its other members are Michael Abrahams and Wolfram Kuoni; two out of the three members of the Committee are independent Non-executive Directors of the Company. The Nominations Committee meets at least once a year, as required by its terms of reference, and met on one occasion in 2015.

Appointment Process and Succession Planning

As we reported last year, the Committee is conscious of the Governance Code recommendation that Non-executive membership of the Board should not extend beyond nine years in an independent capacity. The search for new Directors to replace the existing Directors as they gradually retire therefore continued during 2015 and led to the appointment of Mary Reilly as a Non-executive Director.

Executive search consultants were used in the search. After consulting the Nominations Committee about the skills and experience required, the consultants drew up a long list of candidates from which a short list were chosen to be invited for interview by the Nominations Committee. The Nominations Committee then recommended Mary Reilly as the preferred candidate, and she was interviewed by other members of the Board before being formally appointed on 27 May 2015.

The executive search consultants used in relation to the appointment of Mary Reilly were Sapphire Partners, who have no other connection with the Company.

Neither an external search consultancy nor open advertising was used in respect of the appointment of David Frauman as a Non-executive Director in October 2015. In light of circumstances facing the Group, and especially the Group's debt negotiations which remain ongoing, the Board determined that it needed to be strengthened by the appointment of a Non-executive Director with specific experience of financial restructuring. David was therefore appointed at short notice having been identified by PJT Partners, the Company's financial advisers, as an appropriate candidate and interviewed by members of the Nominations Committee and the Board before being formally appointed on 26 October 2015. Given the circumstances of the appointment, the Board took the view that it was preferable to follow this course than to wait for the outcome of a full search process.

Succession Planning

Succession planning was considered by the Board during the first half of 2015, in particular in respect of the search for a successor to Michael Abrahams as Chairman of the Company, and the continuing search for new Non-executive Directors to refresh the Board as existing Directors reach nine years' service, and the search has now been resumed.

Re-election

In accordance with the provisions of the Governance Code, all Directors (with the exception of David Frauman and Mike Salamon who will leave the Board on 10 March and at the AGM respectively) will stand for re-election by shareholders at the Company's 2016 AGM.

Diversity

The Nominations Committee and the Board recognise the importance of boardroom diversity in terms of background, expertise, gender and nationality, and strive to achieve it. The Committee seeks to ensure that all available suitable candidates are taken into account when drawing up shortlists of candidates for possible appointments to the Board and seeks only to engage executive search consultants who have signed up to the Voluntary Code of Conduct for executive search firms. The final decisions to make appointments to the Board are however made on merit against objective criteria, so as to ensure that the strongest possible candidates for the role are recruited.

The Committee has noted the final report of Lord Davies in respect of Women on Boards, in particular the proposal that the target for female Directors on the Boards of FTSE 100 companies be increased to 33%. The Committee was pleased to welcome Mary Reilly, Ferrexpo's first female Director, to the Board during the year, and while it does not consider targets to be appropriate will continue to ensure that gender diversity is considered when conducting future searches for Board positions.

Mary Reilly Chairman of the Audit Committee

ACCOUNTABILITY

Audit Committee Report

Dear Shareholder,
I am pleased to present to you the Report of the Audit Committee for 2015.

I joined the Committee on my appointment to the Board in May 2015 and took over from Wolfram Kuoni as Chairman of the Committee with effect from November 2015. My colleagues and I would like to thank Wolfram for his work as Chairman of the Committee, and for his support and assistance in ensuring a smooth handover of the role to me. Wolfram continues as a member of the Committee for the time being.

During the year, the Audit Committee met 6 times and reviewed the Annual Report and associated preliminary year end results, focusing on key areas of judgement and complexity and accounting policies. In addition to our half-yearly financial reporting cycle we have also considered financial statements produced in connection with specific projects on two occasions and recommended their approval to the Board. We have also been working to address the new requirements of the Governance Code relating to risk management, going concern and the new longer-term viability statement. In particular, we have been involved in designing and approving a process to support the viability statement including sensitivity analysis and stress testing. Our viability statement is set out in the Strategic Report on page 40.

The internal control and risk management procedures at Ferrexpo are set out later in this report and the main risks themselves on page 32 of the Strategic Report. Throughout the year, the Committee has robustly assessed the principal risks facing the business (especially those relating to solvency and liquidity), and, has also, in conjunction with the Board, examined carefully the risks and assumptions underlying the Viability Statement on page 40.

The significant issues and judgements considered by the Committee in respect of the 2015 Annual Report are set out below. These include the matters relating to risks disclosed in the external auditor's report and cover the impact on the Going Concern Assessment of the falling iron ore price, the insolvency of Bank F&C; the preparation of the first Viability Statement; the reporting of Related Party Transactions; and the allocation and control of community support donations. Some of the issues addressed in 2014 and reported on in the 2014 Corporate Governance Report were reviewed again, including Ukrainian VAT receivable and the likely timing of its repayment, the timing of repayment of the asset related to prepaid corporate income tax, and the effect of the continuing devaluation of the Hryvnia in 2015. In considering these matters, the Committee took into account the regular financial and internal audit reports made to the Board throughout the year, as well as discussing the issues with management and the external Auditors at intervals throughout the year. Detailed disclosure is given in Note 4 to the Financial Statements on pages 107 to 109 of the significant areas of uncertainty in which estimates and critical judgements had to be made. In order to satisfy itself that the accounting for these issues was reasonable and appropriate, and that disclosure in the Financial Statements was suitable and clear in each case, the Committee reviewed the papers setting out the procedures followed by the Auditors and the responses of management, and questioned and debated them with management and the Auditors at the Committee's meetings. These discussions were also informed by the Committee members' own expertise, particularly with regard to the economic and financial situation in Ukraine. At the end of this process, the Committee was satisfied with the accounting treatment and disclosure of each issue and with managements' exercises of critical judgement as disclosed in Note 4.

In accordance with Provision C.3.4 of the Governance Code, the Board asked the Audit Committee to advise it as to whether the Annual Report and Accounts are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. In providing our advice (more detail is included below) we were mindful of ensuring that the Annual Report and Accounts is read in the context of the current circumstances facing the Company, in particular the falling iron ore price during the year and the consequences of the insolvency of Bank F&C.

Finally, the Committee is aware of the new EU regulations that will come into force in the summer of 2016 relating to the appointment of external auditors. We will review this during the early part of 2016 to ensure we are in compliance with the new requirements (particularly in respect of the provision of non-audit services). Following an internal effectiveness review, we remain satisfied with the performance, independence and objectivity of Ernst & Young, our current external auditor, and have recommended that the Board propose their reappointment at the 2016 AGM. It remains our intention to run a tender for the external audit for the year ending December 2017 in compliance with the new EU regulations.

Mary Reilly
Chairman of the Audit Committee
9 March 2016

Membership and Meetings

The Audit Committee currently comprises four independent Non-executive Directors, Mary Reilly (Chairman of the Committee), Oliver Baring, Wolfram Kuoni and Ihor Mitiukov. All members of the Audit Committee are considered to possess appropriate knowledge and skills relevant to the activities of the Group, and Mary Reilly is considered to have recent and relevant financial experience due to her career as an audit partner with Deloitte LLP, and her experience as a member of the audit committees of other companies. The Audit Committee met on six occasions during 2015. Four of these were scheduled meetings, and two were ad-hoc meetings convened to consider accounting figures produced for specific projects (see Activity during 2015 below). The attendance record of the Committee members is shown in the table on page 60.

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

Activity During 2015

Key activities of the Audit Committee during 2015 are set out below.

Date	Matters discussed
January (ad hoc)	– Reviewed, with input from Ernst & Young, the external auditors, the accounting figures for the nine months ended 30 September 2014 to be included in the prospectus disclosures in respect of the Bond exchange offer, including the going concern assessment, and recommended their approval by the Board.

March (scheduled)	– Reviewed the Annual Report and financial statements for the year ended 31 December 2014 (and concluded that they were fair, balanced and understandable), and the draft preliminary announcement and recommended Board approval of:
	  – Financial statements
	  – Audit Committee Report
	  – Internal controls disclosures
	  – Going concern assessment
	– Reviewed Ernst & Young's report on the 2014 financial statements and the management representation letter
	– Review of risk register
	– Audit Committee performance evaluation

May (scheduled)	– 2014 year end-review (including review of external audit process and Ernst & Young management letter) – Reviewed, with input from Ernst & Young, the accounting figures for the three months ended 31 March 2015 to be included in the prospectus disclosures in respect of the second Bond exchange offer, including the going concern assessment, and recommended their approval by the Board – Review of risk register – Internal audit update, including strategy review

July (scheduled)	– Review of half-year results, including
	  – Discussed findings of Ernst & Young's review of the results
	  – Financial statements
	  – Going Concern assessment
	– External auditor fees proposal
	– Internal audit update, including progress against internal audit plan, a report on the implementation of the Conflicts of Interest Policy, and a review of whistleblowing policy and arrangements
	– Review of risk register
	– Regulatory developments (including consideration of requirements for viability statement and reporting on payments to governments)

Date	Matters discussed
November (ad hoc)	– Reviewed, with input from Ernst & Young, the accounting figures for the nine months ended 30 September 2015 which had been prepared in connection with ongoing discussions with lenders in order to obtain a clear assessment of Ferrexpo's position following the insolvency of Bank F&C, including the going concern assessment, and recommended their approval by the Board.

November (scheduled)	– 2015 year-end planning
	  – Review of Ernst & Young planning report
	  – Consideration of process to support viability statement
	  – Review and approval of audit engagement letter
	– Internal audit update
	  – Progress against internal audit plan for 2015, and approval of 2016 internal audit plan
	  – Report on whistleblowing cases during 2015
	– Assessment of external auditor effectiveness, independence and objectivity, review of policy on provision of non-audit services, and recommendation that Ernst & Young be proposed for reappointment at the 2016 AGM

Significant issues considered in relation to the financial statements

Issues	Judgements/actions taken
Impact on the Going Concern Assessment and Viability Statement of the falling iron ore price	Going Concern was reviewed formally several times during the period. The Viability Statement covers a 5-year period, the same as the Group's mining plan; when reviewing it the Committee considered 5-year forecasts under various iron ore price scenarios and concluded that, even under a conservative scenario, Ferrexpo would remain viable (see Viability Statement on page 40). There are material uncertainties that may cast significant doubt on the Group's ability to meet its debt amortisation obligations whilst maintaining the required level of liquidity in order to continue as a going concern.
The insolvency of Bank F&C, its accounting treatment and disclosure	The Committee reviewed the accounting for, and presentation of, the impact of the insolvency of Bank F&C at the year end with input from management and the external auditors.
The reporting of Related Party Transactions	The members of the Committee are also members of the Committee of Independent Directors, and were therefore involved in the regular monitoring of Related Party Transactions.
The process by which the funds comprised in community support donations were allocated and controlled	Community support donations are included in Ferrexpo's annual budget and are subject to challenge by the Board. The Audit Committee Chairman has reviewed the process for CSR donations, and robust policies are being developed which will come before the Committee in the first half of 2016 to improve the oversight of such expenditure.

Internal Control and Risk Management

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

The day-to-day responsibility for managing risk and the maintenance of the Group's system of internal control is collectively assumed by the Executive Committee. Key risk and control issues are reviewed regularly by the Executive Committee, Financial Risk Management Committee ("FMRC") and Audit Committee. On behalf of the Board, the Executive Committee and FRMC have established a process for identifying, evaluating and managing the significant risks faced by the Group. This process was followed throughout 2015 and up to the date of approval of this Annual Report. The Group has also adopted a risk-based approach in establishing the Group's system of internal control and in reviewing its effectiveness. To assist in managing key internal risks, it has established a number of Group-wide procedures, policies and standards and has set up a framework for reporting matters of significance.

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

- Regular review of risk and identification of key risks at the Executive Committee which are reviewed by the Audit Committee and by the Board.
- Since December 2014, an Executive Compliance Committee ("ECC") (an executive sub-committee) has met regularly and is charged with ensuring compliance with laws, regulations, and ethical standards on behalf of the Executive Committee or Audit Committee, as appropriate. The ECC enquires into the ownership of potential suppliers deemed to be "high risk"; and oversees the management of conflicts of interests below Board level and general compliance activities (including under the UK Bribery Act 2010).
- Clearly defined organisational and reporting structure and limits of authority for transaction and investment decisions, including any with related parties.
- Clearly defined information and financial reporting systems, including regular forecasts and an annual budgeting process with reporting against key financial and operational milestones.
- Investment appraisal underpinned by the budgetary process, where capital expenditure limits are applied to delegated authority limits.
- An Investment Committee (an executive sub-committee) which meets regularly to approve capital expenditures within limits delegated, by the Executive Committee and the Board.
- A budgetary process and authorisation levels to regulate capital expenditure. For expenditure beyond specified levels, detailed written proposals are submitted to the Investment and Executive Committees and then if necessary to the Board for approval.
- The Financial Risk Management Committee ("FRMC") (an executive sub-committee) reviews financial information and management accounts, and meets regularly.
- Clearly defined treasury policy (details of which are given in the Note 31 to the financial statements on page 140) monitored and applied in accordance with pre-set limits for investment and management of the Group's liquid resources including a separate treasury function.
- Internal audit by an in-house auditor based in Ukraine (see below) who monitors, tests and improves internal controls operating within the Group at all levels and reports directly to the Chairman of the Audit Committee, and to the CFO for line management purposes.
- A standard accounting manual is used by the finance teams throughout the Group, which ensures that information is gathered and presented in a consistent way that facilitates the production of the consolidated financial statements.
- A framework of transaction and entity level controls to prevent and detect material error and loss.
- Anti-fraud measures through an internal security department operating in the Group's key operating subsidiaries.
- A whistleblowing policy is in place under which staff may in confidence, via an independent, secure website, raise concerns about financial or other impropriety, which are followed up by Internal Audit and reported on to the Audit Committee.

The Board, with assistance from the Audit Committee, regularly reviews the policies and procedures making up the internal control and risk management system, and the significant matters reported by the Executive Committee. The risk register, which includes details of the controls in place to manage and mitigate identified risks, is considered at every scheduled Board and Audit Committee meeting with specific risks discussed in detail as and when required.

The Board has delegated its responsibility for reviewing the effectiveness of the internal control and risk management system to the Audit Committee. In making its assessment, the Audit Committee considers the reporting provided to it during the year in relation to internal control systems and procedures, including the risk register, and may request more detailed investigations into specific areas of concern if appropriate.

In relation to Bank F&C, the Committee kept the situation under close review throughout the year in the context of risk management and the Going Concern assessment.

Full details of the Group's policy on risk and uncertainties are set out in Note 31 to the financial statements on pages 138-149. See also the Principal Risks section of the Strategic Report on pages 32 to 39.

Internal Audit

An internal audit function with a Group-wide remit has been established and operated during 2015. A new Head of Internal Audit with mining and international experience was appointed in May, the previous Head of Internal Audit having left the business in December 2014. The Head of Internal Audit reports directly to the Chairman of the Audit Committee and the CFO.

An internal audit programme for 2015, approved by the Audit Committee, focused on production equipment repairs management, repair and maintenance, inventory management, and the procurement cycle at FPM, and a limited review of compliance in procurement at FYM which were the areas of risk identified by the risk reviews carried out on an ongoing basis by the Executive Committee and the Board. The Committee receives a report from the Head of Internal Audit at each scheduled meeting, and reviewed the progress of the internal audit plan with the auditors and the Head of Internal Audit periodically during the year. The reports include the Head of Internal Audit's assessment of the operation and effectiveness of relevant elements of the Group's internal control systems, and therefore form part of the Committee's ongoing monitoring and assessment of such systems.

The Committee reviews at least annually the effectiveness of the internal audit function, and is satisfied, following its 2015 assessment, with the rigour of the audit projects and with management's response to the Head of Internal Audit's findings. An internal audit programme for 2016 was approved by the Audit Committee in November 2015.

External Audit

Auditor Independence and Assessment of Audit Process Effectiveness

The Audit Committee and the Board place great emphasis on the independence and objectivity of the Group's external auditors, Ernst & Young, when performing their role in the Group's reporting to shareholders.

The effectiveness of the audit process and the overall performance, independence and objectivity of the auditors are reviewed annually by the Audit Committee, taking into account the views of management, and the outcome of this review is relayed to the relevant partners of Ernst & Young. This review takes the form of an assessment (using a questionnaire) of the auditors' performance under various headings: the robustness of the audit, the quality of delivery, and the calibre of the audit team. In assessing the effectiveness of the audit process in respect of the 2014 year end, the Committee also took note of the information regarding quality assurance processes contained in Ernst & Young's 2015 report to the Committee on independence, and the outcome of the FRC's Audit Quality Inspection of the firm, published in May 2015. The auditors also provide to the Audit Committee information about policies and processes for maintaining independence and monitoring compliance with relevant current requirements, including those regarding the rotation of audit partners and staff, the level of fees that the Group pays in proportion to the overall fee income of the firm, and other regulatory requirements. The Committee reviewed these arrangements during the year and believes that they are still appropriate.

Non-audit Services

The Audit Committee has approved separate policies in respect of the provision of non-audit services and employment of former employees of the auditors. These policies ensure that the external auditors are restricted to providing only those services which do not compromise their independence. The policy on the provision of non-audit services prohibits the use of the auditors for the provision of transaction or payroll accounting, outsourcing of internal audit and valuation of material financial statement amounts. Any assignment that is proposed to be given to the auditors above a value of US$500,000 must first be approved by the Audit Committee (which is routinely notified of all non-audit services).

Fees for audit-related and non-audit-related services performed by the external auditors during 2015 are shown in Note 9 to the financial statements on page 114.

The Committee is aware of the provisions of the EU regulations that will come into force in 2016, taking effect for Ferrexpo in 2017, relating to non-audit fees, including the prohibition on the provision of certain specified non-audit services by the external auditor and a cap on the non-audit fees that may be paid to the external auditor. The Committee will therefore review the Group's policy on Non-Audit Services in early 2016 and make any necessary changes to ensure compliance with the EU regulations.

Recommendation on Reappointment of Auditors & Audit Tender

The Committee considered whether Ernst & Young should be proposed for reappointment by the shareholders at the 2016 Annual General Meeting, or whether the audit should be put out to tender as a matter of policy. Having conducted its annual review of the performance, independence and objectivity of the external auditor (described above), the Committee is satisfied that Ernst & Young continues to be independent and capable of conducting the external audit objectively and effectively. Taking into account their general satisfaction with the auditors, the Committee agreed to recommend to the Board that Ernst & Young should be proposed for reappointment for another year.

Ernst & Young were appointed as auditors to the Company in June 2007 prior to the listing in London, and the Company's audit partner rotated in 2012. Under EU regulations that will enter force in 2016, the Company will be required to put the external audit contract out to competitive tender in 2016 (for the audit of the 2017 accounts), and a change of audit firm will be required by not later than 2027.

Financial Reporting

The Board has asked the Committee to advise as to whether it considers the 2015 Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. In providing its advice, the Committee noted that the factual content of the Annual Report and Accounts has been carefully checked internally, and that the document has been reviewed by senior management in order to ensure consistency and overall balance. The Committee has also conducted its own detailed review of the disclosures in the Annual Report and Accounts taking into account its own knowledge of Ferrexpo's strategy and performance, the consistency between different sections of the report, the accessibility of the structure and narrative of the report, and the use of key-performance indicators, and has also paid particular attention to the transparency and balance of the disclosures relating to Bank F&C, given its significance in 2015. The Committee is satisfied that, taken as a whole, the Annual Report and Accounts is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy and has advised the Board accordingly.

The Committee has also advised the Board on the process which has been implemented in the year to support the new longer-term viability statement required under the Governance Code. The viability statement is set out in the Strategic Report on page 40 and a statement setting out the Board's assessment of the Company as a going concern is contained in the Directors' Report on page 84.

Whistleblowing policy

The Audit Committee is responsible for reviewing the Group's whistleblowing arrangements, and receives regular reports from the Head of Internal Audit which detail any new whistleblowing incidents and, where appropriate, steps taken to investigate such incidents. In 2015 the Committee reviewed the Group's Whistleblowing Policy which formalises the arrangements that have been followed in the past, and will continue to keep the policy under review.

RELATIONS WITH SHAREHOLDERS

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

The Executive Directors and other senior executives maintain appropriate contact with institutional shareholders on a range of issues affecting the Group's performance, and meet with institutional investors and analysts following the announcement and presentation of the annual and interim results. The Chairman, the CEO, the CFO, and the Head of Investor Relations meet major shareholders and analysts regularly to discuss performance, strategy and governance, and the Senior Independent Director and other Non-executive Directors are available for discussions with shareholders if required. New Directors are encouraged to meet with major shareholders shortly after their appointment, and Mary Reilly and David Frauman met representatives of CERCL Holdings Limited (a significant shareholder) following their appointment as Non-executive Directors during 2015. The Board uses the Annual General Meeting ("AGM") each year to communicate with shareholders and welcomes their participation. The Chairmen of the Audit, Remuneration and Nominations Committees normally attend the AGMs and are ready to answer questions from shareholders, as required. Notice of the AGM and related papers are sent to shareholders at least 20 working days before the meeting. The voting results of the AGM are available on the Company's website following the meeting.

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

The Board approved this report on 9 March 2016.

Michael Abrahams
Chairman

REMUNERATION REPORT

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

On behalf of the Board, I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2015, and the first following my appointment as Remuneration Committee Chairman in November 2015. I would like to thank my predecessor, Oliver Baring, and the rest of the Committee for their work during the year.

As in recent years, this report is split into two distinct sections. The first (Part A), which is not subject to audit, sets out Ferrexpo's remuneration policy for Executive and Non-executive Directors which was approved by shareholders at the 2014 AGM, and is reproduced in full for ease of reference and in order to provide context to the decisions taken by the Committee during the year. The second (Part B) reviews how the Company's remuneration policy was implemented in 2015, and will be subject to an advisory vote at the forthcoming AGM. The sections subject to audit are highlighted throughout.

In 2015, the benchmark price of iron ore declined on average by 42% while circumstances in Ukraine, the Group's principal country of operation, continued to be challenging. However, against this backdrop, the Company remained focused on its core strengths and responded to the difficult circumstances with a strong operational performance, increasing the volume and quality of production to record levels, reducing costs and increasing sales volumes as it further developed its customer base. These actions helped to offset some of the impact of the lower iron ore price environment. The Committee believes that this performance is fairly reflected in executive remuneration outcomes for the year, as set out in this report and taking into consideration the specific arrangements regarding Mr Zhevago (the 'CEO') outlined below.

It is the policy of the Board to align executive and shareholder interests by linking a high proportion of remuneration to performance, basing rewards on a balanced portfolio of performance measures, and assessing them against the relevant market so as to ensure that they attract, motivate and retain talented executives. The CEO's incentive is derived entirely from his shareholding in the Company, and his salary is paid at a flat rate of US$240,000 per year all of which is donated to charity. The Board considers this large shareholding in the business to be a significant factor in aligning the performance of the CEO with other shareholders' interests, and is satisfied that this structure is appropriate.

The remuneration of Mr Zhevago and Mr Mawe (the "Executive Directors") is disclosed in local currency and allows year-on-year comparison, uninfluenced by exchange rate fluctuations on notional conversion into US Dollars. Mr Mawe's (the 'CFO') salary is unchanged for the year commencing 1 January 2016. No significant changes were made to the implementation of the remuneration policy during the year, The Committee is reviewing executive incentive arrangements in light of changes to the UK Corporate Governance Code requiring the inclusion of malus and clawback provisions, with a view to proposing any changes to the remuneration policy at the time of its next formal approval at the 2017 AGM. As stated above, it is in the interests of shareholders to align the incentives of the executives and the shareholders, and the Board continues to review the structure and level of remuneration afforded through share-based incentives and ownership in relation to variable and fixed pay.

Miklos Salamon
Chairman of the Remuneration Committee

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

PART A: POLICY SECTION

Committee

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

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

Key Principles of the Remuneration Policy

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

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

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

This section of the report sets out the remuneration policy for Directors, which shareholders approved at the 2014 AGM. The report below is as disclosed in the 2013 Directors' Remuneration Report save for the following minor changes:

- References to financial years have been updated where appropriate.
- Pay scenario charts have been updated to reflect 2016 salary levels.
- External appointments table has been updated.

Executive Director Policy Table

This section of our report summarises the policy for each component of Executive Director remuneration, which has applied from the date of the 2014 AGM in respect of payments to both current and future Executive Directors (but see also "Remuneration policy for new appointments" below). The Chief Executive takes a salary of US$240,000 per year which is all paid to charity (net of applicable income taxes) with no performance related pay as described earlier in this report, and his incentive is derived entirely from his shareholding in the Company. The Board considers this large shareholding in the business to be a significant factor in aligning the performance of the CEO with other shareholders' interests, and is satisfied that this structure is appropriate. At the current time, most of these policies below, other than those related to benefits and pensions, are therefore not applicable to the current CEO and apply exclusively at the current time to the CFO. The principles below are however also considered as a framework and applied where appropriate to the members of the Executive Committee.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Fixed Pay			
Base Salary To attract and retain talent by ensuring base salaries are competitive in the market in which the individual is employed.	Base salaries are reviewed annually, with reference to the individual's role, experience and performance; business performance; salary levels for equivalent posts at relevant comparators; cost of living and inflation; and the range of salary increases applying across the Group.	Base salary increases are applied in line with the outcome of the review which will not exceed 5% p.a. or if higher the applicable RPI in any year. Increases above this level may be applied where appropriate to reflect changes in the scale, scope and responsibility attaching to the role and market comparability.	Business and, where relevant for current Executive Directors, individual performance are considerations in setting base salary.
Pension To provide retirement benefits.	Executive Directors will as appropriate be offered membership of a scheme which complies with relevant legislation. Where necessary, additional pension entitlements will be provided.	The employer contribution will be a percentage of pensionable salary and associated benefits (excluding variable pay) at a level that complies with local statutory requirements.	Not performance related.
Benefits Competitive in the market in which the individual is employed.	Benefits are paid to comply with local statutory requirements and as applicable to attract or retain executives of a suitable calibre. They include life insurance, and medical insurance. Where appropriate, additional benefits may be offered including, but not limited to, allowances for accommodation, relocation, tax advice and legal advice.	Benefits values vary by role and eligibility and cost are reviewed periodically. Increases to the existing benefits will not normally exceed applicable inflation. Increases above this level may be applied where appropriate to reflect changes in role, scope, location and responsibility.	Not performance related.
Variable Pay			
Short-Term Incentive Plan ("STIP") To focus management on delivery of annual business priorities which tie into the long-term strategic objectives of the business which include but are not limited to developing the reserve base, increasing production, reducing costs, reducing the risk profile of the business, expanding the customer portfolio, expanding geographically.	Targets are set at the start of the year against which performance is measured. The Committee determines the extent to which these have been achieved. The Committee can exercise discretion to adjust the formulaic outcome within the limits of the plan for factors outside of management control where it believes the outcome is not truly reflective of performance or in line with overall Company performance. The STIP does not at present contain clawback provisions.	Maximum opportunity of 150% of salary.	Performance related. Performance measures can include financial, non-financial and personal achievement criteria measured over one financial year. Details of the performance measures and weightings for the STIP in 2016 are set out in Part B under "STIP framework for 2016". The Committee has discretion to make changes in future years to reflect the evolving nature of the strategic imperatives that may be facing the Company.
Long-Term Incentive Plan ("LTIP") To motivate participants to deliver appropriate longer term returns to shareholders by encouraging them to see themselves not just as managers, but as part-owners of the business.	The LTIP framework was approved by shareholders at the 2008 AGM. To the extent that an LTIP award vests, this will include the applicable dividends on the shares earned during the vesting period. The LTIP does not at present contain clawback provisions.	The LTIP provides for annual awards of performance shares and options up to an aggregate limit of 200% of salary in normal circumstances. This limit may be exceeded in exceptional circumstances but will not exceed 300% of salary. The threshold opportunity is 20% of maximum.	Vesting of LTIP awards is subject to the Company's relative TSR against a comparator group over a period of at least three years and continued employment. In addition, for any shares to vest, the Committee must be satisfied that the recorded TSR is a fair reflection of Ferrexpo's underlying business performance. Details of the performance targets for the LTIP are set out in Part B under "LTIP granted in 2015". The Committee reviews the LTIP performance conditions, in advance of granting each LTIP cycle. Over the life of this policy relative TSR will be retained as a performance measure and will have a weighting of at least 50%.

PART A: POLICY SECTION CONTINUED

Rationale for Performance Measures

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

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

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

With effect from the grant of 2010 LTIP awards (which vested in 2013), Executive Directors and members of the Executive Committee are encouraged, in line with the practice among FTSE listed companies, to build up a holding of shares of equivalent value to a year's base salary (in the case of Executive Directors) or six months' base salary (for other members of the Executive Committee). Executives are encouraged to retain their vested LTIP shares on an after-tax basis until the applicable guideline level is achieved.

Remuneration of Senior Executives Below the Board

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

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

Payments Resulting from Existing Awards

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

Non-executive Director Policy Table

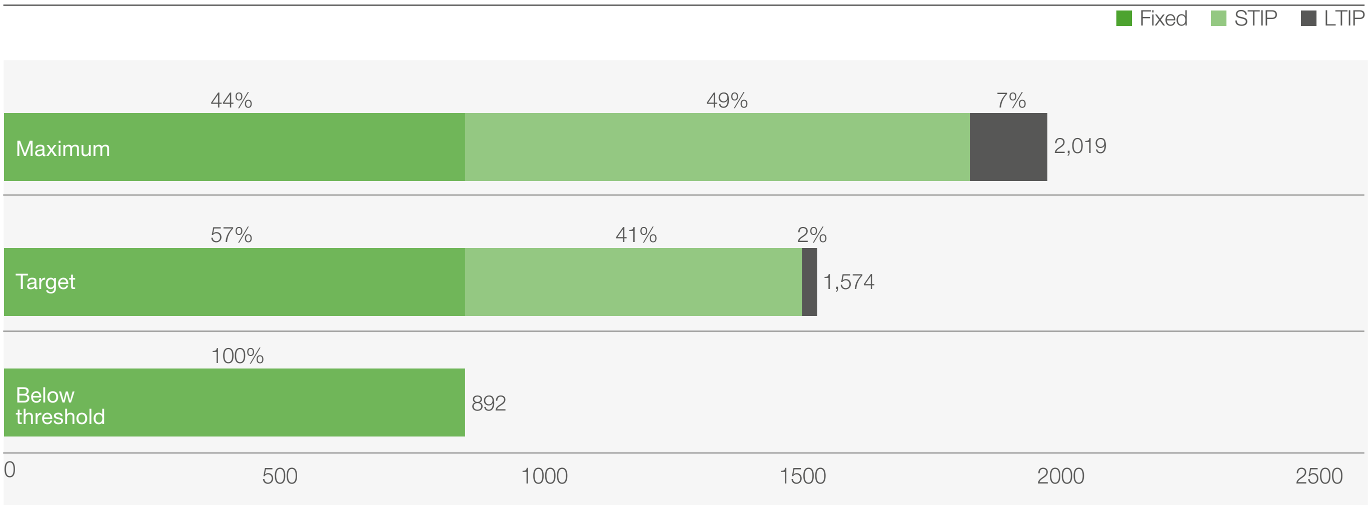
This section of our report summarises the policy for each component of Non-executive Director remuneration.

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

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

Pay-for-Performance: Scenario Analysis
The CEO does not participate in any incentive plan, for the reasons stated in the introduction to this report. Under all scenarios, therefore, his remuneration, which is donated to charity, remains as set out in Section B of this report. For the CFO who is the remaining Executive Director, the graph below provides estimates of the potential future reward opportunity and the potential split between the different elements of remuneration under three different performance scenarios; “Below threshold”, “Target” and “Maximum”.

CFO (CHF000s)



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

Scenario	STIP	LTIP	Fixed pay
Maximum	Maximum STIP (150% of salary)	Performance warrants full vesting[1]	Base salary, pension, and benefits as at 1 January 2016
Target	On target STIP (100% of salary)	Performance warrants threshold vesting (20%)[1]	
Below threshold	No STIP payable	Threshold not achieved (nil)	

1 Excludes increase in value arising from share price growth.

Potential reward opportunities illustrated above are based on the policy and current practice, applied to the base salary in force at 1 January 2016. For the STIP, the amounts illustrated for the CFO are those potentially receivable in respect of performance for 2016. For the LTIP, awards do not normally vest until the end of three years following the beginning of the year in which they were granted. The LTIP award opportunity for the CFO above, is assumed to be of similar monetary value as in 2015. However, it should be noted that the Committee reviews the efficacy of the LTIP prior to grant each year which could affect the LTIP awards made to the CFO in 2016.

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

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

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

PART A: POLICY SECTION CONTINUED

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

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

Details of Executive Directors' Service Contracts

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

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

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

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

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

Policy for Loss of Office Payments

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

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

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

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

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

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

External Appointments

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

Details of Non-executive Directors' Letters of Appointment

The Chairman and Non-executive Directors have each entered into a letter of appointment with the Company. The Non-executive Directors are each appointed for an initial period of three years, and their appointments may then be renewed on a three-yearly basis, subject to re-election when appropriate by the Company in general meeting; in 2011 the Company adopted the practice of annual re-election of all Non-executive Directors. Neither the Company nor the Director concerned may give less than three months' notice of termination of the appointment, except in the case Mr Frauman where termination may be at one month's notice by either side in order to be consistent with the terms of his consultancy agreement (see below). The key terms of current letters of appointment are as follows:

Non-executive Director	Position	Date of appointment	Date of re-election
M Abrahams	Chairman	14 June 2007	Annual re-election
O Baring	Non-executive Director	1 December 2007	Annual re-election
W Kuoni	Non-executive Director	14 June 2007	Annual re-election
I Mitiukov	Non-executive Director	14 June 2007	Annual re-election
M Salamon	Non-executive Director	27 March 2009	Annual re-election
B Nacken	Non-executive Director	1 August 2014	Annual re-election
M Reilly	Non-executive Director	27 May 2015	Annual re-election
D Frauman[1]	Non-executive Director	26 October 2015	Annual re-election

1 David Frauman additionally has an agreement with the Company to provide financial restructuring consultancy services for an initial period of 11 months from 26 October 2015, at a fee of £31,833 per month, terminable on one month's notice by either side.

Employee Context

In making remuneration decisions, the Committee also considers the pay and employment conditions throughout the Group. Prior to the annual pay review and throughout the year, the Committee receives reports from the CEO setting out the circumstances surrounding, and potential changes to, broader employee pay. The CEO consults as appropriate with key employees and the relevant professionals throughout the Group. This forms part of the basis for determining increases in Executive Director and senior executive remuneration which also takes into consideration factors detailed earlier in this report.

Consideration of Shareholder Views

The Committee takes into consideration views expressed by shareholders regarding remuneration, either at the AGM, one-to-one or group meetings and shareholder events or otherwise by considering these views at the relevant Committee meetings which are subsequently reported to and if appropriate considered by the Board as a whole. The Committee takes shareholder feedback into careful consideration when reviewing remuneration and regularly reviews the Directors' remuneration policy in the context of key institutional shareholder guidelines and best practice. It is the Committee's policy to consult with major shareholders prior to making any major changes to its executive remuneration structure. Details of shareholder consultations carried out during the year are included below in Part B of this Remuneration Report.

PART B: REMUNERATION IN 2015

The following section provides details of how the remuneration policy was implemented during the year.

Committee Membership in 2015

The Committee comprises four independent Non-executive Directors. Oliver Baring was the Chairman of the Committee until the end of October 2015 when he was succeeded by Miklos Salamon. The other members are Wolfram Kuoni, Oliver Baring and Bert Nacken. The Committee met three times during the year. Attendance at meetings by individual members is detailed in the UK Corporate Governance Report on page 60. A summary of the topics discussed at meetings in 2015 is detailed below:

– Review of remuneration of Executive Directors and members of the Executive Committee, including salaries, STIP and LTIP policy, and the future adoption of potential recovery provisions in relation to incentive arrangements
– Review of incentive outcomes
– Review of feedback from 2015 AGM voting season
– Review of general market considerations surrounding executive remuneration packages and structure
– Performance evaluation of the Committee

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

Advisers

The Committee retains Kepler, a brand of Mercer, to provide advice on remuneration policy, with particular emphasis on the structure of long-term incentives for senior management and the provision of annual benchmark reports on executive and non-executive remuneration. Kepler is a member of the Remuneration Consultants Group and adheres to its code of conduct. To help ensure a consistent approach to remuneration across the Group, Kepler also provided advice to the Company in respect of matters relating to the remuneration of other employees. Other than remuneration advice, no other services were provided by Kepler. Kepler's parent company, Mercer, advised the Group on international healthcare plans. The fees paid to Kepler in respect of work carried out for the Committee in 2015 totalled £26,500 based on time and materials. The Committee evaluates the support provided by its advisers periodically and is satisfied that Kepler provide independent and objective remuneration advice to the Committee and does not have any connections with Ferrexpo which may impair its independence.

The CEO and the Group Head of Human Resources provide guidance to the Committee on remuneration packages of senior executives employed by the Group (but not in respect of their own remuneration).

Single Total Figure of Remuneration – Audited

The table below sets out in a single figure for each currency of payment the total remuneration received by each Executive Director for the year ending 31 December 2015 and the prior year.

	K Zhevago (CEO)		C Mawe (CFO)	
All figures shown in currency of payment	**2015**	2014	**2015**	2014
1 Salary	**US$ 240,000**	US$ 240,000	**CHF 651,525**	CHF 651,525
2 Benefits	**US$ nil**	US$ nil	**CHF 167,790**	CHF 167,790
3 STIP	**–**	–	**CHF 713,202**	CHF 752,518
4 LTIP	**–**	–	**£nil**	£nil
5 Pension	**CHF 3,816**	CHF 2,904	**CHF 72,689**	CHF 58,589
Total	**US$ 240,000 plus CHF 3,816**	US$ 240,000 plus CHF 2,904	**CHF 1,605,206 –**	CHF 1,630,422 –
6 Total (single currency)	**US$ 243,964**	US$ 243,173	**CHF 1,605,206**	CHF 1,630,422

The figures have been calculated as follows:

1 Base salary: amount earned for the year.
2 Benefits: the taxable value of benefits received in the year (accommodation allowance).
3 STIP: this is the total bonus earned on performance during the year. Further details are provided on pages 71, 73, 78 and 79.
4 LTIP: the market value of shares that vested on performance to 31 December of the relevant year (2015: nil vested on performance; 2014: nil vested on performance). The market value is based on the share price on the date of vesting: 31 December 2015 of 21.5 pence. Further details are provided on pages 71, 73 and 79 to 80.
5 Pension: Valued in accordance with sections 230 to 232 of the Finance Act 2004 for cash balance arrangement schemes. Other formulae (such as 20 times the increase in the value of accrued benefit over the year) are not considered appropriate since this is not a classic Defined Benefit scheme (see "Pensions and other Benefits" below), and for expatriate staff the pension is repaid as a lump sum on leaving the country.
6 Average exchange rates: 2015 – US$1 = CHF0.963, CHF1 = £0.680; 2014 – US$1 = CHF0.915, CHF1 = £0.663, GBP1 = US$1.529

The table below sets out in a single figure for each currency of payment the total remuneration received by each Non-executive Director for the year ending 31 December 2015 and the prior year.

All figures shown in currency of payment, US$000	M Abrahams		O Baring[1]		M Reilly[2]		W Kuoni[3]		I Mitiukov		M Salamon[4]		B Nacken[5]		D Frauman[6]	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Fees	**500**	500	**243**	227	**100**	–	**258**	265	**150**	150	**157**	150	**150**	62.5	**136**	–
Total	**500**	500	**243**	227	**100**	–	**258**	265	**150**	150	**157**	150	**150**	62.5	**136**	–

1 Oliver Baring receives a fee of US$150,000 p.a. as a Non-executive Director and additional fee of US$60,000 p.a. in total for his roles as Senior Independent Director, Chairman of the Nominations Committee and Chairman of the Committee of Independent Directors. He received a time pro-rated additional fee of US$40,000 p.a. for his role as Chairman of the Remuneration Committee until 31 October 2015.
2 Mary Reilly joined the Board on 27 May 2015 and received a time pro-rated additional fee of US$40,000 p.a. for her role as Chairman of the Audit Committee since appointment on 1 November 2015.
3 Wolfram Kuoni receives a fee of US$150,000 p.a. as a Non-executive Director and additional fees of US$40,000 p.a. for his role as Chairman of the Audit Committee until 31 October 2015 and US$75,000 for his role as a Non-executive Director and as Chairman of Ferrexpo AG.
4 Miklos Salamon received a time pro-rated additional fee of US$40,000 p.a. for his role as Chairman of the Remuneration Committee since appointment on 1 November 2015.
5 Bert Nacken joined the Board on 1 August 2014.
6 David Frauman joined the Board on 26 October 2015; he also provides consultancy services to the Company, and received fees in relation to this of £70,900 in 2015.

Implementation of Remuneration Policy

Salary

Base salaries are reviewed annually, with reference to the individual's role, experience and performance; business performance; salary levels at relevant comparators; and the range of salary increases applying across the Group. During the year the Committee considered pay levels against international mining comparators and other FTSE-listed companies of similar size with executives based in similar geographic locations. Following this review the Committee decided not to increase salaries in 2016. Mr Zhevago's salary, which he donates to Ukrainian charities, also remained unchanged at US$240,000.

Executive Director	Position	Base salary at: 1 January 2016	1 January 2015	Increase
K Zhevago	CEO	**US$240,000**	US$240,000	0%
C Mawe	CFO	**CHF651,525**	CHF651,525	0%

Pensions and Other Benefits – Audited

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

	Normal retirement date	Increase in value for 2015 less Director's contribution (CHF000)	**Total cash value at end of 2015 (CHF000)**
K Zhevago	7.1.39	4	**37**
C Mawe	31.1.27	73	**557**

No additional benefit is receivable should an Executive Director retire early.

Mr Zhevago is entitled to, but in 2015 made no claim in respect of, furnished accommodation in Switzerland (and elsewhere in Europe if necessary for the performance of his duties), and up to US$5,000 for professional tax advice. Ferrexpo AG provides Mr Mawe with CHF167,790 of accommodation allowance per annum which is subject to periodic review in line with CPI inflation.

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

PART B: REMUNERATION IN 2015 CONTINUED

2015 STIP Outcome – Audited

The Company, as a single product producer of iron ore pellets with a focused customer portfolio, sets its performance targets to ensure that the CFO and senior executives are motivated to enhance shareholder value in the short term but also in the long-term. Key performance targets for 2015 were set at the start of the year for the CFO and senior executives and were weighted to reflect the contribution of the individual to the achievement of that target. Targets during the year related to financial performance, operational performance, safety (behavioural safety initiatives and improvements in lost-time accident statistics), and cost improvement activities, as well as personal targets relating to operational and financial management objectives.

In last year's report detailed targets and objectives were not disclosed as they were considered to be commercially sensitive at that time. We indicated that retrospective disclosure of these targets would be given in this year's report where this is no longer the case, and this is included in the table below. Financial and operational targets were normalised, as in previous years, to take account of market and raw material cost price developments and mining plans as appropriate, to the extent that these were not under the direct control of management. The level of achievement against each of the targets for FY2015 as determined by the Committee for the CFO is summarised below.

KPI	Measures/target	Weighting for CFO %	Target 100%	Scorecard outcome	Assessment	Max as a % of Salary	Bonus awarded as a % of salary
Financial	EBITDA (US$ M)	12.5%	360	313	Between threshold and target	18.8%	6.7%
	NOPAT (US$ M)	5.0%	75	141	Stretch	7.5%	7.5%
CSR and safety	Critical safety standards/CSR programme (%implemented)	5.0%	100	50	Threshold	7.5%	2.5%
	Zero fatalities /LTIFR[1] (improvement %)	5.0%	1.0	1.1	Target	7.5%	5.0%
Production	Processed volume 65%+ (% tonnes)	5.0%	82	88	Above target	7.5%	5.8%
	Pellet production (M tonnes)	2.5%	11.4	11.3	Below target	3.8%	1.3%
	Operating costs (US$/t)	7.5%	44	32.6	Above stretch	11.3%	11.3%
Sales and Marketing	Logistics cost (US$/t)	5.0%	11.5	9.8	Above stretch	7.5%	7.5%
	Sales (M tonnes)	5.0%	11.4	11.3	Between threshold and target	7.5%	3.8%
Strategic initiatives	Mobile equipment cost reduction (hours)	5.0%	5.7	6.6	Above stretch	7.5%	7.5%
	Supply chain cost reduction (% cost reduction)	2.5%	7.5	8.5	Above target	3.8%	2.8%
Personal and governance	Core objectives related to a number of projects, most notably the management of the Group's debt amortisation profile	40.0%		Judgment against personal objectives set by the Committee	Above target	60.0%	48.3%
Total		**100%**				**150%**	**109.5%**

1 LTIFR – number of work-related lost time injuries per million man hours (not including contractors).

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

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

The Committee considered the CFO's personal performance, as well as Financial, Production, CSR and Safety, Sales and Marketing and the achievement of cost reduction targets during 2015. Taking into account his overall performance and achievement of specific personal targets relating to the management of the Group's debt amortisation profile, the Committee awarded a bonus of 109.5% of salary to the CFO.

STIP Framework for 2016
The STIP framework for 2016 is in line with the principles of the Remuneration Policy and 2015 framework. Financial and Operational targets, including cost reduction measures and personal KPIs continue to be set as in previous years. Mr Mawe's 2016 STIP opportunity is 150% for maximum performance, and 100% of salary for target performance. The measures and weightings for the STIP in 2016 are shown in the table below. Due to commercial sensitivity, details of performance targets will be disclosed retrospectively and in certain instances will be aggregated. The CEO does not participate in the STIP.

KPI	Weighting for CFO
Financial (EBITDA, NOPAT)	17.5%
Operational (Production, sales volume)	25.0%
CSR and safety	10.0%
Cost reduction initiatives	7.5%
Personal	40.0%
Total	**100%**

2013 LTIP Award Vesting – Audited
The performance period for the 2013 LTIP awards ended on 31 December 2015. The 2013 LTIP rewarded TSR outperformance of a tailored comparator group, as set out on page 80. Under the 2013 LTIP, 20% of maximum vests for TSR performance in line with the Index, with full vesting for TSR outperformance of 8% p.a. The constituents of the comparator group are set out on page 80.

Ferrexpo's TSR performance relative to the weighted index was assessed by Kepler. From 1 January 2013 to 31 December 2015, Ferrexpo underperformed Index TSR resulting in 0% of the 2013 LTIP awards vesting.

LTIP Granted in 2015 – Audited
The 2015 LTIP grant to Mr Mawe is outlined below.

	Date of grant	Number of shares	Face value (£)	Face value (% salary)	Vesting for minimum performance (% of maximum)	End of performance period
C Mawe	21.04.15	135,000	£101,913[1]	23%[1]	20%	31.12.17

1 Based on average share price for the last three months of 2014, 75 pence and average exchange rate of CHF1 = £0.680.

PART B: REMUNERATION IN 2015 CONTINUED

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

		2013	2014	2015[1]
Focused iron ore miners	Weighting	40%	50%	**60%**
African Minerals		✓	✓	
Assore			✓	✓
Atlas Iron		✓	✓	✓
Cliffs		✓	✓	✓
Fortescue Metals		✓	✓	✓
Kumba Iron Ore		✓	✓	✓
MMX Mineracao		✓		
Mount Gibson		✓	✓	✓
Northern Iron		✓		
Global diversified miners	Weighting	50%	50%	**40%**
Anglo American		✓	✓	✓
BHP Billiton		✓	✓	✓
Rio Tinto		✓	✓	✓
Vale		✓	✓	✓
Xstrata/Glencore[2]		✓	✓	✓
Single commodity/emerging market miners[3]	Weighting	10%	10%	**10%**

1 The Committee reviewed the constituents of the comparator index and their weightings prior to the grant of 2015 LTIP awards and decided to increase the weighting on the focused iron ore miners from 50% to 60% by dropping the single commodity/emerging market miners component from the comparator group, increasing the weighting on our closest comparators to improve the relevance of the benchmark and aid simplicity.

2 Glencore replaced Xstrata from 2014.

3 Single commodity/emerging market miners include: African Rainbow Minerals, Alcoa, Alumina, Aluminium Corp of China, Antofagasta, Boliden, Eramet, ENRC (2013 LTIP only), First Quantum Minerals, Freeport McMoRan, Industrias Penoles, Katanga Mining, Kazakhmys, KGHM Polska Miedz, Lundin Mining, Norilsk, OZ Minerals, Peabody Energy, Teck Cominco, Vedanta Resources.

TSR is calculated on a common currency basis to ensure that comparisons with international comparators listed overseas are fair, with a TSR share price averaging period of six months to help improve the comparison of the management long-term incentive in relation to potential short-term movements in Ferrexpo's share price or the share price of comparator companies.

No performance shares will vest if Ferrexpo's TSR underperforms the comparator index. 20% will vest if Ferrexpo's TSR is equal to Index TSR; full vesting will occur only if Ferrexpo's TSR exceeds the Index by at least 8% p.a.; there will be straight-line pro rata vesting in between those points. In addition, for any shares to vest, the Committee must be satisfied that the recorded TSR is a fair reflection of Ferrexpo's underlying business performance.

Dividends accrue on performance shares over the vesting period and are paid on shares that vest.

LTIP Framework for 2016

This Directors Remuneration Report is published prior to the grant date of awards under the LTIP, which are normally made in April. In advance of grant, the Committee will review the efficacy of the LTIP to ensure that it remains relevant. Details of awards made in 2016 will be set out in the next year's Annual Report on remuneration.

Non-executive Directors (including the Chairman)

The Non-executive Directors' fees are reviewed each year in light of the time commitment and level of involvement that Non-executive Directors are required to devote to the activities of the Board and its Committees, market practice, and surveys by Kepler. Fees payable for 2016 are unchanged from 2015 and as follows:

Role	Annual fee
Chairman fee	US$500,000
Non-executive Director base fee	US$150,000
Committee Chairman fee	US$40,000
Senior Independent Director fee	US$60,000

Directors' Shareholdings – Audited

Total interests of the Directors in office (and connected persons) as at 31 December 2015:

	At 31 December 2015	At 31 December 2014
K Zhevago[1]	**296,077,944**	296,077,944
C Mawe	**238,217**	235,510
M Abrahams	**57,417**	52,190
O Baring	**20,130**	20,130
W Kuoni	**34,026**	30,928
I Mitiukov	**37,679**	34,249
M Salamon	**100,000**	100,000
B Nacken	**20,000**	0
M Reilly	**0**	–
D Frauman	**0**	–

1 Mr Zhevago is interested in these shares as a beneficiary of the Minco Trust, which is the ultimate shareholder of Fevamotinico S.a.r.l., which owns 296,077,944 shares in the Company.

Executive Directors and members of the Executive Committee are encouraged to build up a holding of shares of equivalent value to a year's salary (in the case of Executive Directors) or six months' salary (for other members of the Executive Committee). Executives will be encouraged to retain their vested LTIP shares on an after tax basis until the applicable guideline level is achieved. As at 9 March 2016, being a date not more than one month prior to the date of notice of AGM, the Executive Directors' shareholdings are as follows:

	Shareholding requirement (% salary)	Owned outright	Subject to performance[1]	Current shareholding[2] (% salary)	Guideline met?
K Zhevago	100%	296,077,944	–	–	Yes
C Mawe	100%	238,217	265,000	12%	No

1 Performance awards are nil-cost options. Further details of shares subject to performance are provided below.
2 Based only on shares owned outright at 31 December 2015 and share price of 21.5 pence.

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

	At 1 January 2015	Granted (2015 award)	Exercised	Lapsed	Total at 31 December 2015	Price on date of award (pence)	Date from which exercisable	Expiry date
C Mawe	120,000[1]			120,000	**0**	275	01.01.15	22.04.22
	130,000[2]				**130,000**	169	01.01.16	22.04.23
	130,000				**130,000**	155	01.01.17	22.04.24
		135,000			**135,000**	67	01.01.18	21.04.25
Total					**395,000**			

1 This award has lapsed under the TSR performance condition described above.
2 This award lapsed on 1 January 2016 under the TSR performance condition described above.

There have been no changes in the interests of the Directors from the end of the period under review to 9 March 2016. Total outstanding (i.e. awarded but not yet vested) awards granted under the LTIP as at the end of 2015 are equivalent to 0.18% of issued share capital.

PART B: REMUNERATION IN 2015 CONTINUED

Exit Payments Made in Year – Audited
No payments for loss of office were paid to or receivable by any Director or former Director in the financial year.

Payments to past Directors – Audited
Lucio Genovese retired from the Board on 1 August 2014. He remains a Non-executive Director of Ferrexpo AG for which he receives a fee of US$40,000 p.a. During the year he also provided consultancy services to the Company in respect of its stake in Ferrous Resources for which he received a fee of CHF360,000. No other payments were made to past Directors in the year.

Percentage Change in CEO Remuneration Compared to Other Employees
The table below sets out the percentage increase in salary, taxable benefits, and annual bonus for the CEO between 2014 and 2015 compared to that for other employees.

	CEO	Other employees[1]
Salary	0%	0%
Taxable benefits	0%	0%
Annual bonus	n/a	35%

1 Refers to senior executives.

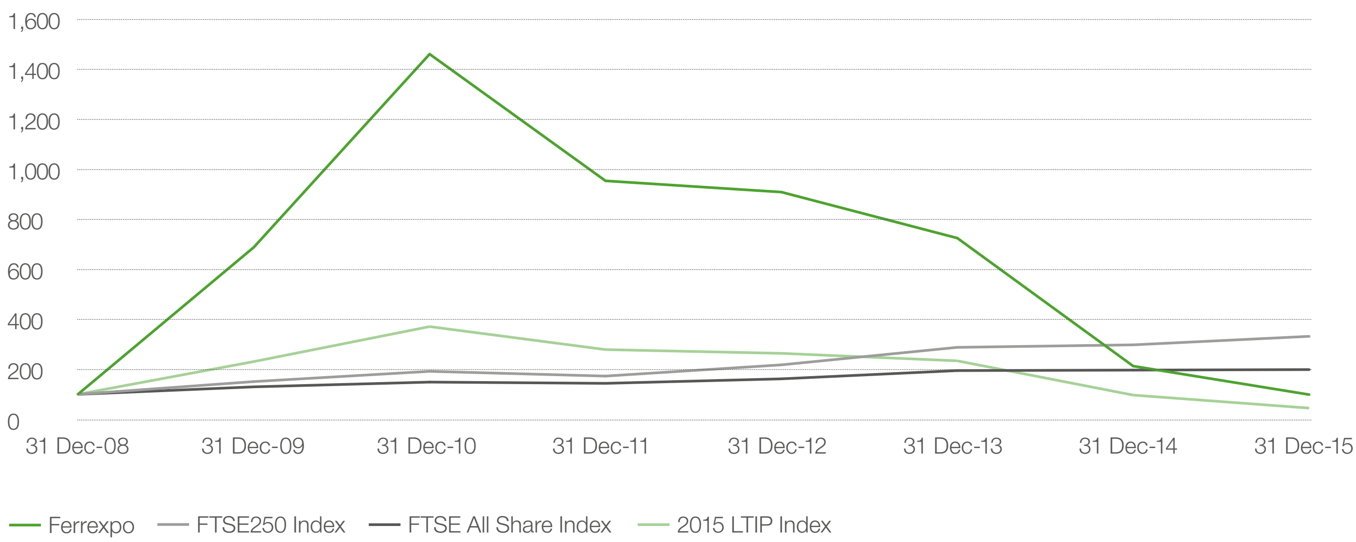
Relative Importance of Spending on Pay
The table below shows Ferrexpo's dividend and total employee pay expenditure (this includes pension and variable pay, including STIP and fair value of LTIP, but not social security) for the financial years ended 31 December 2014 and 31 December 2015, and the percentage change.

US$ million	2015	2014	Year-on-year change
All-employee remuneration	**49**	71	-31%
Distributions to shareholders[1]	**19**	77[2]	-75%

1 Includes dividends and share buybacks.
2 Includes special dividend of US$38.8 million paid in 2015 in respect of 2014.

Comparison of Company Performance and Executive Director Pay
The graph below shows the value, at 31 December 2015, of £100 invested in Ferrexpo's shares on 31 December 2008 compared with the current value of the same amount invested in the FTSE 250 and All-share indices or in the shares of the LTIP comparator group. The FTSE 250 and All-share indices are chosen because Ferrexpo was a constituent member of the FTSE 250 for most of the period.

Historical TSR Performance



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

Statement of Shareholder Voting

The following table shows the results of the binding vote on the Remuneration Policy at the 2014 AGM and advisory vote on the 2014 Annual Report on Remuneration at the 2015 AGM.

	For		Against		Withheld
	No.	%	No.	%	No.
Remuneration Policy (at 2014 AGM)	530m	99.8%	1.2m	0.2%	2.9m
2014 Annual Report on Remuneration (at 2015 AGM)	510m	99.7%	1.6m	0.3%	0.1m

Shareholder Consultation

As no major changes to the Executive Director remuneration structure were considered in 2015, there was no formal consultation of shareholders.

Other transactions involving Directors are set out in Note 34 (related parties) to the financial statements. This report was approved by the Board on 9 March 2016.

Signed on behalf of the Board

Miklos Salamon
Chairman of the Remuneration Committee

DIRECTORS' REPORT

The Directors present their report to shareholders for the financial year ended 31 December 2015, which they are required to produce by law.

Introduction

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

The Directors' Report for the year ended 31 December 2015 is set out on pages 84 to 87. Additional disclosures which are incorporated by reference into this Directors' Report, including any information required in accordance with Listing Rule 9.8.4R of the FCA's Listing Rules or the Act, can be located as set out in the following table:

		Page
Capitalised interest and tax relief (LR 9.8.4 R(1))	See Financial Statements Note 17.	123
Details of long-term incentive schemes (LR 9.8.4R (4))	Remuneration Report	69-83
Contracts of significance (LR 9.8.4R (10))	See Financial Statements Note 39. Transactions with OJSC Ukrzakordongeologia and FC Vorskla are considered to be contracts of significance under the Listing Rules.	157
Details of waivers of dividends by shareholders (LR 9.8.4R (12) and (13))	The employee benefit trust contains three million Ferrexpo ordinary shares for satisfying existing and future awards under management incentive schemes. A dividend waiver is in place in respect of these shares.	-
Relationship Agreement with controlling shareholder (LR 9.8.4 R (14))	Corporate Governance Report	59
Disclosures concerning greenhouse gas emissions	Strategic Report	50
Financial instruments	The Group does not hold any derivative financial instruments. Group policy on financial instruments is set out in Note 31 to the financial statements.	138
Events since the Balance Sheet date	See Financial Statements Note 40.	161
Statement of Directors' responsibilities in respect of the Annual Report and Accounts		88
Information that fulfils the requirements of DTR 7.2 (other than DTR 7.2.6)	Corporate Governance Report	55

Dividends

Results for the year are set out in the Consolidated Income Statement on page 100.

The Directors do not recommend the payment of a final dividend.

Directors

The Directors of the Company who served during the year were:
– Michael Abrahams
– Oliver Baring
– David Frauman (appointed 26 October 2015)
– Wolfram Kuoni
– Chris Mawe
– Ihor Mitiukov
– Bert Nacken
– Mary Reilly (appointed 27 May 2015)
– Mike Salamon
– Kostyantin Zhevago

David Frauman retires from the Board, and Sir Malcolm Field joins the Board, with effect from 10 March 2016.

All of the remaining Directors including Sir Malcolm Field will retire at the forthcoming AGM. All except Mike Salamon, who is standing down at the AGM, are eligible, and will offer themselves for re-election for differing terms (see explanation under 'Board Succession' in the Chairman's Statement on page 18.

Further details about the Directors and their roles within the Group are given in the Directors' biographies on pages 52 and 53. Details of the remuneration of the Directors, their interests in shares of the Company and their service contracts are contained in the Remuneration Report on pages 69 to 83.

Appointment and Replacement of Directors
Directors may be elected by the shareholders (by ordinary resolution) or appointed by the Board. A Director appointed by the Board holds office only until the next following AGM and is then eligible for election by the shareholders.

Powers of the Directors
Subject to the Articles, the Act and any directions given by special resolution, the business of the Company will be managed by the Board who may exercise all the powers of the Company.

Directors' and Officers' Insurance
The Company maintains Directors' and Officers' Liability Insurance in respect of legal action that may be brought against its Directors and Officers.

Directors' Indemnity Provision
During the period under review, the Group had in force a qualifying third-party indemnity provision in favour of each of the Directors of Ferrexpo plc against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Act.

Disclosures Required by Statute
Employees
Information on the Group's employment policies can be found in the Strategic Report on pages 46 and 47. Employee numbers are stated in Note 33 to the financial statements. The Group employs fewer than 250 staff in the United Kingdom and so does not disclose its policies on employee involvement or employing disabled people. However, it will give fair consideration to applications for employment from disabled people.

Political Donations
The Group made no political donations during the year.

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

Subject to applicable statutes and other shareholders' rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. At each AGM, the Board proposes to put in place annual shareholder authority for the Company's Directors to allot new shares in accordance with relevant institutional investor guidelines.

Details of the issued share capital of the Company are shown in Note 36 to the financial statements.

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

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

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

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

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

The Company was given authority to make market purchases of up to approximately 10% of its existing Ordinary Share capital by a resolution passed on 21 May 2015. This authority will expire at the conclusion of the Company's 2016 AGM. A special resolution to renew the authority will be proposed at the forthcoming AGM. Details of the resolution renewing the authority to purchase Ordinary Shares are set out in the notice of AGM enclosed with this report.

The Company did not make use of the authority mentioned above during 2015.

Dividends and Distributions
Subject to the provisions of the Act, the shareholders may by ordinary resolution, from time to time, declare dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends and also any fixed rate dividends whenever the financial position of the Group, in the opinion of the Board, justifies their payment.

Under the Company's Articles, the Board may withhold payment of all or any part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25% or greater interest (as defined in the Articles) if such person has been served with a notice under section 793 of the Companies Act 2006 and has failed within 14 days to provide the Company with information concerning interests in those shares required to be provided under the Act.

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

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

Shares Held in the Employee Benefit Trust ("EBT")
The trustees of the Company's EBT may vote or abstain from voting on shares held in the EBT as they think fit and in doing so may take into account both financial and non-financial interests of the beneficiaries of the EBT or their dependents.

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

Substantial Shareholdings
As at 31 December 2015, the Company had been advised, in accordance with the Disclosure and Transparency Rules, of the following notifiable interests in its voting rights.

Name of shareholder	Ordinary Shares	Number of voting rights	% of the Company's total voting rights at date of notification
Fevamotinico S.a.r.l.[1]	296,077,944	296,077,944	50.30%
Wigmore Street Investments No. 3 Ltd[2]	140,456,035	140,456,035	23.86%

1 Fevamotinico S.a.r.l. is a wholly-owned subsidiary of The Minco Trust of which Kostyantin Zhevago is a beneficiary.
2 CERCL Holdings Limited is the ultimate parent undertaking and indirect controller of Wigmore Street Investments No. 3 Ltd, which holds 140,456,035 shares.

No changes in these interests in voting rights had been notified to the Company as at 29 February 2016, the latest practicable date prior to publication of the Annual Report.

Significant Agreements – Change of Control
The Company does not have any agreements with Directors or employees that would provide for compensation for loss of office or employment resulting from a takeover.

There are no circumstances connected with any other significant agreements to which the Company is a party that would take effect, alter or terminate upon a change of control following a takeover bid, except those referred to below:

LTIP
The rules of the Company's LTIP set out the consequences of a change of control of the Company on employee rights under the plan. Generally, such rights will vest on a change of control to the extent that the performance conditions have been satisfied and on a time pro-rated basis, subject to the discretion of the Remuneration Committee. Participants will become entitled to acquire shares in the Company, or in some cases, to the payment of a cash sum of equivalent basis.

Bank Loan Facility
Under the US$420 million revolving pre-export finance facility with ING Bank N.V., Uni Credit Bank AG, Société Générale and other banks entered into in September 2011 and the US$350 million revolving pre-export finance facility with Deutsche Bank and other banks entered into in September 2013, if Kostyantin Zhevago ceases to own directly or indirectly at least 30% of the issued and allotted share capital of the Company, or any person (other than Kostyantin Zhevago) becomes the beneficial owner of shares in the Company carrying more than 50% of the voting rights normally exercisable at a general meeting, then the lenders are not obliged to fund a drawdown and a lender may upon notice cancel its commitment and declare the amount owing to it immediately due and payable.

Corporate Bonds Due 2018 and 2019
Under the conditions of the Notes issued in February and July 2015, if Kostyantin Zhevago or certain related persons ceases to own directly or indirectly at least 30% of the issued and allotted share capital of the Company; if any person (other than Kostyantin Zhevago or certain related persons) becomes the beneficial owner of shares in the Company carrying more than 50% of the voting rights normally exercisable at a general meeting; or if the allotted share capital of the Company ceases to be listed on certain approved markets, then any Noteholder will have the right to require the repurchase of its Notes at a purchase price in cash equal to 101% of the principal amount plus accrued and unpaid interest.

Relationship Agreement
Details of the Relationship Agreement entered into between Fevamotinico S.a.r.l., Kostyantin Zhevago, The Minco Trust and the Company can be found in the Corporate Governance Report (page 59). The Relationship Agreement ceases to apply if Ferrexpo's shares cease to be listed and traded on the London Stock Exchange, or if the holding of Fevamotinico S.a.r.l., The Minco Trust or Mr Zhevago individually or collectively falls below 24.9% of the issued share capital of the Company and they are no longer a controlling shareholder for the purposes of the UK Listing Rules.

Going Concern
The Group's business activities, together with the risk factors likely to affect its future development, performance and position are set out on pages 19 to 39. The Viability Statement is set out in the Strategic Report on page 40. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Performance Review on pages 19 to 20. In addition, Note 31 of the Notes to the Consolidated Financial Statements on pages 138 to 149 sets out the Group's objectives, policies and processes for managing its capital; its financial risk management objectives and details of its financial instruments; its exposure to credit risk, liquidity risk as well as currency risk and interest rate risk.

The Directors are of the view that the Group is a going concern and the Consolidated Financial Statements have been drawn up on this basis. However, there are material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Detailed information concerning the preparation of the Financial Statements on a Going Concern basis is set out in Note 2 to the Financial Statements on page 105.

Statement on Disclosure of Information to Auditors

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

Amendments to Articles of Association

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

AGM

The AGM of the Company will be held at 11.00am on Thursday 19 May 2016 at The Dorchester, Park Lane, London W1K 1QA. A separate letter from the Chairman summarising the business of the meeting and the Notice convening the AGM will be sent to shareholders with this Annual Report.

Auditors

Having reviewed the independence and effectiveness of the auditors, the Audit Committee has recommended to the Board that the existing auditors, Ernst & Young LLP, be reappointed. Ernst & Young LLP have indicated their willingness to continue in office, and an ordinary resolution reappointing them as auditors and authorising the Audit Committee to set their remuneration will be proposed at the 2016 AGM.

The Strategic Report on pages 1 to 51 and this Directors' Report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the Directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

The Directors' Report was approved by the Board on 9 March 2016.

For and on behalf of the Board

Michael Abrahams
Chairman

Christopher Mawe
Chief Financial Officer

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 Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. 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 those 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 applicable IFRS have 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.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Board considers that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

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

We confirm on behalf of the Board that to the best of our knowledge:

(a) the financial statements give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and

(b) the Strategic Report and the Directors' Report includes a fair review of the development and performance of the undertakings included in the consolidation as a whole, and the principal risks and uncertainties that they face.

For and on behalf of the Board

Michael Abrahams
Chairman

Christopher Mawe
Chief Financial Officer
9 March 2016

FINANCIAL CONTENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FERREXPO PLC

We present our audit report on the Group and Company financial statements (as defined below) of Ferrexpo plc, which comprise the Group primary statements and related notes set out on pages 100 to 161 and the Company primary statements and related notes set out on pages 162 to 175.

Opinion on the financial statements

In our opinion, Ferrexpo plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Emphasis of matter – Going concern

In forming our opinion, which is not modified in this respect, we have also considered the adequacy of the disclosures made in note 2 to the financial statements concerning the Company's ability to continue as a going concern. The conditions described in note 2 indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

What we have audited

The Group and Parent Company financial statements of Ferrexpo plc for the year ended 31 December 2015 which comprise:

Group	Parent Company
the Consolidated Income Statement	the separate Parent Company Statement of Financial Position
the Consolidated Statement of Comprehensive Income	the separate Parent Company Statement of Cash Flows
the Consolidated Statement of Financial Position	the separate Parent Company Statement of Changes in Equity
the Consolidated Statement of Cash Flows	the related notes 1 to 14 to the financial statements
the Consolidated Statement of Changes in Equity	
the related notes 1 to 40 to the financial statements	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Overview of our audit approach

Materiality	– Overall Group materiality of US$8.0 million which represents approximately 5% of adjusted profit before tax. – Profit before tax, adjusted for the gain on disposal of Ferrous Resources Limited and allowance for restricted cash held in Bank Finance & Credit, provides us with a consistent year on year basis for determining materiality and the most relevant performance measure to the stakeholders of the entity.
Audit scope	– We performed an audit of the complete financial information of six components and audit procedures on specific balances, where we consider the risk of material misstatement to be higher, for a further one component. – The seven reporting components where we performed audit procedures accounted for 92% of the Group's adjusted profit before tax and 94% of the Group's revenue (with 87% and 94% of these measures covered by full scope audits). – For the remaining 24 components in the Group we have performed limited procedures appropriate to respond to the risk of material misstatement. – We have obtained an understanding of the entity-level controls of the Group which assists us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy.
Areas of focus	– Going concern and covenant headroom. – Bank F&C accounting treatment and disclosure. – Completeness of related party transactions. – Charitable donations.
What has changed	– During the year the Group's transactional bank in Ukraine and a related party of the Group, Bank Finance & Credit, was declared insolvent. As a result, we have focused on the accounting implications of this event and have increased our focus on the ability of the Group to continue as a going concern and to maintain compliance with covenant terms. – Given the above, we have increased our focus on the completeness of related party transaction disclosures. – We have removed political and economic disturbances which although is relevant to our audit approach is no longer a new issue for the Group. – The focus on taxation in Ukraine has reduced in the current year other than the tax treatment of the balance with Bank F&C. – The focus on the devaluation of the Ukrainian Hryvnia has reduced in the current year. – For two components of the Group we have increased the scope from specific scope to full scope audits for the 2015 year end. We perform the statutory audits for these entities to the same timetable as the Group timetable and thus are able to utilise the statutory work to support our Group opinion.

Our application of materiality

The scope of our work is influenced by materiality. We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

As we develop our audit strategy, we determine materiality at the overall level and at the individual account level (referred to as our 'performance materiality').

MATERIALITY	PERFORMANCE MATERIALITY	REPORTING THRESHOLD
US$8.0m	US$4.0m	US$0.4m

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

Based on our professional judgement, we determined materiality for the financial statements as a whole to be US$8.0 million (2014: US$16.5 million). Materiality has decreased by 52% from the prior year given the reduced profitability of the Group primarily driven by the weakening iron ore price.

Our materiality amount provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures. In assessing whether errors are material, either individually or in aggregate, we consider qualitative as well as quantitative factors.

How we determined materiality:

STARTING BASIS	Profit before tax of US$25.4 million (as included in the Consolidated Income Statement)
ADJUSTMENT	Deduct the gain on disposal of the available for sale investment in Ferrous Resources Limited of US$41.4 milllion Add back the allowance for restricted cash in Bank Finance & Credit of US$174.6 million to determine adjusted profit before tax
MATERIALITY	Take 5% of the adjusted profit before tax

Rationale for basis

We believe that profit before tax, adjusted for the gain on disposal of Ferrous Resources Limited and the allowance for the restricted cash at Bank Finance & Credit, provides us with a consistent year on year basis for determining materiality and the most relevant performance measure to the stakeholders of the entity. We have adjusted profit before tax to deduct the gain on disposal of the investment in Ferrous Resources Limited and the allowance for restricted cash at Bank Finance & Credit recognised during the year as we consider these to be non-recurring items. Removing the Ferrous gain is consistent with the approach in the prior year when an impairment loss in respect of the same investment was removed from our calculation. The provision against Bank Finance & Credit was removed as historically there has not been a significant impairment of such assets recognised by the Group.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 50% (2014: 75%) of materiality, namely US$4.0 million (2014: US$12.3 million). Overall performance materiality can be set at either 50% or 75% of materiality. For the year ended 31 December 2015 we have selected 50%, as the engagement has been designated as subject to higher risk by our internal risk criteria compared to the prior year given the material uncertainty surrounding going concern.

Audit work on individual components is undertaken using a percentage of our total performance materiality. This percentage is based on the size of the component relative to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year the range of performance materiality allocated to components was US$0.4 million to US$4.0 million (2014: US$0.8 million to US$9.0 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of US$0.4 million (2014: US$0.8 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Tailoring the scope

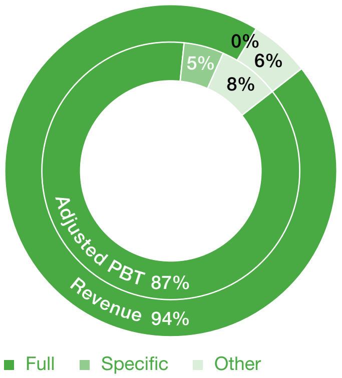
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the consolidated and Parent Company financial statements under International Standards on Auditing (UK and Ireland). We take into account the size, risk profile, changes in the business environment and other factors when assessing the level of work to be performed at each entity.

The Group has centralised processes and controls over the key areas of our audit focus with responsibility lying with Group management for the majority of judgemental processes and significant risk areas. For going concern and covenant headroom, the majority of the audit work is performed by the Group team. However in respect of the other areas of focus, the substantive audit work is performed by the component teams under the direction and supervision of the Group team. Responsibility for focus areas was split across the relevant components in Ukraine, Switzerland and the UK with the Primary Team maintaining an appropriate level of involvement throughout the audit cycle.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts, we selected seven out of 31 components covering entities within Ukraine, Switzerland and the UK, which represent the principal business units within the Group.

Of the seven components selected we performed an audit of the complete financial information of six components (full scope components in Ukraine, Switzerland and the UK), which were selected based on their size or risk characteristics. For the remaining one selected component (specific scope component in Ukraine) we performed audit procedures on specific accounts within the component that we considered had the potential for the greatest impact on the amounts in the Group financial statements either because of the size of these accounts or their risk profile.

The seven reporting components where we performed audit procedures accounted for 92% of the Group's adjusted profit before tax and 94% of the Group's revenue. A further breakdown of the size of these components compared to key metrics of the Group is provided below.



In addition to full scope audits, specific audit procedures were undertaken on certain accounts within one further subsidiary based in Ukraine. The extent of audit work on this entity was based on our assessment of the risks of material misstatement and of the materiality of the Group's business operations in that subsidiary. The subsidiary was also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

The audit work for the seven in scope subsidiaries was executed at levels of materiality applicable to each individual entity, which was lower than Group materiality.

For the remaining components, we performed other procedures, including enquiries of management, analytical review, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential significant risks of material misstatement to the Group Financial Statements.

Changes from the prior year

Our scope allocation in the current year is broadly consistent with 2014 in terms of overall coverage of the Group and the number of in scope entities. However we have made some changes in the identity of components subject to full and specific scope audit procedures. Changes in our scope since the 2014 audit include increasing the audit scope of two of the UK components from specific scope to full audit scope. Statutory audit procedures are performed on these entities as part of the year end reporting process and thus are able to utilise the statutory work to support our Group opinion.

Involvement with component teams

In establishing our overall approach to the Group audit we determined the type of work that needed to be undertaken at each of the components by us, as the Group engagement team or by component auditors from other EY global network firms operating under our instruction. Of the seven components selected, audit procedures were performed on two of these directly by the Group team. For the remaining five components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the current year's audit cycle, visits were undertaken by the Group team to component teams in Ukraine (including the senior statutory auditor) and Switzerland. These visits involved discussing the audit approach with the component team and any issues arising from their work. The Group audit team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at a Group level, gave us appropriate audit evidence for our opinion on the Group financial statements.

Our assessment of focus areas

We identified the following risks and focus areas that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. This is not a complete list of all the risks or focus areas identified in our audit.

Details of why we identified these issues as areas of focus and our audit response are set out in the table. This is not a complete list of all the procedures we performed in respect of these areas. The arrows in the table indicate whether we consider the financial statement risk associated with this focus area to have increased, decreased or stayed the same compared to 2014.

Changes from the prior year

Our audit approach and assessment of areas of focus changes in response to changes in circumstances affecting the Group's business and impacting the Group financial statements. Since the 2014 audit we have made the following changes to our areas of focus:

- As a result of the insolvency of Bank Finance & Credit ("Bank F&C") and the ongoing renegotiation of the PXF facilities, there is a material uncertainty concerning the going concern basis of preparation of the financial statements and compliance with covenant terms. Going concern and covenant headroom has thus been included as a key focus area.
- Bank Finance & Credit is a related party of the Group. Following the insolvency of the bank we consider there to be increased potential interest in the disclosure of related party transactions and thus we have increased our risk assessment for the completeness of related party transaction disclosures.
- The accounting treatment and disclosure of Bank F&C is considered to be an area of focus given the judgemental nature of the treatment of the allowance for restricted cash and the tax treatment of the deferred tax asset recognised.
- The current economic and geopolitical situation continues to be relevant to our audit approach but the issue is no longer new and therefore does not require a new audit testing strategy to be formulated. This has led us to a decreased focus on this area.
- The Group has continued to receive regular refunds of VAT and the prepayment of corporate profit tax for the Ukrainian components have also decreased in the year. For the 2015 audit this was not one of the most significant areas of focus.
- Although the Ukrainian Hryvnia has continued to devalue throughout 2015, the movement from 2014 is reduced (2015 devaluation of the currency: 52%, 2014 devaluation of the currency: 97%). Furthermore, we have embedded the appropriate audit procedures in our approach.

Area of focus	How our audit addressed the area of focus	Communication made to the Audit Committee
Going concern and covenant headroom **Refer to the Group Audit Committee Report on page 65 and the disclosures on going concern in note 2 of the Group financial statements**	**Risk Direction** ↑	
The Directors of the Group are required to make a rigorous assessment of whether the Group will remain a going concern for a period of at least twelve months from the date of approval of the financial statements and assess whether there are any material uncertainties in relation to the going concern basis of preparation. The insolvency of Bank F&C and the adverse economic environment have impacted the cash flow forecasts for the Group and as a result have increased the uncertainty in relation to the going concern basis of preparation. The US$346 million exchanged Eurobond, US$122.5 million PXF facility and US$350 million PXF facility have covenant terms attached to the loan agreements, in particular maintaining a ratio of net debt to EBITDA. Given the debt levels within the Group and declining EBITDA value there is an increased risk that covenants will be breached. Management have been discussing revisions to the existing repayment and maturity obligations on the two Pre-Export Finance facilities.	Since management's going concern model and analysis are prepared centrally audit procedures on this area were performed directly by the Group team. We undertook audit procedures on the cash flow forecasts prepared by management in their model. In addition we received supporting documentation regarding the status of the renegotiation of the PXF facilities. We confirmed the consistency of forecasts used in the going concern assessment with those used for the impairment calculation. We challenged the appropriateness of the assumptions in the going concern and impairment models, in particular the iron ore price, pellet premium, C1 costs and foreign exchange rates. In challenging these assumptions we took account of actual results, external data and market conditions. We tested the arithmetic integrity of the calculations including those related to management's sensitivities. We also performed our own sensitivity calculations to test the adequacy of the available headroom. We considered the appropriateness of the disclosures made in the Group financial statements in respect of going concern.	Management's and our analysis highlights the potential need for a renegotiation of the Group's current debt amortisation schedule and covenants attached to the Group's debt. Based on our work on the going concern analysis prepared by management, we agree that a material uncertainty exists in respect of Going Concern and that this has been appropriately disclosed in the financial statements.

Area of focus	How our audit addressed the area of focus	Communication made to the Audit Committee
Bank F&C accounting treatment and disclosure **Refer to the Group Audit Committee Report on page 65 and the disclosures on restricted cash in note 29 of the Group financial statements**	**Risk Direction**	
The Group has historically maintained transactional banking arrangements within Ukraine with Bank Finance & Credit (Bank F&C). Following the close of business on 17 September 2015, the National Bank of Ukraine announced that it had adopted a decision to declare Bank F&C insolvent and to place it into temporary administration. The National Bank of Ukraine announced on 18 December 2015 that Bank F&C's banking licence would be revoked and that the bank would be liquidated in due course. On the date that Bank F&C entered administration the Group's total exposure was US$185.2 million based on the rate of exchange prevailing at that date. Management transferred the amounts held with Bank F&C from cash and cash equivalents to restricted cash and deposits. On 17 September 2015 management recognised an allowance for US$174.6 million against the balance. US$9.3 million is subject to court proceedings and has been classified as restricted cash and deposits on the consolidated statement of financial position but has not been provided for. At 31 December 2015 a deferred tax asset of US$27.7 million has been recognised in respect of the allowance. Since the balance relates to the Group's Ukrainian entities, whose functional currency is Ukrainian Hyrvnia the provision in the balance sheet is subject to exchange rate fluctuations.	We have agreed the amounts held at Bank F&C to supporting documentation, including bank statements and the confirmed creditor's claim documents. We have held enquiries with Avellum Partners, the Group's external legal counsel, and obtained a legal letter on the US$9.3 million balance in dispute. We reviewed the disclosures in the consolidated financial statements surrounding the judgements regarding the recoverability of this amount. We have discussed this judgement with the Board and the Audit Committee to understand and challenge their conclusions. We have performed audit procedures on management's taxation workings and discussed their key assumptions. We have assessed whether the allowance is deductible for tax purposes and the recognition of a deferred tax asset is appropriate. In order to ascertain whether FPM will generate suitable taxable profits in the future to utilise the asset, we reviewed profit forecasts ensuring consistency with models used for other accounting purposes. We performed audit procedures on movements in the allowance for restricted cash recognised in the Statement of Financial Position as a result of the movement in foreign exchange. We have read and considered how the impact of the Bank F&C situation on the performance and position of the Group is disclosed in the strategic report and financial statements.	We concluded that the allowance for restricted cash of US$174.6 million as recognised in the consolidated income statement is appropriately recorded. The recovery of the balance in dispute of US$9.3 million is judgemental. Based on the legal letter from Avellum, the discussions with the Audit Committee and the confirmation from the Board that they believe it is more likely than not that the funds will be recovered, we have accepted management's position on this amount. We are satisfied that the recognition of a deferred tax asset in respect of the allowance is appropriate. We are satisfied with the disclosures in the financial statements in respect of the Bank F&C issue, in particular the judgements made in respect of the recoverability of the US$9.3 million claim and the recognition of the deferred tax asset.

Area of focus	How our audit addressed the area of focus	Communication made to the Audit Committee
Completeness of related party transactions **Refer to the Group Audit Committee Report on page 65 and the disclosures of related parties in note 39 of the Group financial statements**	**Risk Direction** ↑	
The completeness of related party transactions is a key area of focus due to the high volume and nature of such transactions that the Group enters into. There is a risk of undisclosed related party transactions as well as the risk that these transactions are not transacted on an arms length basis when disclosed as such.	In addressing this area of focus, audit procedures on the completeness of related party transactions were performed by component teams in Ukraine and Switzerland and the UK Group engagement team. We understood and documented management's process for identifying related parties and recording related party transactions. We have assessed management's controls in relation to the assessment and approval of related party transactions and substantiated management's disclosures in respect of the transactions. We assessed management's evaluation that the transactions are at an arm's length basis by reviewing a sample of tender documentation and comparing the related party transaction price to those quoted by comparable companies. We investigated significant new counterparties for evidence of relationships with the entity noting no material issues. Throughout the performance of our audit we remained alert for any evidence of related party transactions that had not been disclosed.	Based on the completion of the procedures performed we are satisfied that the related party transactions and balances are appropriately disclosed in the financial statements in compliance with the relevant accounting standards.

Area of focus	How our audit addressed the area of focus	Communication made to the Audit Committee
Charitable donations **Refer to the Group Audit Committee Report on page 65, the Strategic Report on page 48, and the disclosures in note 11 of the Group financial statements**	**Risk Direction** ↑	
During the year the value of Community Support Donations has remained significant at US$25.8 million for the period ending 31 December 2015. Of these, the Group made the majority of donations to the Blooming Land Charitable Foundation ("Blooming Land"), a local charity based in Ukraine. 95% of the funds donated to Blooming Land were passed on to three separate funds called Ukraine – Healthy Country (Diabetes A to Z), Healthy Sight (To see it all) and Institute of social programmes (Happy old age) to be used on projects within Ukraine. Given the significant balance in the amount of charitable donations and the importance of transparent reporting of such expenditure we consider this to be a key area of focus.	Due to the geographical location in which charitable expenditure had taken place work on this area was undertaken by our Ukrainian component team under the direction and supervision of the UK Group engagement team. Our procedures focused on donations made to Blooming Land and on to the additional charitable funds. We traced a sample of payment orders confirming money transferred to Blooming Land. We reviewed Board minutes to ensure that all charity donations were subject to appropriate approval in accordance with the Group's procedures. We were provided with reports from Blooming Land describing its activities throughout the year. We held a meeting with a representative of Blooming Land to discuss its charity activity. We have obtained the financial statements of Blooming Land for the year ended 31 December 2015 which have been subject to Agreed Upon Procedures by a local audit firm in Ukraine. Our component team in Ukraine held discussions with a representative of the local audit firm. We have received signed confirmations from representatives of each of the three specific charity funds confirming their receipt of funds from Blooming Land and that they have spent the funds in accordance with the articles of Blooming Land and also signed Bribery Act compliance forms by representatives of each of these three specific charity funds.	Based on our procedures undertaken we are satisfied that the expense is appropriately classified in the financial statements. We are satisfied that we have received sufficient evidence to complete our audit procedures as required by UK&I Auditing Standards.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

– the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
– the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 88, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting

We are required to report to you if, in our opinion, financial and non-financial information in the Annual Report is:

– materially inconsistent with the information in the audited financial statements; or
– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
– otherwise misleading.

In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' Statement that they consider the Annual Report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the Annual Report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.

We have no exceptions to report.

1. The maintenance and integrity of the Ferrexpo plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Companies Act 2006 reporting

We are required to report to you if, in our opinion:

– adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
– the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
– certain disclosures of Directors' remuneration specified by law are not made; or
– we have not received all the information and explanations we require for our audit.

We have no exceptions to report.

Listing Rules review requirements

We are required to review:

– the Directors' Statement in relation to going concern, set out on page 86 and longer-term viability, set out on page 40; and
– the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have no exceptions to report.

Statement on the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the entity

ISAs (UK and Ireland) reporting

We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:

– the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
– the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
– the Directors' Statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
– the Directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Except as discussed in the Emphasis of Matter – Going Concern section on page 90, we have nothing material to add or to draw attention to.

Ernst & Young LLP
Ken Williamson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
09 March 2016

CONSOLIDATED INCOME STATEMENT

US$000	Notes	Before special items	Special items	Year ended 31.12.15	Before special items	Special items	Year ended 31.12.14
Revenue	6	961,003	–	961,003	1,388,285	–	1,388,285
Cost of sales	5/7	(446,756)	–	(446,756)	(647,960)	–	(647,960)
Gross profit		514,247	–	514,247	740,325	–	740,325
Selling and distribution expenses	8	(226,222)	–	(226,222)	(311,514)	–	(311,514)
General and administrative expenses	9	(37,103)	–	(37,103)	(48,642)	–	(48,642)
Other income	10	6,852	–	6,852	9,094	–	9,094
Other expenses	11	(32,726)	–	(32,726)	(57,014)	–	(57,014)
Operating foreign exchange gains	12	26,025	–	26,025	76,372	–	76,372
Operating profit from continuing operations before adjusted items		251,073	–	251,073	408,621	–	408,621
Allowance for restricted cash and deposits	29	–	(174,579)	(174,579)	–	–	–
Under-recovery and write-down of VAT receivable	23	–	–	–	(6,790)	–	(6,790)
Write-offs and impairment losses	13	–	(5,555)	(5,555)	–	(83,534)	(83,534)
Gain on disposal of available-for-sale investment	31	–	41,385	41,385	–	–	–
Share of profit from associates	38	4,620	–	4,620	4,878	–	4,878
Losses on disposal of property, plant and equipment		(4,541)	–	(4,541)	(4,825)	–	(4,825)
Profit/(loss) before tax and finance from continuing operations		251,152	(138,749)	112,403	401,884	(83,534)	318,350
Finance income	14	2,494	–	2,494	19,250	–	19,250
Finance expense	14	(71,797)	–	(71,797)	(68,472)	–	(68,472)
Non-operating foreign exchange losses	12	(17,750)	–	(17,750)	(14,846)	–	(14,846)
Profit/(loss) before tax		164,099	(138,749)	25,350	337,816	(83,534)	254,282
Income tax (expense)/credit	15	(22,312)	28,420	6,108	(70,442)	–	(70,442)
Profit/(loss) for the year from continuing operations		141,787	(110,329)	31,458	267,374	(83,534)	183,840
Profit/(loss) attributable to:							
Equity shareholders of Ferrexpo plc		140,030	(106,993)	33,037	261,850	(83,534)	178,316
Non-controlling interests		1,757	(3,336)	(1,579)	5,524	–	5,524
Profit/(loss) for the year from continuing operations		141,787	(110,329)	31,458	267,374	(83,534)	183,840
Earnings/(loss) per share:							
Basic (US cents)	16	23.92	(18.27)	5.65	44.73	(14.27)	30.46
Diluted (US cents)	16	23.86	(18.23)	5.63	44.63	(14.24)	30.39

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US$000	Notes	Year ended 31.12.15	Year ended 31.12.14
Profit for the year		**31,458**	183,840
Items that may subsequently be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(472,492)**	(1,205,667)
Current income tax effect	15	**28,811**	80,394
Deferred income tax effect	15	**12,167**	–
Net gains on available-for-sale investments	31	**41,767**	–
Income tax effect		**–**	–
Net other comprehensive loss before reclassification of items to profit and loss		**(389,747)**	(1,125,273)
Reclassification to profit or loss relating to available-for-sale investments sold or impaired	31	**(41,767)**	(712)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(431,514)**	(1,125,985)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement gains on defined benefit pension liability		**3,878**	1,649
Income tax effect	15	**(722)**	(195)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**3,156**	1,454
Other comprehensive loss for the year, net of tax		**(428,358)**	(1,124,531)
Total comprehensive loss for the year, net of tax		**(396,900)**	(940,691)

Total comprehensive loss attributable to:			
Equity shareholders of Ferrexpo plc		**(387,958)**	(926,422)
Non-controlling interests		**(8,942)**	(14,269)
		(396,900)	(940,691)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$000	Notes	As at 31.12.15	As at 31.12.14
Assets			
Property, plant and equipment	17	**654,392**	926,433
Goodwill and other intangible assets	18	**40,024**	60,468
Investments in associates	38	**5,801**	8,569
Available-for-sale financial investments	31	**9**	46
Inventories	20	**98,802**	81,987
Other non-current assets	19	**4,652**	18,211
Income taxes recoverable and prepaid	15	**54,482**	73,782
Other taxes recoverable and prepaid	23	**–**	1,519
Deferred tax assets	15	**71,096**	32,358
Total non-current assets		**929,258**	1,203,373
Inventories	20	**96,021**	124,722
Trade and other receivables	21	**83,379**	87,226
Prepayments and other current assets	22	**18,952**	21,057
Income taxes recoverable and prepaid	15	**2,829**	–
Other taxes recoverable and prepaid	23	**50,482**	71,982
Cash and cash equivalents	28	**35,330**	626,509
Restricted cash and deposits	29	**9,308**	–
		296,301	931,496
Assets classified as held for sale		**18**	26
Total current assets		**296,319**	931,522
Total assets		**1,225,577**	2,134,895
Equity and liabilities			
Issued capital	36	**121,628**	121,628
Share premium		**185,112**	185,112
Other reserves	36	**(1,876,624)**	(1,452,988)
Retained earnings		**1,814,598**	1,855,690
Equity attributable to equity shareholders of Ferrexpo plc		**244,714**	709,442
Non-controlling interests		**(783)**	8,159
Total equity		**243,931**	717,601
Interest-bearing loans and borrowings	5/30	**700,351**	1,056,253
Defined benefit pension liability	25	**17,034**	28,557
Provision for site restoration	26	**975**	2,345
Deferred tax liabilities	15	**382**	841
Total non-current liabilities		**718,742**	1,087,996
Interest-bearing loans and borrowings	5/30	**203,299**	248,374
Trade and other payables	24	**27,566**	32,351
Accrued liabilities and deferred income	27	**16,188**	34,191
Income taxes payable	15	**8,161**	5,898
Other taxes payable	23	**7,690**	8,484
Total current liabilities		**262,904**	329,298
Total liabilities		**981,646**	1,417,294
Total equity and liabilities		**1,225,577**	2,134,895

The financial statements were approved by the Board of Directors on 9 March 2016.

Kostyantin Zhevago
Chief Executive Officer

Christopher Mawe
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

US$000	Notes	Year ended 31.12.15	Year ended 31.12.14
Profit before tax		**25,350**	254,282
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		**56,596**	82,269
Interest expense	14	**68,917**	64,166
Under-recovery and write-down of VAT receivable	23	**–**	6,790
Interest income	14	**(2,494)**	(19,250)
Share of profit from associates	38	**(4,620)**	(4,878)
Movement in allowance for doubtful receivables	11	**114**	8,011
Allowance for restricted cash and deposits	29	**174,579**	–
Loss on disposal of property, plant and equipment		**4,541**	4,825
Gain on disposal of available-for-sale investment	13/31	**(41,385)**	–
Write-offs and impairment losses	13	**5,555**	83,534
Site restoration provision	26	**(634)**	1,180
Employee benefits	25	**3,543**	6,531
Share-based payments	32	**515**	530
Operating foreign exchange gains	12	**(26,025)**	(76,372)
Non-operating foreign exchange losses	12	**17,750**	14,846
Operating cash flow before working capital changes		**282,302**	426,464
Changes in working capital:			
Decrease in trade and other receivables		**2,341**	5,395
Increase in inventories		**(63,965)**	(96,554)
Decrease in trade and other accounts payable		**(14,787)**	(11,083)
(Increase)/decrease in VAT recoverable and other taxes prepaid[1]	23	**(113)**	86,950
Cash generated from operating activities		**205,778**	411,172
Interest paid		**(65,080)**	(61,307)
Income tax paid	15	**(11,054)**	(58,077)
Post-employment benefits paid		**(1,778)**	(3,340)
Net cash flows from operating activities		**127,866**	288,448
Cash flows from investing activities			
Purchase of property, plant and equipment	17	**(64,739)**	(232,809)
Proceeds from sale of property, plant and equipment and intangible assets		**242**	5,322
Purchases of intangible assets	18	**(645)**	(1,711)
Acquisition of subsidiary/purchase of available-for-sale investment	31	**–**	(17)
Proceeds from sale of available-for-sale investment	13/31	**41,767**	–
Reclassification to restricted cash and deposits	29	**(184,523)**	–
Interest received		**2,056**	2,376
Dividends from associates		**1,716**	2,755
Net cash flows used in investing activities		**(204,126)**	(224,084)
Cash flows from financing activities			
Proceeds from borrowings and finance		**–**	392,515
Repayment of borrowings and finance		**(393,876)**	(119,009)
Arrangement fees paid		**(15,308)**	(3,580)
Dividends paid to equity shareholders of Ferrexpo plc		**(77,548)**	(76,904)
Net cash flows from financing activities		**(486,732)**	193,022
Net (decrease)/increase in cash and cash equivalents		**(562,992)**	257,386
Cash and cash equivalents at the beginning of the year		**626,509**	390,491
Currency translation differences		**(28,187)**	(21,368)
Cash and cash equivalents at the end of the year	28	**35,330**	626,509

1 The movement in the prior year includes the effect of VAT receivable balance amounting to US$97,067 thousand recovered through VAT bonds. See also Note 23.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US$000	Issued capital (Note 36)	Share premium (Note 36)	Uniting of interest reserve (Note 36)	Treasury share reserve (Note 36)	Employee benefit trust reserve (Notes 32 and 36)	Net unrealised gains reserve (Note 36)	Translation reserve (Note 36)	Retained earnings	Total capital and reserves	Non-controlling interests (Note 37)	Total equity
		Attributable to equity shareholders of Ferrexpo plc									
At 1 January 2014	121,628	185,112	31,780	(77,260)	(6,542)	712	(296,016)	1,753,200	1,712,614	22,428	1,735,042
Profit for the year	–	–	–	–	–	–	–	178,316	178,316	5,524	183,840
Other comprehensive (loss)/income	–	–	–	–	–	(712)	(1,105,480)	1,454	(1,104,738)	(19,793)	(1,124,531)
Total comprehensive (loss)/income for the year	–	–	–	–	–	(712)	(1,105,480)	179,770	(926,422)	(14,269)	(940,691)
Equity dividends paid to shareholders of Ferrexpo plc	–	–	–	–	–	–	–	(77,280)	(77,280)	–	(77,280)
Share-based payments (Note 32)	–	–	–	–	530	–	–		530	–	530
At 31 December 2014	**121,628**	**185,112**	**31,780**	**(77,260)**	**(6,012)**	**–**	**(1,401,496)**	**1,855,690**	**709,442**	**8,159**	**717,601**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**33,037**	**33,037**	**(1,579)**	**31,458**
Other comprehensive (loss)/income	**–**	**–**	**–**	**–**	**–**	**–**	**(424,151)**	**3,156**	**(420,995)**	**(7,363)**	**(428,358)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(424,151)**	**36,193**	**(387,958)**	**(8,942)**	**(396,900)**
Equity dividends paid to shareholders of Ferrexpo plc	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(77,285)**	**(77,285)**	**–**	**(77,285)**
Share-based payments (Note 32)	**–**	**–**	**–**	**–**	**515**	**–**	**–**	**–**	**515**	**–**	**515**
At 31 December 2015	**121,628**	**185,112**	**31,780**	**(77,260)**	**(5,497)**	**–**	**(1,825,647)**	**1,814,598**	**244,714**	**(783)**	**243,931**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Corporate information

Ferrexpo plc (the “Company”) is incorporated in the United Kingdom, which is considered to be the country of domicile, with its registered office at 23 King Street, London, SW1Y 6QY, UK. Ferrexpo plc and its subsidiaries (the “Group”) operate two mines and a processing plant near Kremenchug in Ukraine, 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 operates a fleet of vessels operating on the Rhine and Danube waterways and an ocean going vessel which provides top off services and operates on international sea routes. The Group’s operations are vertically integrated from iron ore mining through to iron ore concentrate and pellet production and subsequent logistics. The Group’s mineral properties lie within the Kremenchug Magnetic Anomaly and are currently being extracted at the Gorishne-Plavninskoye and Lavrikovskoye (“GPL”) and Yeristovskoye deposits.

The majority shareholder of the Group is Fevamotinico S.a.r.l. (“Fevamotinico”), a company incorporated in Luxembourg and ultimately owned by The Minco Trust, of which Kostyantin Zhevago, the Group’s Chief Executive Officer, is a beneficiary. At the time this report was published, Fevamotinico held 50.3% (2014: 50.3%) of Ferrexpo plc’s issued share capital.

Note 2: Basis of preparation

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

The consolidated financial statements have been prepared on a historical cost basis, except for post-employment benefits and available-for-sale financial assets, the latter measured at fair value in accordance with the requirements of IAS 39 *Financial instruments: Recognition and measurement*, the former measured in accordance with IAS 19 revised *Employee benefits*. The consolidated financial statements are presented in thousands of US Dollars and all values are rounded to the nearest thousand except where otherwise indicated.

The detailed accounting policies are included in the disclosure notes to the specific financial statement accounts.

Going concern basis

Over the next year from the approval of the accounts, debt facilities in the amount of US$203,181 thousand fall due for repayment. At certain iron ore pricing levels, without associated cost relief, the Group’s operating cash flow generation although positive might not be sufficient to meet these debt amortisations or be sufficient to remain within financial covenants triggering cross default across part or all of its debt facilities.

The Group expects to be able to repay its facilities as they fall due based on current forecasts and remain within its financial covenants and also expects, that if necessary, it would be able to agree amendments to relevant facilities. As a result the accounts have been drawn up on a going concern basis. However, the impact of the volatility in the future level of the iron ore price and operating cost inputs are material uncertainties that may cast significant doubt upon the Group’s ability to meet its debt amortisation obligations and to continue as a going concern.

Under these circumstances, and absent appropriate financing, the Group may be unable to continue to realise assets and discharge liabilities in the normal course of business and it will be necessary to restate amounts in the balance sheet to reflect these circumstances which will materially change the amounts and classification of figures contained in the financial statements.

Basis of consolidation

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

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

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

Note 2: Basis of preparation continued

Business combinations

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

Functional and presentational currencies

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

Foreign currency translation

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

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

Note 3: New accounting policies

New standards and interpretations adopted

The accounting policies and methods of computation adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014 except for the adoption of new amendments and improvements to IFRSs effective as of 1 January 2015. These new standards and interpretations had no effect on reported results, financial position or disclosure in the financial statements:
- Annual Improvements to IFRSs – 2010-2012 Cycle
- Annual Improvements to IFRSs – 2011-2013 Cycle
- IFRIC 21 Levies

New standards and interpretations not yet adopted

The Group has elected not to early adopt any revised and amended standards, which are not yet mandatory in the EU.

The standards below could have an impact on the consolidated financial statements of the Group.

IFRS 9 Financial instruments

The complete standard has been issued in July 2014 including the requirements previously issued and additional amendments. The new standard replaces IAS 39 and includes a new expected loss impairment model, changes to the classification and measurement requirements of financial assets as well as to hedge accounting. The new standard becomes effective for financial years beginning on or after 1 January 2018. The Group will assess the impact on its consolidated financial statements.

IFRS 15 Revenue from contracts with customers

The new standard was issued in May 2014 and establishes the principles for the disclosure of useful information in the financial statements in respect of contracts with customers. The new standard becomes mandatory for financial years beginning on or after 1 January 2018. The effect from the additional disclosure requirements will be assessed and disclosure will be made once the Group has fully assessed the impact of applying IFRS 15.

IFRS 16 Leases

The new standard was issued in January 2016 replacing the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases for the customer ("lessee") and the supplier ("lessor"). IFRS 16 eliminates the classification of leases as either operating or finance as is required by IAS 17 and, instead, introduces a single lessee accounting model requiring a lessee to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. This new standard applies to annual reporting periods beginning on or after 1 January 2019 subject to EU endorsement. The Group will review its arrangements in place in order to evaluate the potential impact of the new standard.

Note 3: New accounting policies continued

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

Note 4: Use of estimates and critical judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on information available as at the date of authorising the consolidated financial statements for issue. Actual results, therefore, could differ from those estimates. In particular, information about significant areas of estimation, uncertainty and critical judgements made by management in preparing the consolidated financial information are described in the following notes:

Estimates

Fair value of financial instruments

Where the fair value of financial assets and liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are required in establishing fair values. These estimates include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. During the comparative period ended 31 December 2014, an impairment of an available-for-sale investment in the amount of US$82,382 thousand has been recorded based on a discounted cash flow model applied by the Group taking into account uncertainties in respect of the current operational activity and the future development of the mining operation. The investment was disposed during the financial year 2015 for a total cash consideration of US$41,767 thousand. Detailed disclosure is made in Note 31.

Defined benefit pension liability

The valuation for defined benefit superannuation schemes requires management to make judgements as to the nature of benefits provided by each scheme and thereby determine the classification of each scheme. For defined benefit schemes, management is required to make annual estimates and assumptions about future returns on classes of scheme assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, exchange rates, life expectancy and expected remaining periods of service of employees. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. At 31 December 2015, the carrying amount of defined benefit pension liability was US$17,034 thousand (2014: US$28,557 thousand). Detailed disclosure is made in Note 25.

Judgements

Restricted cash and deposits

On 17 September 2015, the NBU announced that it had adopted a decision to declare the Group's transactional bank in Ukraine insolvent and the bank was put into temporary administration by the Deposit Guarantee Fund. The bank license of Bank Finance & Credit ("Bank F&C") was revoked by the NBU on 17 December 2015 and the liquidation was initiated by the Deposit Guarantee Fund. The total balance of cash and deposits held at Bank F&C is no longer available to the Group and has therefore been reclassified from cash and cash equivalents to restricted cash and deposits.

It is expected that the liquidation of the bank will take several years and the level of potential recoverability of the remaining balance of restricted cash and deposits cannot be reasonably assessed as at 31 December 2015. As a consequence, a full allowance of the balance currently not available to the Group was recorded as of 31 December 2015 resulting in a charge of US$174,579 thousand recognised in the income statement. The Group claimed US$9,308 thousand in the court, which was credited to the bank account of one of the Group's subsidiaries post introduction of the temporary administration and not yet returned to the Group. Based on legal advice and its knowledge of the matter at hand, management of the Group is of the opinion that the claim is both well-founded as verified by the initial court ruling and expects this amount ultimately to be recovered in full as required under Ukrainian legislation. No allowance was therefore recorded for this balance. See Note 29 and Note 35 for further information.

Impairment testing

Assessing the Group's non-current operating assets for impairment requires a significant amount of judgement. The determination of fair value and value-in-use requires management to make estimates and assumptions about expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves, operating costs, closure and rehabilitation costs and future capital expenditure. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged against the income statement. The total of property, plant and equipment amounted to US$654,392 thousand as of 31 December 2015 (2014: US$926,433 thousand). See also Note 17 for further information.

As outlined in Note 18 the impairment testing of goodwill is based on significant judgements and assumptions made by management when performing the annual impairment testing of these non-current assets. Changes to be made to these assumptions may alter the results of the impairment testing, the impairment charges recorded in the income statement and the resulting carrying values of the

Note 4: Use of estimates and critical judgements continued
non-current assets tested. The carrying amount of the goodwill amounted to US$32,938 thousand as of 31 December 2015 (2014: US$50,009 thousand). Related disclosures are also made in Note 18.

Capitalised stripping costs
Overburden and other mine waste materials have to be removed prior to the production of the mine in order to gain access to the iron ore body. These activities are referred to as pre-production stripping costs and are capitalised under assets under construction. The pre-production stripping costs are capitalised based on calculations which require the use of judgement and estimates in terms of estimated tonnage of overburden and waste material to be removed during the lifetime of the mine and the expected recoverable reserves that can be extracted. The change of the mine plan (life and design) in the future may result in changes to the expected stripping ratio (waste to mineral reserves ratio) and require adjustment of the capitalised pre-production stripping costs. Production stripping costs are capitalised when the stripping activities in the production phase of a mine result in improved access to components of the ore body.

An important area of judgement is the distinction between the pre-production and production phase of a mine together with the identification of the components of the ore body and the allocation of the production stripping costs to the components of the ore body or the inventory produced. At 31 December 2015, the carrying amount of capitalised pre-production stripping costs included in assets under construction amounted to US$70,530 thousand (2014: US$85,698 thousand). No production stripping costs are capitalised as at 31 December 2015 (2014: nil). See also Note 17 for further information.

Lean and weathered ore
Iron ore of various grades is currently being extracted at the Group's two operating mines GPL and Yeristovskoye. The Group has one processing plant at FPM. In order to maximise the operational efficiency and output of the processing facility, management determines the optimal mix and grade of ore to be delivered to the processing facility from each mine.

During the financial years 2013, 2014 and 2015, the dominant grade of ore used for processing was of higher grade and ore of lower iron content or more difficult to process was stockpiled to be processed in subsequent periods. As at 31 December 2015, the Group had stock of lean and weathered ore extracted by OJSC Ferrexpo Poltava Mining ("FPM") and LLC Ferrexpo Yeristovo Mining GOK ("FYM") totalling US$98,802 thousand (2014: US$81,987 thousand). It is the Group's intention to process the stockpiled lean and weathered ore. Based on the Group's current processing plans it is not expected that the volume of lean and weathered ore stockpiled will be processed within the next year. As a consequence, the entire balance is classified as non-current in the Group's consolidated statement of financial position for the financial year ended 31 December 2015.

As at 31 December 2015, the lean and weathered ore is valued at cost and the calculated net realisable value for both is above the expected cost if converted into pellets or concentrate. During the financial year 2015, the Group changed the cost allocation method used for the valuation of the lean ore in order to align it to the local requirements. The lean ore is now valued based on the ore volume whereas under the previous method it was valued based on the ore grade resulting in an increase of the inventory balance and a reduction of the cost of production by US$5,600 thousand. As a result of the continued devaluation of the UAH, the carrying value of the extracted and stockpiled ore is expected to fall further. A potential trigger for any future impairment would be any change to the Group's plans in respect of the completion of the capacity upgrade programme at FPM.

Taxes recoverable
The Group has limited domestic sales within Ukraine and exports the majority of its products so that VAT paid on purchases of goods and capital equipment cannot be fully offset from VAT on domestic sales. Consequently, the Group relies on timely refunds to be made by the Ukrainian government tax authority. As at 31 December 2015, US$30,613 thousand (2014: US$12,905 thousand) were overdue and US$1,147 thousand (2014: US$3,578 thousand) in the process of being considered by the Ukrainian court system in several different cases. The management is of the opinion that these balances will be recovered during the next 12 months in full. An allowance of US$1,059 thousand has been recorded as at 31 December 2015 (2014: US$1,710 thousand) in respect of the outstanding VAT balance from one of the Ukrainian subsidiaries with its mine still being developed. Based on the Ukrainian tax legislation, the refund of the outstanding VAT balances can only be expected once the subsidiary is in operation. However, at this point of time, the exact timing of the start of the operation is not known. The significant devaluation of the Ukrainian Hryvnia resulted in a translation adjustment on the gross VAT balance of US$25,613 thousand during the financial year 2015 (2014: US$126,414 thousand). Additional disclosures are made in Note 23.

During the financial years 2013, 2014 and 2015 current VAT was refunded only against corporate profit tax prepayments. As a result of such prepayments made, the balance of prepaid corporate profit tax in Ukraine increased from US$24,869 thousand to US$54,482 during the last three financial years. The management is of the view that the prepaid corporate profit tax will be recovered in future periods either through offset with future profits or an issuance of bonds by the Ministry of Finance as happened during the financial year 2014 for overdue VAT receivable balances. However, the recovery through offset with future profits depends on pellet prices in the global market, the future agreement with the Ukrainian government tax authorities, the local tax law and the development of foreign exchange rates which are outside of management's control. During the financial year 2015, the balance of prepaid corporate profit tax was subject to a translation adjustment of US$24,608 thousand (2014: US$58,094 thousand) due to the significant devaluation of the Ukrainian Hryvnia. See also Note 15 for further details.

Note 4: Use of estimates and critical judgements continued

Deferred income tax

The Group's accounting policy for taxation requires management's judgement in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the expected generation of sufficient future taxable profits. A deviation between expected and effective future taxable profits in the different local jurisdictions may have an adverse impact on the recognised deferred tax balances in the consolidated financial statements of the Group.

Assumptions about the generation of expected future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of recognised deferred tax balances in the consolidated financial statement of the Group and the amounts of other tax losses and temporary differences not yet recognised. In such circumstances, some, or all, of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement. At 31 December 2015, the Group's consolidated financial statements showed deferred tax assets of US$71,096 thousand (2014: US$32,358 thousand) and deferred tax liabilities of US$382 thousand (2014: US$841 thousand). The total balance of deferred tax assets includes the effect of US$28,420 thousand from the recognition of a temporary difference in respect of the allowance recorded for restricted cash and deposits balances not available to the Group as a result of the insolvency of the Group's transactional bank in Ukraine. This charge is currently not tax deductible in Ukraine, but the Group is confident that charge will be tax deductible in future periods based on the current legislation and that it will be used to offset with future profits generated in Ukraine. See also Note 15 for further information.

Net investments in foreign operations

Throughout the Group there are various intercompany balances between subsidiaries, including loans that are used to finance mainly capital expenditure projects as well as working capital requirements. The vast majority of these loans are denominated in US Dollars and are translated into the respective local functional currencies in the subsidiaries' local accounts. Loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the Group's net investment in that foreign operation and translation differences on these loans are recognised in other comprehensive income (translation reserve) and only reclassified from the translation reserve to profit or loss on disposal of the respective net investment. It is the Group management's view that the total balance of the loans granted by the Group to its Ukrainian subsidiaries qualify as net investments in its foreign operations and the translation losses totalling US$472,492 thousand for the financial year 2015 (2014: US$1,205,667 thousand) are consequently recognised in other comprehensive income. The significant translation losses are a result of the devaluation of the Ukrainian Hryvnia compared to the US Dollar. During the financial year 2015, the Ukrainian Hryvnia has devalued by approximately 52% (2014: 97%) compared to the US Dollar from 15.769 as at 31 December 2014 to 24.001 as at the end of this reporting period.

Note 5: Segment information

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

Management monitors the operating result of the Group based on a number of measures including EBITDA, "C1" costs and the net financial indebtedness.

EBITDA

The Group presents EBITDA because it believes that EBITDA is a useful measure for evaluating its ability to generate cash and its operating performance. The Group's full definition of EBITDA is disclosed in the Glossary on page 177.

US$000	Notes	Year ended 31.12.15	Year ended 31.12.14
Profit before tax and finance		112,403	318,350
Allowance for restricted cash	28	174,579	–
Under-recovery and write-down of VAT receivable	23	–	6,790
Write-offs and impairment losses	13	5,555	83,534
Gain on disposal of available-for-sale investment	13/31	(41,385)	–
Share-based payments	32	515	530
Losses on disposal of property, plant and equipment		4,541	4,825
Depreciation and amortisation		56,596	82,269
EBITDA		**312,804**	496,298

"C1" costs

"C1" costs represents the cash costs of production of iron pellets from own ore divided by production volume of own ore, and excludes non-cash costs such as depreciation, pension costs and inventory movements and costs of purchased ore and concentrate.

US$000	Year ended 31.12.15	Year ended 31.12.14
Cost of sales – pellet production	405,863	586,653
Depreciation and amortisation	(42,750)	(64,137)
Purchased concentrate and other items for resale	(21,142)	(27,110)
Inventory movements	20,163	10,127
Other non-C1 cost components	(2,539)	(15,546)
C1 cost	**359,595**	489,987
Own ore produced (tonnes)	11,258,446	10,670,445
C1 cash cost per tonne (US$)	31.9	45.9

Note 5: Segment information continued

Net financial indebtedness

Net financial indebtedness as defined by the Group comprises cash and cash equivalents, term deposits, interest-bearing loans and borrowings and amounts payable for equipment.

US$000	Notes	As at 31.12.15	As at 31.12.14
Cash and cash equivalents	28	**35,330**	626,509
Current borrowings	30	**(203,299)**	(248,374)
Non-current borrowings	30	**(700,351)**	(1,056,253)
Net financial indebtedness		**(868,320)**	(678,118)

The Group's net financial indebtedness was reduced by the insolvency of the Group's transactional bank in Ukraine resulting in a reduction of the balance of cash and cash equivalents available in Ukraine (see Note 29).

The Group's cash and cash equivalents balance was further reduced by debt repayments of US$393,876 thousand, of which US$153,613 thousand were related to a bond exchange completed in February and July 2015 and were prepaid in respect of the bonds falling due in April 2016 (see Note 30).

Disclosure of revenue and non-current assets

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

Note 6: Revenue

Accounting policy

Revenue recognition

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

Sale of goods including pellet sales

Revenue is recognised when the risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes. Risks and rewards of the ownership of goods passes when title for the goods passes to the customer as determined by the terms of the sales agreement. The sales are typically made under the following terms:

- CIF (Cost Insurance and Freight);
- CFR (Cost and Freight);
- DAP (Delivery At Place); or
- FOB (Free on Board).

Under the CFR and FOB terms the title passes on the bill of lading date whereas under the other terms revenue is recognised when goods arrive at agreed destination or at border crossing. If the sales agreement allows for adjustment of the sales prices based on survey of the goods by the customer (e.g. ore content) the revenue is recognised based on the most recent determined product specification.

Logistic services

Revenue from logistic services rendered is recognised as the services are completed. Where services are invoiced in advance of discharge, amounts attributable to the time between the end of the reporting period and the discharge date are deferred.

Other sales and services provided include predominantly the revenue generated from the sale of other materials, such as gravel, and repair and maintenance works provided to third parties. The revenues are recognised when the title passes for material sold or services provided are completed.

Note 6: Revenue continued

Revenue for the year ended 31 December 2015 consisted of the following:

US$000	Year ended 31.12.15	Year ended 31.12.14
Revenue from sales of iron ore pellets and concentrate:		
Export	895,520	1,290,695
Total revenue from sale of iron ore pellets and concentrate	**895,520**	1,290,695
Revenue from logistics and bunker business	61,247	90,661
Revenue from other sales and services provided	4,236	6,929
Total revenue	**961,003**	1,388,285

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

US$000	Year ended 31.12.15	Year ended 31.12.14
Traditional Market	**431,429**	594,045
Austria	*188,284*	*318,707*
Slovakia	*96,211*	*132,958*
Others	*146,934*	*142,380*
Growth market	**312,736**	493,964
China	*193,566*	*327,579*
Japan	*86,343*	*166,385*
Others	*32,827*	–
Natural Market	**151,355**	202,686
Germany	*102,985*	*103,494*
Turkey	*45,497*	*99,192*
Others	*2,873*	–
Total exports	**895,520**	1,290,695

During the year ended 31 December 2015 sales made to three customers accounted for 41.7% of the revenues from export sales of ore pellets and concentrate (2014: 45.2%).

Sales to customers that individually represented more than 10% of total sales in either current or prior year are as follows:

US$000	Year ended 31.12.15	Year ended 31.12.14
Customer A	188,284	318,707
Customer B	96,211	132,958
Customer C	69,255	131,613

Note 7: Cost of sales

Cost of sales for the year ended 31 December 2015 consisted of the following:

US$000	Year ended 31.12.15	Year ended 31.12.14
Energy	**186,312**	262,936
Personnel	**28,773**	50,851
Materials	**72,653**	85,043
Repairs and maintenance	**37,388**	59,780
Depreciation and amortisation	**42,750**	64,137
Royalties and levies	**19,653**	22,801
Purchased concentrate and other items for resale	**21,142**	27,110
Inventory movements	**(20,163)**	(10,127)
Logistics and bunker business	**40,893**	61,307
Other	**17,355**	24,122
Total cost of sales	**446,756**	647,960
Thereof for pellet production	***405,863***	*586,653*
Thereof for logistics and bunker business	***40,893***	*61,307*

Note 8: Selling and distribution expenses

Selling and distribution expenses for the year ended 31 December 2015 consisted of the following:

US$000	Year ended 31.12.15	Year ended 31.12.14
Pellet transportation	**178,902**	249,528
Personnel	**4,472**	4,833
Logistics business	**18,793**	26,596
Advertising	**11,269**	12,070
Depreciation	**10,352**	14,010
Other	**2,434**	4,477
Total selling and distribution expenses	**226,222**	311,514

Note 9: General and administrative expenses

General and administrative expenses for the year ended 31 December 2015 consisted of the following:

US$000	Year ended 31.12.15	Year ended 31.12.14
Personnel	**22,123**	28,406
Office, maintenance and security	**4,788**	6,780
Professional fees	**5,697**	6,990
Audit and non-audit fees	**1,587**	2,011
Depreciation and amortisation	**1,540**	2,084
Other	**1,368**	2,371
Total general and administrative expenses	**37,103**	48,642

Auditor remuneration

Auditor remuneration paid 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 is disclosed below:

US$000	Year ended 31.12.15	Year ended 31.12.14
Audit services		
Ferrexpo plc Annual Report	**1,106**	1,106
Subsidiary entities	**302**	301
Total audit services	**1,408**	1,407
Audit-related assurance services	**156**	186
Total audit and audit-related assurance services	**1,564**	1,593
Non-audit services		
Assurance related services	**–**	47
Tax advisory	**22**	4
Tax compliance	**–**	4
Other services	**1**	363
Total non-audit services	**23**	418
Total auditor remuneration	**1,587**	2,011

During the financial year 2015 non-audit services totalling US$681 thousand (2014:US$247 thousand) in relation to assurance services provided for liability management activities of the Group have been capitalised as prepaid arrangement fees and are not included in the table above.

Assurance related services in the comparative period ended 31 December 2014 include fees paid for services provided in relation to raising of new debt for the Group.

Note 10: Other income

Accounting policy

Other income mainly includes lease income generated from the lease of rail wagons, mining equipment and premises and the proceeds from the sale of spare parts, scrap metal and fuel and compensations received from insurance companies. Lease income is recognised based on the underlying contractual basis over the term of the lease. Other income from the sale of consumable materials is recognised as revenue when the title passes.

Other income for the year ended 31 December 2015 consisted of the following:

US$000	Year ended 31.12.15	Year ended 31.12.14
Lease income	421	737
Other income	6,431	8,357
Total other income	**6,852**	9,094

Note 11: Other expenses

Other expenses for the year ended 31 December 2015 consisted of the following:

US$000	Year ended 31.12.15	Year ended 31.12.14
Community support donations	25,820	39,077
Movements in allowance for doubtful receivables and prepayments made	114	8,011
Other personnel costs	1,261	1,601
Other	5,531	8,325
Total other expenses	**32,726**	57,014

Information on the Group's community support donations is provided in the CSR paragraph in the Performance Review on page 28 and the Corporate Social Responsibility section on page 41.

The vast majority of the movements in allowance for doubtful receivables and prepayments in the comparative period ended 31 December 2014 is related to an allowance recorded for prepayments made for 300 rail cars ordered, but not yet fully delivered due to the ongoing conflict in the eastern part of Ukraine. See also Note 39.

Note 12: Foreign exchange gains and losses

Accounting policy

Foreign exchange gains and losses are reported on a net basis. Operating foreign exchange gains and losses are those resulting directly from the Group's operating activities. Non-operating gains and losses are predominantly those associated with the Group's financing and treasury activities including the translation of interest-bearing loans and borrowings denominated in currencies different to the respective functional currencies and transactional gains and losses from the conversion of cash balances in currencies different to the local functional currencies at exchange rates different to those at the initial recognition date.

Note 12: Foreign exchange gains and losses continued

Foreign exchange gains and losses for the year ended 31 December 2015 consisted of the following:

US$000	Year ended 31.12.15	Year ended 31.12.14
Operating foreign exchange gains/(losses)		
Revaluation of trade receivables	25,943	78,827
Revaluation of trade payables	118	(2,265)
Other	(36)	(190)
Total operating foreign exchange gains	26,025	76,372
Non-operating foreign exchange (losses)/gains		
Revaluation of interest-bearing loans	(39,858)	(76,517)
Conversion of cash and cash equivalents	26,368	81,192
Other	(4,260)	(19,521)
Total non-operating foreign exchange (losses)/gains	(17,750)	(14,846)
Total foreign exchange gains	8,275	61,526

During the financial year 2015, the Ukrainian Hryvnia has devalued by approximately 52% (2014: 97%) compared to the US Dollar from 15.769 as at 31 December 2014 to 24.001 as at the end of this reporting period. This has had a significant impact on the carrying values of property plant and equipment (Note 17), income taxes recoverable and prepaid (Note 15) and other taxes recoverable and payable (Note 23).

Note 13: Write-offs and impairment losses

Accounting policy

The Group assesses at each reporting date whether there are indications that assets may be impaired or previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets' recoverable amounts. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Impairment losses of continuing operations are recognised in the income statement. Further information on the annual impairment testing of goodwill is provided in Note 18.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In this case, the carrying amount of the asset is increased to its recoverable amount, but not exceeding the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement and the basis for future depreciation is adjusted accordingly. Impairment losses in respect of goodwill are not reversed.

Write-offs and impairment losses for the year ended 31 December 2015 consisted of the following:

US$000	Notes	Year ended 31.12.15	Year ended 31.12.14
Write-off of receivables and prepayments		4,598	–
Write-off of VAT receivables	23	–	1,351
Write-off of inventories	20	(59)	48
Write-off of property, plant and equipment	17	992	47
Impairment of available-for-sale investments, net of amounts reclassified from other comprehensive income	31	–	(294)
Impairment of available-for-sale investments	31	24	82,382
Total write-offs and impairment losses		5,555	83,534

The write-off of receivables and prepayments is predominantly related to the cancellation of contract for equipment ordered and partially prepaid in line with the terms of the contract.

Further information on the impairment of available-for-sale investments are provided in Note 31.

Note 14: Finance income and expense

Accounting policy

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

Finance expense is expensed as incurred and includes the interest on loans and borrowings and defined benefit plans. Finance expense also include bank charges, such as arrangement fees, charged in relation to the Group's major debt facilities. Finance expense also comprises the effect from discounting receivable balances (including overdue VAT balances) expected to be received more than 12 months after the period end.

Borrowing costs incurred in respect of the financing of construction or production of a qualifying asset are capitalised up to the date when the asset is ready for its intended use. See also Note 17 for further details.

Finance income and expense for the year ended 31 December 2015 consisted of the following:

US$000	Year ended 31.12.15	Year ended 31.12.14
Finance income		
Interest income	1,268	2,299
Other finance income	1,226	16,951
Total finance income	2,494	19,250
Finance expense		
Interest expense on financial liabilities measured at amortised cost	(61,505)	(58,371)
Effect from capitalised borrowing costs	5,440	8,748
Interest on defined benefit plans	(2,880)	(4,306)
Bank charges	(12,282)	(13,490)
Other finance costs	(570)	(1,053)
Total finance expense	(71,797)	(68,472)
Net finance expense	(69,303)	(49,222)

Other finance income in the comparative period includes a US$16,497 thousand release of a discount recorded in the prior years to reflect changes in the estimated timing of receipts for VAT in dispute that was previously expected to be recovered over a protracted period of time. Further information is provided in Note 23. This discount was built up in periods prior to the periods disclosed above and recorded as a finance cost.

Note 15: Taxation

Accounting policy

Current income tax

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

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

Deferred income tax

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

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

Note 15: Taxation continued

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

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

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

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

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

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

The income tax expense for the year ended 31 December 2015 consisted of the following:

US$000	Year ended 31.12.15	Year ended 31.12.14
Current income tax		
Current income tax charge	**34,180**	87,556
Amounts related to previous years	**(189)**	(142)
Total current income tax	**33,991**	87,414
Deferred income tax		
Origination and reversal of temporary differences	**(40,099)**	(13,694)
Effect from changes in tax laws and rates	**–**	(3,278)
Total deferred income tax	**(40,099)**	(16,972)
Total income tax (credit)/expense	**(6,108)**	70,442

Other comprehensive income contained taxes on the following items charged or credited to it for the year ended 31 December 2015:

US$000	Year ended 31.12.15	Year ended 31.12.14
Tax effect of exchange differences arising on translating foreign operations	**40,978**	80,394
Tax effect of remeasurement gains on defined pension liability	**(722)**	(195)
Total income taxes charged to other comprehensive income	**40,256**	80,199

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 before special items was 12.4% for the financial year 2015 (2014: 13.6%), which excludes the tax effect of the non-recurring charge related to the restricted cash and deposits balances (see Note 29), which, if included, would have resulted in a negative weighted averaged statutory corporate income tax rate.

The income tax credit of US$6,108 thousand for the financial year 2015 results from a deferred tax credit of US$28,420 thousand relating to the recognition of a deferred tax asset in respect of the allowance for the restricted cash and deposits for which the Group expects that it will become tax deductible in a future period.

Note 15: Taxation continued

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 2015 is as follows:

US$000	Year ended 31.12.15	Year ended 31.12.14
Profit before tax	25,350	254,282
Notional tax charge computed at the weighted average statutory tax rate of 12.4% (2014: 13.6%)	3,142	34,654
Effect of higher local tax rate on special items	(11,987)	–
Reassessment of prior year temporary differences	(657)	1,489
Effect from changes in local tax rates	–	(3,278)
Effect from utilisation of non-recognised deferred tax assets	(2,165)	–
Expenses not deductible for tax purposes	7,383	37,436
Tax exempted income	(5,168)	(856)
Non-recognition of deferred taxes on current year losses	3,634	2,366
Tax related to prior years	(189)	(142)
Other (including translation differences)	(101)	(1,227)
Total income tax (credit)/expense	**(6,108)**	70,442
Reconciliation of tax effect on special items:		
Loss before tax on special items	(138,749)	(83,534)
Notional tax credit computed at the weighted average statutory tax rate of 12.4% (2014: 13.6%)	(17,197)	(11,380)
Effect of higher local tax rate on special items	(11,987)	–
Effect from utilisation of non-recognised deferred tax assets	(2,165)	–
Expenses not deductible for tax purposes	–	11,380
Effect from change in permanent differences	688	–
Non-recognition of deferred tax asset	2,241	–
Tax credit on special items	(28,420)	–

The net balance of income tax receivable changed as follows during the financial year 2015:

US$000	Year ended 31.12.15	Year ended 31.12.14
Opening balance	67,884	74,921
Income statement charge	(33,991)	(87,414)
Charge through other comprehensive income	28,811	80,394
Tax paid	11,054	58,077
Translation difference	(24,608)	(58,094)
Closing balance	**49,150**	67,884

During the financial year 2015, the Ukrainian Hryvnia has devalued by approximately 52% (2014: 97%) compared to the US Dollar; from 15.769 as at 31 December 2014 to 24.001 as at the end of this reporting period.

Split by:

US$000	As at 31.12.15	As at 31.12.14
Income tax receivable balance – current	2,829	–
Income tax receivable balance – non-current	54,482	73,782
Income tax payable balance	(8,161)	(5,898)
Net income tax receivable	**49,150**	67,884

Note 15: Taxation continued

During the financial years 2014 and 2015, current VAT receivable balances in Ukraine were mainly recovered in exchange for prepayments of corporate profit tax. As at 31 December 2015, these prepayments totalled US$54,482 thousand (2014: US$73,764 thousand) and it is management's view that this balance will be either offset with future profits or recovered through an issuance of bonds by the Ministry of Finance as happened during the financial year 2014 for overdue VAT receivable balances (see Note 23). As at the date of the preparation of these financial statements, there is an uncertainty as to the timing of the recovery of this balance. In light of this uncertainty, it was considered most appropriate to classify the entire balance as non-current in the consolidated statement of financial position.

Temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and the capitalisation of available tax loss carry forwards results in the following deferred income tax assets and liabilities at 31 December 2015:

US$000	Consolidated statement of financial position As at 31.12.15	As at 31.12.14	Consolidated income statement Year ended 31.12.15	Year ended 31.12.14
Allowance for restricted cash	27,722	–	28,420	–
Trade and other receivables	–	93	(63)	68
Inventories	1,577	1,630	518	974
Property, plant and equipment	14,001	18,466	2,281	5,920
Intangible assets	70	89	12	(6)
Tax losses recognised	12,659	1,717	(1,222)	657
Other financial assets	138	150	3	(4)
Trade and other payables	22	23	7	10
Accrued expenses	12,607	7,055	8,776	7,764
Defined benefit pension liability	2,911	4,930	(386)	592
Provision for site restoration	113	303	(89)	116
Other financial liabilities	–	122	(82)	124
Total deferred tax assets/change	71,820	34,578	38,175	16,215
Thereof netted against deferred tax liabilities	(724)	(2,220)		
Total deferred tax assets as per the statement of financial position	71,096	32,358		
Trade and other receivables	(343)	(639)	295	65
Inventories	–	(219)	254	(87)
Accrued income and prepaid expenses	(107)	(354)	129	27
Property, plant and equipment	(487)	(1,324)	1,008	602
Other non-current assets	–	–	–	408
Other financial assets	(169)	(525)	238	(357)
Trade and other payables	–	–	–	84
Accrued expenses	–	–	–	9
Lease obligations	–	–	–	6
Total deferred tax liabilities/change	(1,106)	(3,061)	1,924	757
Thereof netted against deferred tax assets	724	2,220		
Total deferred tax liabilities as per the statement of financial position	(382)	(841)		
Net deferred tax assets/net change	70,714	31,517	40,099	16,972

Note 15: Taxation continued

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

US$000	Year ended 31.12.15	Year ended 31.12.14
Opening balance	**31,517**	35,581
Income statement credit	**40,099**	16,972
Booked through other comprehensive income	**12,167**	(109)
Translation differences	**(13,069)**	(20,927)
Closing balance	**70,714**	31,517

During the finanancial year 2015, the Ukrainian Hryvnia has devalued compared to the US Dollar from 15.769 as of 31 December 2014 to 24.001 as of 31 December 2015 reducing the balance of deferred tax assets and liabilities by US$13,069 thousand. This effect is reflected in the translation reserve included in shareholder's equity. See also Note 36.

As at 31 December 2015, the Group had deductible temporary differences on available tax loss carry forwards in the amount of US$233,088 thousand (2014: US$222,884 thousand) for which no deferred tax assets were recognised.

Temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised amount to US$370,886 thousand (2014: US$311,648 thousand).

Note 16: Earnings per share and dividends paid and proposed

Accounting policy

Basic number of Ordinary Shares outstanding

The basic number of Ordinary Shares is calculated by reducing the total number of Ordinary Shares in issue by the weighted average of shares held in treasury and employee benefit trust reserve. The number of Ordinary Shares in issue excludes the shares held by the Employee Benefit Trust and the treasury shares held by the Group. The basic earnings per share ("EPS") are calculated by dividing the net profit for the year attributable to ordinary equity shareholders of Ferrexpo plc by the weighted average number of Ordinary Shares.

Dilutive potential Ordinary Shares

The dilutive potential Ordinary Shares outstanding are calculated by adjusting the weighted average number of Ordinary Shares in issue on the assumption of conversion of all potentially dilutive Ordinary Shares. All share awards that are potentially dilutive are considered in the calculation of diluted earnings per share.

	Before special items	Special items	Year ended 31.12.15	Before special items	Special items	Year ended 31.12.14
Earnings/(loss) for the year attributable to equity shareholders per share						
Basic (US cents)	**23.92**	**(18.27)**	**5.65**	44.73	(14.27)	30.46
Diluted (US cents)	**23.86**	**(18.23)**	**5.63**	44.63	(14.24)	30.39

Note 16: Earnings per share and dividends paid and proposed continued

The calculation of the basic and diluted earnings per share is based on the following data:

Thousand	Year ended 31.12.15	Year ended 31.12.14
Weighted average number of shares		
Basic number of Ordinary Shares outstanding	585,462	585,413
Effect of dilutive potential Ordinary Shares	1,422	1,258
Diluted number of Ordinary Shares outstanding	586,884	586,671

Dividends paid and proposed

No final dividend is proposed for the financial year 2015.

US$000	Year ended 31.12.15
Dividends paid during the year	
Interim dividend for 2015: 3.3 US cents per Ordinary Share	19,364
Final dividend for 2014: 3.3 US cents per Ordinary Share	19,517
Special dividend for 2014: 6.6 US cents per Ordinary Share	38,667
Total dividends paid	77,548

US$000	Year ended 31.12.14
Dividends proposed	
Final dividend for 2014: 3.3 US cents per Ordinary Share	19,320
Special dividend for 2014: 6.6 US cents per Ordinary Share	38,640
Total dividends proposed	57,960
Dividends paid during the year	
Interim dividend for 2014: 3.3 US cents per Ordinary Share	19,011
Final dividend for 2013: 3.3 US cents per Ordinary Share	19,279
Special dividend for 2013: 6.6 US cents per Ordinary Share	38,614
Total dividends paid	76,904

Note 17: Property, plant and equipment

Accounting policy

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for qualifying assets (see below) if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Major spare parts and servicing equipment qualify as property, plant and equipment when they are expected to be used during more than one period. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, are charged to the income statement in the period the costs are incurred unless it can be demonstrated that the expenditure results in future economic benefits, the expenditure is capitalised as an additional cost.

Upon recognition, items of property, plant and equipment are divided into components, which represent items with a significant value that have different useful lives. Assets included in property, plant and equipment are depreciated over their estimated useful life taking into account their own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the asset are located. The remaining useful lives for major assets are reassessed on a regular basis. Changes in estimates, which affect the unit of production calculations, are accounted for prospectively.

Except for mining assets, which are depreciated using the unit of production method, depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

- Buildings: 20–50 years
- Vessels: 30–40 years
- Plant and equipment: 3–15 years
- Vehicles: 7–15 years
- Fixtures and fittings: 2.5–10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

Assets in the course of construction are initially recognised in assets under construction. Assets under construction are not depreciated. On completion of the asset and when available for use, the cost of construction is transferred to the appropriate asset category in property, plant and equipment and depreciation commences.

Freehold land is not depreciated.

Stripping costs included in mining assets and assets under construction

Stripping costs in relation to mine exploration, evaluation and development costs incurred are capitalised and included in assets under construction up to the commencement of the production of the mine or area in the mine. Stripping work comprises overburden removal at the pre-production, mine extension and production stages.

After the commencement of production, the respective capitalised pre-production stripping costs are transferred to mining assets and depreciated using the unit of production method based on the estimated economically recoverable reserves to which they relate.

The production stripping costs are generally charged to the income statement as variable production costs. The production stripping costs are only capitalised if a stripping activity results in improved access to a component ore body. If capitalised, the production stripping costs are included in mining assets and depreciated using the same methodology as for the capitalised pre-production stripping costs. No production stripping costs are capitalised as at 31 December 2015 (2014: nil).

The cost of removal of the waste material during a mine's production phase is expensed as incurred.

Exploration and evaluation assets

Costs incurred in relation to the exploration and evaluation of potential iron ore deposits are capitalised and classified as tangible or intangible assets depending on the nature of the expenditures. Costs associated with exploratory drilling, researching and analysing of exploration data and costs of pre-feasibility studies are included in tangible assets whereas those associated with the acquisition of licences are included in intangible assets.

Capitalised exploration and evaluation expenditures are carried forward as an asset as long as these costs are expected to be recouped in full through successful development and exploration in a future period.

Note 17: Property, plant and equipment continued

Exploration and evaluation assets are measured at cost and are neither amortised nor depreciated, but monitored for indications of impairment. To the extent that the capitalised expenditures are not expected to be recouped the excess is fully provided for in the financial year in which this is determined.

Upon reaching the development stage, exploration and evaluation assets are either transferred to assets under construction or other intangible assets, if those costs were associated with the acquisition of licences.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (qualifying asset) are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that incurred in connection with the borrowing of the funds. In the case of general borrowings used to fund the acquisition or construction of a qualifying asset, the borrowing costs to be capitalised are calculated based on a weighted average interest rate applicable to the relevant general borrowings of the Group during a specific period.

See also Note 13 in respect of write-offs and impairments.

As at 31 December 2015 property, plant and equipment comprised:

US$000	Exploration and evaluation	Land	Mining assets	Buildings	Vessels	Plant and equipment	Vehicles	Fixtures and fittings	Assets under construction	Total
Cost:										
At 1 January 2014	3,205	10,039	371,898	268,314	116,053	416,587	397,142	8,436	321,002	1,912,676
Additions	749	1,059	–	2,332	664	684	1,303	120	255,341	262,252
Transfers	–	539	299	73,214	2,624	78,423	12,632	2,800	(170,531)	–
Disposals	–	(3,330)	(263)	(1,936)	(1,673)	(16,753)	(3,663)	(178)	(2,887)	(30,683)
Translation differences	(1,707)	(3,728)	(183,408)	(146,169)	(10,501)	(219,873)	(198,957)	(4,121)	(183,915)	(952,379)
At 31 December 2014	**2,247**	**4,579**	**188,526**	**195,755**	**107,167**	**259,068**	**208,457**	**7,057**	**219,010**	**1,191,866**
Additions	**249**	**–**	**–**	**421**	**–**	**–**	**6**	**73**	**92,718**	**93,467**
Transfers	**–**	**82**	**46**	**25,119**	**4,312**	**37,517**	**11,100**	**574**	**(78,750)**	**–**
Disposals	**–**	**–**	**(255)**	**(1,858)**	**(308)**	**(11,462)**	**(2,980)**	**(203)**	**(497)**	**(17,563)**
Translation differences	**(797)**	**(1,572)**	**(64,664)**	**(68,773)**	**(7,779)**	**(90,038)**	**(72,217)**	**(1,883)**	**(68,810)**	**(376,533)**
At 31 December 2015	**1,699**	**3,089**	**123,653**	**150,664**	**103,392**	**195,085**	**144,366**	**5,618**	**163,671**	**891,237**
Depreciation:										
At 1 January 2014	–	–	33,919	62,067	16,627	165,774	95,239	5,069	162	378,857
Depreciation charge	–	–	25,116	12,963	8,213	26,652	23,610	1,347	–	97,901
Disposals	–	–	–	(706)	(1)	(8,005)	(1,562)	(158)	–	(10,432)
Transfers	–	–	–	8	–	(43)	–	35	–	–
Impairment	–	–	–	–	–	47	–	–	–	47
Translation differences	–	–	(22,759)	(33,945)	(2,167)	(86,831)	(52,981)	(2,133)	(124)	(200,940)
At 31 December 2014	**–**	**–**	**36,276**	**40,387**	**22,672**	**97,594**	**64,306**	**4,160**	**38**	**265,433**
Depreciation charge	**–**	**–**	**15,024**	**8,852**	**7,111**	**18,894**	**16,276**	**601**	**–**	**66,758**
Disposals	**–**	**–**	**–**	**(559)**	**33**	**(4,642)**	**(1,182)**	**(197)**	**–**	**(6,547)**
Transfers	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Impairment	**–**	**–**	**–**	**–**	**11**	**–**	**–**	**–**	**981**	**992**
Translation differences	**–**	**–**	**(14,000)**	**(14,687)**	**(1,885)**	**(34,840)**	**(23,399)**	**(956)**	**(24)**	**(89,791)**
At 31 December 2015	**–**	**–**	**37,300**	**33,993**	**27,942**	**77,006**	**56,001**	**3,608**	**995**	**236,845**
Net book value at:										
31 December 2014	2,247	4,579	152,250	155,368	84,495	161,474	144,151	2,897	218,972	926,433
31 December 2015	**1,699**	**3,089**	**86,353**	**116,671**	**75,450**	**118,079**	**88,365**	**2,010**	**162,676**	**654,392**

Note 17: Property, plant and equipment continued

During the financial year 2015, the Ukrainian Hryvnia has devalued compared to the US Dollar from 15.769 as of 31 December 2014 to 24.001 as of 31 December 2015 reducing property, plant and equipment by US$286,742 thousand. This effect is reflected in the translation reserve included in shareholder's equity. See also Note 36.

Assets under construction consist of ongoing capital projects amounting to US$92,146 thousand (2014: US$133,274 thousand) and capitalised pre-production stripping costs of US$70,530 thousand (2014: US$85,698 thousand). Once production commences, stripping costs are transferred to mining assets.

Property, plant and equipment includes capitalised borrowing costs on qualifying assets of US$13,021 thousand (2014: US$13,162 thousand). The capitalised borrowing costs on general borrowings were determined based on the capitalisation rate of 6.3% (2014: 5.8%), which is the average effective interest rate on general borrowings during the period. The Group has no specific borrowings in relation to qualifying assets during either reporting period.

The carrying value of equipment held under finance leases and hire purchase contracts at 31 December 2015 was US$4,396 thousand (2014: US$11,555 thousand). Leased assets and assets under hire purchase contracts are pledged as security for the related finance leases and hire purchase liabilities. US$69,340 thousand of property, plant and equipment have been pledged as security for liabilities (2014: US$115,988 thousand).

The gross value of fully depreciated property, plant and equipment that is still in use is US$20,461 thousand (2014: US$25,566 thousand).

Note 18: Goodwill and other intangible assets

Accounting policy

Goodwill

If the cost of acquisition in a business combination exceeds the identifiable net assets attributable to the Group, the difference is considered as purchased goodwill, which is not amortised but annually reviewed for impairment or in case of an indication of impairment. In the case that the identifiable net assets attributable to the Group exceed the cost of acquisition, the difference is recognised in profit and loss as a gain on bargain purchase. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. If the initial accounting for a business combination cannot be completed by the end of the reporting period in which the combination occurs, only provisional amounts are reported, which can be adjusted during the measurement period of 12 months after acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill from business combinations is not amortised, but reviewed for impairment at every balance sheet date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss recognised for goodwill is never reversed in a subsequent period.

Exploration and evaluation assets

See policy disclosed in Note 17.

Other intangible assets

Other intangible assets acquired separately are measured on initial recognition at cost and the useful lives are assessed as either finite or indefinite. Following the initial recognition, the intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. If amortised, the intangible assets are amortised on a straight-line basis over the estimated useful life of the asset, ranging between one and three years. Capitalised mineral licenses are amortised on a unit of production basis.

The cost of other intangible assets acquired in a business combination is its fair value as at the date of acquisition.

Note 18: Goodwill and other intangible assets continued

As at 31 December 2015 goodwill and other intangible assets comprised:

US$000	Goodwill	Exploration and evaluation	Other intangible assets	Total
Cost:				
At 1 January 2014	98,415	9,169	14,673	122,257
Additions	–	22	1,690	1,712
Disposals	–	–	(875)	(875)
Translation differences	(48,406)	(4,527)	(6,627)	(59,560)
At 31 December 2014	**50,009**	**4,664**	**8,861**	**63,534**
Additions	**–**	**–**	**685**	**685**
Disposals	**–**	**–**	**(51)**	**(51)**
Translation differences	**(17,071)**	**(1,600)**	**(2,745)**	**(21,416)**
At 31 December 2015	**32,938**	**3,064**	**6,750**	**42,752**
Accumulated amortisation and impairment:				
At 1 January 2014	–	1,196	3,975	5,171
Amortisation charge	–	–	797	797
Disposals	–	–	(62)	(62)
Reversal of amortisation charge	–	(1,104)	–	(1,104)
Translation differences	–	(92)	(1,644)	(1,736)
At 31 December 2014	**–**	**–**	**3,066**	**3,066**
Amortisation charge	**–**	**–**	**494**	**494**
Disposals	**–**	**–**	**(50)**	**(50)**
Reversal of amortisation charge	**–**	**–**	**–**	**–**
Translation differences	**–**	**–**	**(782)**	**(782)**
At 31 December 2015	**–**	**–**	**2,728**	**2,728**
Net book value at:				
31 December 2014	50,009	4,664	5,795	60,468
31 December 2015	**32,938**	**3,064**	**4,022**	**40,024**

The goodwill acquired through business combinations in previous periods has been allocated for impairment purposes to one cash-generating unit, as the Group only has one operating segment, being the production and sale of iron ore. This represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

The major component of other intangible assets comprises mining licences and purchased software.

Impairment testing

Impairment testing was performed at 31 December 2015 based on a value-in-use calculation using cash flow projections over the remaining estimated lives of the GPL and the Yeristovskoye deposits, which are expected to expire in 2038 and 2037, respectively, according to the current approved mine plans. The estimated production volumes are based on these mine plans and do not take into account the effects of expected future mine life extension programmes. The cash flow projection is based on a financial long-term model approved by the senior management covering the expected life of the mines. The production capacity remains at a fixed level once full capacity is reached and therefore no perpetual growth rate is applied for the cash flow projections beyond this point of time.

Note 18: Goodwill and other intangible assets continued

The key assumptions used for the impairment testing are:

Estimates/assumptions	Basis
Future production:	Proved and probable reserves and resource estimates
Commodity prices:	Contract prices and longer-term price estimates
Cost of raw materials and other production/distribution costs:	Expected future costs
Exchange rates:	Current market exchange rates
Discount rates:	Cost of capital risk adjusted for the resource concerned

Cash flows are projected based on management's expectations regarding the development of the iron ore and steel market and the cost of producing and distributing the pellets. The Group takes into account two key assumptions, selling price and total production costs. Within this, both macro and local factors, which influence these are considered.

In determining the future long-term selling price, the Group takes into account external and internal analysis of the longer-term and shorter-term supply and demand dynamics in the local region and throughout the world along with costs of production of competitors and the marginal cost of incremental production in a particular market. The Group considers local supply demand balances affecting its major customers and the effects this could have on the longer-term price. The assumptions for iron ore prices ranged from US$48 per tonne to US$65 per tonne of Fe 62% fines CFR North China (2014: US$65 per tonne to US$75 per tonne).

Cost of production and shipping is considered taking into account local inflationary pressures, major exchange rate developments between local currency and the US Dollar, and the longer-term and shorter-term trends in energy supply and demand and the effect on costs along with the expected movements in steel-related commodity prices, which affect the cost of certain production inputs.

For the purpose of the goodwill impairment test, the future cash flows were discounted using the real pre-tax discount rate of 14% (2014: 14%) per annum. These rates reflect the time value of money and risk associated with the asset, and are in line with the rates used by competitors with a similar background.

Sensitivity to changes in assumptions

Management believes that due to the available headroom resulting from the Group's impairment testing of its operating assets no reasonable change in the above key assumptions would cause the carrying value of these operating assets to materially exceed its value-in-use.

Note 19: Other non-current assets

As at 31 December 2015 other non-current assets comprised:

US$000	As at 31.12.15	As at 31.12.14
Prepayments for property, plant and equipment	**2,430**	9,020
Prepaid bank arrangement fees	**1,739**	4,502
Other non-current assets	**483**	4,689
Total other non-current assets	**4,652**	18,211

Note 20: Inventories

Accounting policy

Inventories are stated at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – at cost on a first-in, first-out basis.
- Finished goods and work in progress – at cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs.

The net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. See also Note 13 in respect of write-offs and impairments.

Major spare parts and servicing equipment that meet the definition of property, plant and equipment are, in accordance with IAS 16, included in property, plant and equipment and not in inventory.

Note 20: Inventories continued

At 31 December 2015 inventories comprised:

US$000	As at 31.12.15	As at 31.12.14
Raw materials and consumables	65,883	97,474
Finished ore pellets	25,112	15,773
Work in progress	3,468	9,144
Other	1,558	2,331
Provision for slow-moving and obsolete inventory items	–	–
Total inventories – current	96,021	124,722
Raw materials and consumables	98,802	81,987
Total inventories – non-current	98,802	81,987
Total inventories	194,823	206,709

Inventory is held at the lower of cost or net recoverable amount. Inventories classified as non-current comprise ore stockpiles that are not planned to be processed within one year.

Note 21: Trade and other receivables

Accounting policy

Trade and other receivables are stated at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is recorded when collection of the full amount is no longer probable. Individual balances are written-off when management deems that there is no possibility of recovery.

At 31 December 2015 trade and other receivables comprised:

US$000	As at 31.12.15	As at 31.12.14
Trade receivables	80,450	85,468
Other receivables	4,384	3,487
Allowance for doubtful receivables	(1,455)	(1,729)
Total trade and other receivables	83,379	87,226

Trade receivables at 31 December 2015 includes US$2,969 thousand (2014: US$803 thousand) owed by related parties. The detailed related party disclosures are made in Note 39.

The movement in the provision for doubtful receivables during the period under review was:

US$000	Year ended 31.12.15	Year ended 31.12.14
Opening balance	1,729	2,079
Recognition	718	699
Reversal	(605)	(278)
Translation differences	(387)	(771)
Closing balance	1,455	1,729

Note 21: Trade and other receivables continued

The following table shows the Group's receivables at the reporting date that are subject to credit risk and the ageing and impairment profile thereon:

As at 31.12.15 US$000	Gross amount	Receivables past due and impaired	Receivables neither past due nor impaired	Receivables past due but not impaired Less than 45 days	45 to 90 days	Over 90 days
Trade receivables	**80,450**	**1,383**	**64,892**	**13,754**	**139**	**282**
Other receivables	**4,384**	**72**	**3,716**	**309**	**26**	**261**

As at 31.12.14 US$000	Gross amount	Receivables past due and impaired	Receivables neither past due nor impaired	Receivables past due but not impaired Less than 45 days	45 to 90 days	Over 90 days
Trade receivables	85,468	1,673	81,387	1,214	169	1,025
Other receivables	3,487	56	3,179	71	147	34

The Group's exposures to credit and currency risks are disclosed in Note 31.

Note 22: Prepayments and other current assets

As at 31 December 2015 prepayments and other current assets comprised:

US$000	As at 31.12.15	As at 31.12.14
Prepayments to suppliers:		
Electricity and gas	**1,297**	3,280
Materials and spare parts	**639**	1,965
Services	**1,778**	4,917
Other prepayments	**596**	46
Prepaid bank arrangement fees	**5,709**	4,168
Accrued income	**8,933**	6,411
Other	**–**	270
Total prepayments and other current assets	**18,952**	21,057

Prepayments at 31 December 2015 include US$877 thousand (2014: US$759 thousand) made to related parties. The detailed related party disclosures are made in Note 39.

Note 23: Other taxes recoverable and payable

Accounting policy

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax ("VAT"), except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of expense item as applicable; and
- receivables and payables are stated with the amount of VAT included.

VAT receivable balances are not discounted unless the overdue balances are expected to be received after more than 12 months following the period end. Where intentions have been communicated that refunds of overdue VAT balances will be made through the issuance of government bonds or other financial instruments and management considers acceptance of such instruments, these overdue VAT balances are valued at the estimated market value of such instruments with adjustments charged to the income statement.

Note 23: Other taxes recoverable and payable continued

As at 31 December 2015 other taxes recoverable comprised:

US$000	As at 31.12.15	As at 31.12.14
VAT receivable	50,395	71,859
Other taxes prepaid	87	123
Total other taxes recoverable and prepaid – current	**50,482**	**71,982**
VAT receivable	–	1,519
Total other taxes recoverable and prepaid – non-current	**–**	**1,519**
Total other taxes recoverable and prepaid	**50,482**	**73,501**

As at 31 December 2015, US$49,339 thousand of the VAT receivable before discount relates to the Group's Ukrainian business operations (2014: US$72,837 thousand).

The Ukrainian Hryvnia devalued compared to the US Dollar from 15.769 as at 31 December 2014 to 24.001 as at 31 December 2015 reducing the gross balance of VAT outstanding expressed in US Dollars by US$25,613 thousand (2014: US$126,414 thousand), which is reflected in the translation reserve. See also Note 36. During the second half of the comparative period ended 31 December 2014, bonds were received by the Group with a face value of UAH1,607,101 thousand (US$135,573 thousand at the exchange rates applicable at issuance) in settlement for VAT due of the same amount. The bonds were issued by the Ministry of Finance to settle certain accumulated VAT liabilities, were tradable and matured over a period of five years in ten equal instalments carrying a 9.5% annual coupon payable semi-annually. At the date of issuance, the bonds traded with a discount of 22% to face value. All VAT bonds received during the financial year 2014 were subsequently sold at an average discount of 21.8% resulting in net proceeds totalling UAH1,256,800 thousand (US$97,067 thousand at the exchange rate at the date of sale). No such bonds were issued by the Ministry of Finance during the financial year 2015.

Prior to the comparative period ended 31 December 2014, part of the VAT balance was in the court system and management estimated that these balances would be recovered over a protracted period of time. As a result a discount of US$23,696 thousand was recorded and charged to finance expense during the financial years 2012 and 2013. From this balance, US$16,497 was released to finance income in 2014 (Note 14) with the remainder reflected in the translation reserve. As at 31 December 2015, management expects that overdue balances totalling US$30,613 thousand and disputed balances totalling US$1,147 thousand currently heard in the court system to be recovered within one year. The total VAT receivable balance shown in the table above is net of an allowance of US$1,059 thousand (2014: US$1,710 thousand) to reflect the uncertainties in terms of the recovery of VAT receivable balances related to one of the Ukrainian subsidiaries with its mine still being developed.

The table below provides a reconciliation of the VAT receivable balance in Ukraine:

US$000	Notes	Year ended 31.12.15	Year ended 31.12.14
Opening balance, gross		**72,837**	**318,213**
Net VAT incurred		91,149	153,345
VAT received in cash		(89,034)	(141,126)
VAT recovered through sale of VAT bonds		–	(97,067)
Discount on sale of VAT bonds		–	(29,333)
VAT write-off through the income statement	13	–	(1,351)
VAT write-off capitalised		–	(3,430)
Translation differences (including effect on VAT Bonds)		(25,613)	(126,414)
Closing balance, gross		**49,339**	**72,837**
Allowance		(1,059)	(1,710)
Closing balance, net		**48,280**	**71,127**

Further information on VAT is provided in the Update on Risks section on page 36.

Note 23: Other taxes recoverable and payable continued

As at 31 December 2015 other taxes payable comprised:

US$000	As at 31.12.15	As at 31.12.14
Environmental tax	**583**	2,403
Royalties	**4,189**	3,048
VAT payable	**157**	171
Other taxes	**2,761**	2,862
Total other taxes payable	**7,690**	8,484

Note 24: Trade and other payables

Accounting policy

Trade and other payables are not interest bearing and are stated at their original invoice amount.

As at 31 December 2015 trade and other payables comprised:

US$000	As at 31.12.15	As at 31.12.14
Materials and services	**23,423**	26,839
Payables for equipment	**1,778**	4,298
Dividends payable	**29**	44
Other	**2,336**	1,170
Total current trade and other payables	**27,566**	32,351

Trade and other payables at 31 December 2015 includes US$3,618 thousand (2014: US$2,070 thousand) due to related parties (see Note 39).

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 31.

Note 25: Pension and post-employment obligations

Accounting policy

The defined benefit costs relating to the plans operated by the Group in the different countries are determined and accrued in the consolidated financial statements using the projected unit credit method for those employees entitled to such payments. The underlying assumptions are defined by the management and the defined benefit pension liability is calculated by independent actuaries at the end of each annual reporting period.

Remeasurements, comprising actuarial gains and losses, are immediately reflected in the statement of financial position. The corresponding charge or credit is recognised in the other comprehensive income of the period in which it occurred and immediately reflected in retained earnings as not reclassified to the income statement in subsequent periods.

The costs of managing plan assets are deducted from the return on plan assets reflected in other comprehensive income. All other scheme administration costs are charged to the income statement. The net interest is calculated by applying the discount rate to the net defined benefit pension liability or plan assets. Any past service costs are recognised in the income statement at the earlier of when the plan amendment occurs or when related restructuring costs are recognised.

The service costs (including current and past) are included in cost of sales, selling and distribution expenses and general and administrative expenses in the consolidated income statement whereas the net finance expenses are included in finance expenses. The effects from remeasurements are recognised in other comprehensive income.

The defined benefit pension liability is the aggregate of the defined benefit obligation less plan assets of funded schemes. The Group operates funded and unfunded schemes.

The Group's expenses in relation to defined contribution plans are charged directly to the income statement.

Note 25: Pension and post-employment obligations continued

The Group operates defined benefit plans for qualifying employees of its subsidiaries in Ukraine, Switzerland and Austria. All local defined benefit pension liabilities are calculated by independent actuaries applying accepted actuarial techniques.

In addition to the afore-mentioned defined benefit schemes, the Group operates a defined contribution plan for qualifying employees in the United Kingdom and in Singapore.

Details of the major defined benefit schemes in Ukraine and Switzerland are provided below:

Ukraine

The Group makes defined contributions to the Ukrainian State Pension scheme at statutory rates based on gross salary payments for the employees of OJSC Ferrexpo Poltava Mining and LLC Ferrexpo Yeristovo GOK. The Group also has a legal obligation to compensate the Ukrainian State Pension Fund for additional pensions paid to certain categories of the current and former employees of the Group. Additionally, the Group has a legal obligation to its employees (in the form of a collective agreement) to make a one-off payment on retirement to employees with a long-term of service which is also included in the pension liability. All pension schemes in Ukraine are unfunded.

At 31 December 2015, the pension schemes in Ukraine covered 8,862 current employees (2014: 9,202 people). There are 1,102 former employees currently in receipt of pensions (2014: 1,127 people).

Switzerland

The employees of the Group's Swiss operation are covered under a collective pension plan (multi-employer plan), which is governed in accordance with the requirements of Swiss law. The funding, of which two-thirds is contributed by the employer and one-third by the employees, is based on the regulations of the pension scheme and Swiss law. The pension scheme in Switzerland is funded and the assets of the pension scheme are held separately from those of the Group and are invested with an insurance company. The accumulated capital of the employees is subject to interests determined by the local legislation and defined in the regulations of the pension scheme.

On retirement, employees are entitled to receive either a lump sum or an annual proportion of their accumulated capital as a pension underpinned by certain guarantees. The Group, and in certain cases the employees, make contributions to the pension scheme as a percentage of the insured salaries and depending on the age of the employees.

At 31 December 2015, the Swiss pension scheme covered 19 people (2014: 17 people).

The principal assumptions used in determining the defined benefit obligation are shown below:

	Year ended 31.12.15			Year ended 31.12.14		
	Ukrainian schemes	**Swiss scheme**	**Austrian scheme**	Ukrainian schemes	Swiss scheme	Austrian scheme
Discount rate	**16.00%**	**0.95%**	**2.00%**	16.00%	1.45%	1.60%
Retail price inflation	**5.81%**	**1.00%**	**2.50%**	6.50%	1.25%	2.50%
Expected future salary increase	**8.84%**	**1.25%**	**2.50%**	6.83%	3.00%	2.50%
Expected future benefit increase	**5.81%**	**0.00%**	**0.00%**	6.50%	0.00%	0.00%
Female life expectancy (years)	**76.1**	**86.0**	**n/a**	76.1	86.0	n/a
Male life expectancy (years)	**66.5**	**82.9**	**n/a**	66.5	82.9	n/a

US$000	**As at 31.12.15**	As at 31.12.14
Present value of funded defined benefit obligation	**4,391**	4,224
Fair value of plan assets	**(2,767)**	(2,781)
Funded status	**1,624**	1,443
Present value of unfunded defined benefit obligation	**15,410**	27,114
Defined benefit pension liability	**17,034**	28,557
Thereof for Ukrainian schemes	***15,337***	*27,030*
Thereof for Swiss scheme	***1,624***	*1,443*
Thereof for Austrian scheme	***73***	*84*

Note 25: Pension and post-employment obligations continued

Amounts recognised in the income statement or other comprehensive income are as follows:

US$000	Year ended 31.12.15	Year ended 31.12.14
Defined benefit cost charged in the income statement:		
Current service cost	643	2,215
Interest cost on defined benefit obligation	2,922	4,367
Interest income on plan assets	(42)	(61)
Administration cost	20	10
Total defined benefit cost charged in the income statement	**3,543**	6,531
Remeasurement (gains)/losses in OCI:		
Remeasurement from demographic assumptions	(6)	255
Remeasurement from financial assumptions	1,014	(2,542)
Experience adjustment	(4,911)	945
Return on plan assets	25	(112)
Total remeasurement gains in other comprehensive income	**(3,878)**	(1,454)
Total defined benefit cost	**(335)**	5,077
Thereof for Ukrainian schemes	*(881)*	*4,316*
Thereof for Swiss scheme	*549*	*734*
Thereof for Austrian scheme	*(3)*	*27*

Changes in the present value of the defined benefit obligation are as follows:

US$000	Year ended 31.12.15	Year ended 31.12.14
Opening defined benefit obligation	31,338	55,960
Current service cost	1,307	2,215
Interest cost on defined benefit obligation	2,922	4,367
Remeasurement gains	(3,903)	(1,342)
Translation differences	(9,053)	(26,284)
Contributions paid by employer	(1,778)	(3,340)
Contributions paid by employees	134	127
Benefits paid through pension assets	(502)	(365)
Plan amendments	(664)	–
Closing defined benefit obligation	**19,801**	31,338
Thereof for Ukrainian schemes	*15,337*	*27,030*
Thereof for Swiss scheme	*4,391*	*4,224*
Thereof for Austrian scheme	*73*	*84*
Thereof for active employees	*12,678*	*20,149*
Thereof for vested terminations	*2,532*	*4,202*
Thereof for pensioners	*4,591*	*6,987*

The durations of the defined benefit obligation for the different schemes as at 31 December 2015 are 8.0 years (Ukraine), 21.6 years (Switzerland) and 11.4 years (Austria).

Contributions to the defined benefit plans, including benefits paid by employer and employer contributions, are expected to be US$1,553 thousand for the schemes in Ukraine and US$597 thousand in Switzerland in the next financial year. There is no contribution expected for the scheme in Austria.

Note 25: Pension and post-employment obligations continued

The expenses in relation to the defined contribution plan in the United Kingdom and Singapore totalled US$61 thousand (2014: US$64 thousand).

Changes in the fair values of the plan assets are as follows:

US$000	Year ended 31.12.15	Year ended 31.12.14
Opening fair value of plan assets	**2,781**	2,806
Interest income	**42**	61
Contributions paid by employer	**361**	352
Contributions paid by employees	**134**	127
Benefits paid through pension assets	**(502)**	(365)
Return on plan assets	**(25)**	112
Administration cost	**(20)**	(10)
Translation differences	**(4)**	(302)
Closing fair value of plan assets	**2,767**	2,781
Thereof for Swiss scheme	***2,767***	*2,781*

The asset allocation of the plan assets of the Swiss scheme is as follows:

%/US$000	As at 31.12.15	As at 31.12.15	As at 31.12.14	As at 31.12.14
Scheme assets at fair value				
Equities	**26.7**	**738**	25.4	705
Bonds	**34.0**	**939**	39.7	1,105
Properties	**10.9**	**301**	10.2	285
Other	**28.4**	**789**	24.7	686
Fair value of scheme assets	**100.0**	**2,767**	100.0	2,781

Reasonable changes of the significant assumptions would have the following effects on the defined benefit obligation:

	Year ended 31.12.15					
US$000	Ukrainian schemes	Swiss scheme	Austrian scheme	Ukrainian schemes	Swiss scheme	Austrian scheme
	Increase by			Decrease by		
Change	*1.00% or 1 year*	*1.00% or 1 year*	*1.00% or 1 year*	*1.00% or 1 year*	*1.00% or 1 year*	*1.00% or 1 year*
Discount rate (%)	**(1,113)**	**(731)**	**(8)**	**1,272**	**1,011**	**9**
Future salary increases (%)	**622**	**132**	**8**	**(607)**	**(120)**	**(8)**
Indexation of pension (%)	**399**	**573**	**n/a**	**(395)**	**n/a**	**n/a**
Life expectancy (year)	**(233)**	**80**	**n/a**	**200**	**(80)**	**n/a**

	Year ended 31.12.14					
US$000	Ukrainian schemes	Swiss scheme	Austrian scheme	Ukrainian schemes	Swiss scheme	Austrian scheme
	Increase by			Decrease by		
Change	*1.00% or 1 year*	*1.00% or 1 year*	*1.00% or 1 year*	*1.00% or 1 year*	*1.00% or 1 year*	*1.00% or 1 year*
Discount rate (%)	(1,907)	(694)	(10)	2,167	965	11
Future salary increases (%)	933	136	10	(908)	(125)	(10)
Indexation of pension (%)	634	530	n/a	(631)	–	n/a
Life expectancy (year)	(398)	70	n/a	340	(70)	n/a

Note 25: Pension and post-employment obligations continued

For the presentation of the effects of the changes of the significant assumptions shown in the table on the previous page, the present value of the defined benefit obligation has been calculated based on the projected unit credit method at the end of the reporting period, which is the same as the one applied for the calculation of the defined benefit obligation recognised in the statement of financial position as at 31 December 2015. The methods and assumptions used for the sensitivity analysis for the prior year are unchanged.

Note 26: Provisions

Accounting policy

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Site restoration

Site restoration provisions are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (determined by an independent expert) in the accounting period when the related environmental disturbance occurs. The provision is discounted, if material, and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future benefit and depreciated over future production from the mine to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates or the life of operations.

The provision for site restoration changed as follows during the financial year 2015:

US$000	Year ended 31.12.15	Year ended 31.12.14
Opening balance	**2,345**	2,871
Unwind of the discount	**253**	185
Arising during the year	**–**	713
Released	**(834)**	–
Translation adjustments	**(789)**	(1,424)
Closing balance	**975**	2,345

The costs of restoration of the different deposits in the Group's open pit mines are based on amounts determined by an independent and credited institute taking into account the codes of practice and laws applicable in Ukraine. The useful lives of the different pits and mines are determined by the same institute based on expected annual stripping and production volumes having taken into account the expected timing and effect of future mine-life extension programmes. It is expected that the restoration works of the GPL mine will start after the years 2020, 2038 and 2055 depending on the different areas within the mine. The first restoration work of the Yeristovo mine is expected to start after 2035.

The provision represents the discounted value of the estimated costs of decommissioning and restoring the mines at the dates when the deposits are expected to be depleted in the relevant areas within the mine. The present value of the provision has been calculated using a nominal pre-tax discount rate of 16.0% (2014: 16.0%) and the costs are expected to be incurred once the restoration works begin in the different areas of the mines.

Uncertainties in estimating the provision include potential changes in regulatory requirements, decommissioning and reclamation alternatives and the discount and inflation rates to be used in the calculations.

Note 27: Accrued liabilities and deferred income

As at 31 December 2015 accrued liabilities and deferred income comprised:

US$000	As at 31.12.15	As at 31.12.14
Accrued expenses	**4,907**	16,289
Accrued employee costs	**9,316**	14,208
Advances from customers	**612**	2,094
Deferred income	**1,353**	1,600
Total accrued liabilities and deferred income	**16,188**	34,191

Note 28: Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash at bank and on hand, short-term deposits with original maturity of 90 days or less. Cash at bank on hand and short-term deposits are recorded at their nominal amount as these present an insignificant risk of changes in value.

As at 31 December 2015 cash and cash equivalents comprised:

US$000	As at 31.12.15	As at 31.12.14
Cash at bank and on hand	35,330	321,049
Short-term deposit	–	305,460
Total cash and cash equivalents	**35,330**	626,509

The available cash and cash equivalents balance was reduced by the insolvency of the Group's transactional bank in Ukraine (see Note 29 below) and debt repayments of US$393,876 thousand, of which US$153,613 thousand were related to a bond exchange completed in February and July 2015 and were prepaid in respect of the bonds falling due in April 2016 (see Note 30).

The balance of cash and cash equivalents held in Ukraine amounts to US$13,896 thousand as at 31 December 2015 (2014: US$161,834 thousand).

The Group's exposure to liquidity, counterparty and interest rate risk as well as a sensitivity analysis for financial assets and liabilities are disclosed in Note 31. See also Note 39 for further information in respect of transactional banking arrangements with Bank F&C.

Note 29: Restricted cash and deposits

Accounting policy

Restricted cash balances are recorded at their nominal amount less an allowance taking account of the expected ultimate recovery.

Banking services of the Group were undertaken principally by Bank F&C in Ukraine which was under common control of Kostyantin Zhevago (see Note 1). On 17 September 2015, the NBU announced that it had adopted a decision to declare Bank F&C insolvent and the bank was put into temporary administration by the Deposit Guarantee Fund on the following day. Following an unsuccessful search for investors, its banking license was revoked by the NBU on 17 December 2015 and the liquidation was initiated by the Deposit Guarantee Fund on that day.

The level of recoverability of balances with Bank F&C cannot be reasonably assessed at the current time due to the complexity, uncertainties and the level of the ultimate recovery of the bank's loan portfolio net of costs during liquidation. As a result, a full allowance of US$168,575 thousand has been booked. This amount is net of monies expected to be recovered in the amount of US$9,308 thousand, which were credited to the account of FPM post introduction of the temporary administration and not yet returned to the Group. A positive ruling requiring the return of the funds was received from the Kiev Commercial Court on 4 December 2015. Further information in respect of the ongoing court proceedings is provided in Note 35.

As at 31 December 2015 restricted funds held at Bank F&C are shown in the table below:

US$000	Notes	As at 31.12.15	As at 31.12.14
Cash balance with Bank F&C subject to liquidation process		168,575	–
Cash balance subject to ongoing court proceedings	35	9,308	–
Allowance on cash and deposits currently not available[1]		(168,575)	–
Total restricted cash and deposits		**9,308**	–

1 Translated at the exchange rate prevailing at the reporting date. Amounts in the income statement are translated at the exchange rate prevailing at the date of the transaction resulting in a charge of US$174,579 thousand. The date of the temporary administration is considered to be the transaction date for the translation of the charge in the income statement.

The cash balance subject to the bank's liquidation process includes US$3,104 thousand, which was deposited for loans and mortgages granted by Bank F&C to employees of the Group under the Group's social loyalty programme. Further information in respect of these deposits are provided in Note 39.

Note 30: Interest-bearing loans and borrowings

Accounting policy

The Group's interest-bearing loans and borrowings are measured at amortised cost. All loans are in US Dollars. See also Note 31 for more details in respect of the accounting policies applied. This note provides information about the contractual terms of Group's major finance facilities.

US$000	Notes	As at 31.12.15	As at 31.12.14
Current			
Syndicated bank loans – secured	31	**166,250**	210,000
Other bank loans – secured	31	**21,504**	22,906
Other bank loans – unsecured	31	**1,431**	–
Obligations under finance leases	31	**3,444**	4,644
Interest accrued	31	**10,670**	10,824
Total current interest-bearing loans and borrowings		**203,299**	248,374
Non-current			
Eurobond issued	31	**333,536**	496,392
Syndicated bank loans – secured	31	**306,250**	472,500
Other bank loans – secured	31	**43,867**	73,736
Other bank loans – unsecured	31	**6,939**	–
Obligations under finance leases	31	**9,759**	13,625
Total non-current interest-bearing loans and borrowings		**700,351**	1,056,253
Total interest-bearing loans and borrowings		**903,650**	1,304,627

As at 31 December 2015, the Group has a syndicated US$420 million pre-export finance facility, of which US$297,500 thousand was amortised resulting in a remaining available and drawn balance of US$122,500 thousand for this facility, and a fully drawn syndicated US$350 million pre-export finance facility. Both are revolving facilities with amortisation over the final 24 months to the final maturity dates of 31 July 2016 and 8 August 2018 respectively. The Group is currently discussing with the two syndicates of lending banks of the aforementioned pre-export finance facilities to align maturities with the changed cash flow generation profile resulting from lower iron ore prices on the global market.

As at 31 December 2015 the major bank debt facilities were guaranteed and secured as follows:

- Ferrexpo AG and Ferrexpo Middle East FZE assigned the rights to revenue from certain sales contracts;
- OJSC 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.

In addition to the Group's major bank debt facilities listed above, an unsecured US$500 million Eurobond was issued on 7 April 2011, which the Group exchanged and cancelled through the issuance of new notes at par value totalling US$346,385 thousand and the repayment of US$153,615 thousand in cash. The exchange was completed in two transactions on 24 February 2015 and 6 July 2015. As a result of the two exchanges completed, the tenor of the notes outstanding was extended from April 2016 to April 2019 with two equal instalments of US$173,193 thousand falling due on 7 April 2018 and 2019, respectively. The new notes have a 10.375% interest coupon payable semi-annually, compared to 7.875% for the initially issued notes in April 2011.

Further information on the Group's exposure to interest rate, foreign currency and liquidity risk is provided in Note 31.

Note 31: Financial instruments

Accounting policy

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities (e.g. promissory notes), trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Derivative financial instruments

The Group does not hold any derivative financial instruments.

Initial measurement

Non-derivative financial instruments

Financial assets and financial liabilities are initially measured at fair value. Any transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities are added or deducted from its fair value except for financial assets and financial liabilities at fair value through the income statement. For those financial assets and financial liabilities, the transactions costs are recognised immediately in the income statement.

All regular way purchases and sales of financial assets are recognised on the trade date (i.e. the date that the Group commits to purchase or sell the asset). Regular way purchases or sales are those that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The subsequent measurement is based on the classification of the financial instruments.

Subsequent measurement

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired along with the amortisation process.

Available-for-sale financial assets

All investments, except for investments in associates, are classified as available-for-sale. Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans or receivables, held-to-maturity investments or financial assets at fair value through the income statement.

If the fair value can be reliably determined, subsequent measurement of available-for-sale financial assets is made on a fair value basis with unrealised gains or losses recognised in other comprehensive income in the net unrealised gains reserve until the investment is derecognised. On derecognition or when determined to be impaired, the cumulative gains or losses are to be recognised, at which time the cumulative net effect is to be reclassified from the reserve to the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments without an active market, the fair value is determined using other valuation techniques including discounted cash flow models and reference to recent transaction prices. If the fair value of an available-for sale equity investment cannot be reliably measured, the investment is measured at cost less any impairment losses.

Other

Other non-derivative financial assets are measured at amortised cost using the effective interest method less any impairment losses.

Financial liabilities

Trade and other payables

Trade and other payables are subsequently measured at amortised cost using the effective interest method.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Note 31: Financial instruments continued

Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and it is objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is to be reversed. Any subsequent reversal of an impairment loss is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available-for-sale financial assets

The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss previously recognised in other comprehensive income is to be reclassified from the reserve to the income statement. Impairment losses on available-for-sale investments are not reversed through the income statement. The increases in their fair values after impairment are recognised directly in the statement of other comprehensive income.

The accounting classification of each category of financial instruments, and their carrying amounts, are set out below:

		As at 31.12.15			
US$000	Notes	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Total
Financial assets					
Cash and cash equivalents	28	35,330	–	–	35,330
Restricted cash and deposits	29	9,308	–	–	9,308
Trade and other receivables	21	83,379	–	–	83,379
Available-for-sale investments		–	9	–	9
Other financial assets		5,757	–	–	5,757
Total financial assets		133,774	9	–	133,783
Financial liabilities					
Trade and other payables	24	–	–	27,566	27,566
Accrued liabilities	27	–	–	14,223	14,223
Interest-bearing loans and borrowings	30	–	–	903,650	903,650
Total financial liabilities		–	–	945,439	945,439

Note 31: Financial instruments continued

US$000	Notes	As at 31.12.14 Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Total
Financial assets					
Cash and cash equivalents	28	626,509	–	–	626,509
Trade and other receivables	21	87,226	–	–	87,226
Available-for-sale investments		–	46	–	46
Other financial assets		8,944	–	–	8,944
Total financial assets		722,679	46	–	722,725
Financial liabilities					
Trade and other payables	24	–	–	32,351	32,351
Accrued liabilities	27	–	–	30,497	30,497
Interest-bearing loans and borrowings	30	–	–	1,304,627	1,304,627
Total financial liabilities		–	–	1,367,475	1,367,475

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk – including currency and commodity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Board has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee and the CFO.

The Group operates a centralised financial risk management structure under the management of the Executive Committee, accountable to the Board. The Executive Committee delegates certain responsibilities to the CFO. The CFO's responsibilities include authority for approving all new physical, commercial or financial transactions that create a financial risk for the Group. Additionally, the CFO controls the management of treasury risks within each of the business units in accordance with a Board-approved Treasury Policy.

Financial instrument risk exposure and management

Natural hedges that can be identified and their effectiveness quantified are used in preference to financial risk management instruments. Derivative transactions may be executed for risk mitigation purposes only – speculation is not permitted under the approved Treasury Policy – and are designed to have the effect of reducing risk on underlying market or credit exposures. Appropriate operational controls ensure operational risks are not increased disproportionately to the reduction in market or credit risk.

The Group has not used any financial risk management instruments that are derivative in nature, or other hedging instruments, in this or prior periods.

Note 31: Financial instruments continued

Credit risk

Trade and other receivables

The Group through its trading operations enters into binding contracts, which contain obligations that create exposure to credit, counterparty and country risks. It is the primary objective of the Group to manage such risks to reduce uncertainty of collection from buyers. A secondary objective is to minimise the cost of reducing risks within acceptable parameters.

Trade finance is used to balance risk and payment. These risks include the creditworthiness of the buyer, and the political and economic stability of the buyer's country. Trade finance generally refers to the financing of individual transactions or a series of revolving transactions and are often self-liquidating, whereby the lending bank stipulates that all sales proceeds to be collected are applied to settle the loan, the remainder returned to the Group. Trade finance transactions are approved by the Group Treasurer. The primary objective is to ensure that the margins paid and conditions applicable should be the same as, or better than, those which other organisations with similar credit worthiness would achieve, and compared with other financing available to the Group.

Credit risk is the risk associated with the possibility that a buyer will default, by failing to make required payments in a timely manner or to comply with other conditions of an obligation or agreement. Where appropriate, the Group uses letters of credit to assist in mitigating such risks.

Counterparty risk crystallises when a party to an agreement defaults. Where letters of credit are used to minimise this risk, the Group uses a confirming bank with a similar or higher credit rating to mitigate country and/or credit risk of the issuing bank.

Country risk is the potential volatility of foreign assets, whether receivables or investments, that is due to political and/or financial events in a given country.

Group treasury monitors the concentration of all outstanding risks associated with any entity or country, and reports to the Group CFO on a timely basis.

Investment securities

Outside Ukraine the Group limits its cash exposure to credit, counterparty and country risk by only investing in liquid securities and with counterparties that are incorporated in an A+ or better (S&P) rated OECD country. A ratings approach is used to determine maximum exposure to each counterparty. Cash not required within three months for production, distribution and capital expenditures is invested with counterparties rated by S&P or Moody's at a level of long-term BBB (S&P) or short-term A3 (S&P) or better.

Recognising that the principal activities of the Group are predominantly in Ukraine, special consideration is given to Ukrainian transactional banking counterparties where the sector is small and constrained by the sovereign credit rating. Exceptions may be made under the following conditions:

- the counterparty is resident in Ukraine; and
- the counterparty is included in the top 15 financial institutions in Ukraine based on the Group's assessment of the financial institution.

Transactional banking arrangements of the Group were with Bank F&C in Ukraine, which was under common control of Kostyantin Zhevago (see Note 1). Following the close of business on 17 September 2015, the NBU announced that it had adopted a decision to declare Bank F&C insolvent and the bank was put into temporary administration by the Deposit Guarantee Fund. The total balance of cash and deposits held at Bank F&C is currently not available to the Group and has therefore been reclassified from cash and cash equivalents to restricted cash and deposits. As a consequence, the Group recorded in September 2015 an allowance for the total balance of cash and deposits held at Bank F&C resulting in a charge of US$174,579 thousand recognised in the income statement. See Note 29 and Note 39 for further information.

Subsequent to the declaration of insolvency of Bank F&C, the Group changed its transactional banking arrangements that had previously been with Bank F&C to third party banks in Ukraine. The Group is still exposed to Ukraine country and banking sector risk in this respect as well as in relation to certain of its other activities.

Note 31: Financial instruments continued

Guarantees

The Group's policy is to provide financial guarantees under limited circumstances only for the benefit of wholly-owned or substantially wholly-owned subsidiaries. At 31 December 2015 Ferrexpo AG and Ferrexpo Finance plc were jointly and severally liable under a US$420 million revolving pre-export finance facility having an available and outstanding balance of US$122,500 thousand (2014: US$332,500 thousand). Additionally, Ferrexpo AG, Ferrexpo Finance plc and Ferrexpo Middle East FZE were jointly and severally liable under a US$350 million revolving pre-export finance facility, which was fully drawn as of 31 December 2015.

Ferrexpo plc, Ferrexpo AG and Ferrexpo Middle East FZE are guarantors to the Eurobond ("Notes") issued by Ferrexpo Finance plc totalling US$346,385 thousand, which is due for repayment on 7 April 2018 and 2019, respectively. Additionally the Notes benefit from a surety agreement provided by FPM.

Certain Group companies act as guarantors for several finance facilities provided to Ukrainian subsidiaries: Ferrexpo AG amounting to US$87,904 thousand (2014: US$88,399 thousand), Ferrexpo Middle East FZE amounting to US$34,365 thousand (2014: US$43,621 thousand) and Ferrexpo plc amounting to US$18,629 thousand (2014: US$23,952 thousand).

The total remaining contractual maturities of the guarantees provided under the facilities listed above is US$913,215 thousand (2014: US$1,299,393 thousand).

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

US$000	As at 31.12.15	As at 31.12.14
Cash and cash equivalents	35,330	626,509
Restricted cash and deposits	9,308	–
Trade and other receivables	83,379	87,226
Other financial assets	5,757	8,944
Total maximum exposure to credit risk	**133,774**	722,679

The carrying amount of restricted cash and deposits is shown net of an allowance for cash and deposits held at Bank F&C, which are currently not available to the Group. See Note 29 for further information.

Of the total maximum exposure to credit risk, US$36,611 thousand (2014: US$170,150 thousand) related to Ukraine.

The total receivables balance relating to the Group's top three customers was US$18,588 thousand (2014: US$25,629 thousand) making up 41.7% of the total amounts receivable (2014: 29.4%).

Impairment profile

The Group's exposure to credit risk relating to trade and other receivables is disclosed in Note 21.

Note 31: Financial instruments continued

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation by holding surplus cash or undrawn committed credit facilities.

The Group prepares detailed rolling cash flow forecasts, which assist it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand and/or lines of credit to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In periods of a forecasted low iron ore price environment and to ensure sufficient liquidity headroom, the Group may seek to agree with lenders an adjustment to the maturity profile of its debts. In 2015, the Group successfully extended the maturity of its issued Eurobonds from April 2016 to April 2018 and 2019. The Group has been in discussions with its syndicated loan lenders to extend the maturity profile of a facility with a current amortisation of US$17,500 thousand per month and outstanding balance of US$122,550 thousand as at 31 December 2015 as well as to extend the maturity profile of a US$ 350,000 thousand bank facility that is scheduled to begin amortising in November 2016.

The following are the contractual maturities of financial liabilities:

	As at 31.12.15				
US$000	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	More than 5 years	Total
Interest-bearing					
Eurobond issued	–	–	333,536	–	333,536
Syndicated loans – secured	166,250	175,000	131,250	–	472,500
Other banks – secured	21,504	18,397	25,470	–	65,371
Other banks – unsecured	1,431	1,558	4,482	899	8,370
Obligation under finance lease	3,444	3,698	6,061	–	13,203
Interest accrued	10,670	–	–	–	10,670
Future interest payable	52,353	46,404	39,510	6	138,273
Total interest-bearing	255,652	245,057	540,309	905	1,041,923
Non-interest-bearing					
Trade and other payables	27,566	–	–	–	27,566
Accrued liabilities	14,223	–	–	–	14,223
Total non-interest-bearing	41,789	–	–	–	41,789
Total financial liabilities	297,441	245,057	540,309	905	1,083,712

	As at 31.12.14				
US$000	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	More than 5 years	Total
Interest-bearing					
Eurobond issued	–	496,392	–	–	496,392
Syndicated loans – secured	210,000	166,250	306,250	–	682,500
Other banks – secured	22,906	23,275	48,202	2,259	96,642
Obligation under finance lease	4,644	3,548	10,077	–	18,269
Interest accrued	10,824	–	–	–	10,824
Future interest payable	60,171	35,495	13,554	32	109,252
Total interest-bearing	308,545	724,960	378,083	2,291	1,413,879
Non-interest-bearing					
Trade and other payables	32,462	16	–	–	32,478
Accrued liabilities	30,497	–	–	–	30,497
Total non-interest-bearing	62,959	16	–	–	62,975
Total financial liabilities	371,504	724,976	378,083	2,291	1,476,854

Note 31: Financial instruments continued

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group. Functional currencies for the Group are primarily the Ukrainian Hryvnia, but also US Dollars, Swiss Francs, Euro and UK Pounds Sterling.

The Group's major lines of borrowings and the majority of its sales are denominated in US Dollars, with costs of local Ukrainian production mainly in Hryvnia. The value of the Hryvnia is published by the NBU.

The Group has a gross recoverable VAT balance of US$49,339 thousand (UAH1,184 million) and prepaid corporate profit tax of US$54,482 thousand (UAH1,307 million) to be recovered from the Ukrainian government tax authority and is reliant on the normal functioning of this system. The exact timing of recovery is subject to uncertainties, along with the prevailing exchange rate to the US Dollar at the time of repayment. As a result of the significant UAH devaluation during the financial year 2015, the recoverable gross VAT balance and prepaid corporate profit tax decreased by US$25,613 thousand (2014: US$126,414 thousand) and US$24,608 thousand (2014: US$58,094 thousand), respectively, affecting the Group's cash flow from the refunds in US Dollars.

The devaluation of the Ukrainian Hryvnia reduced the operating costs of the production unit in US Dollar terms and the value of Hryvnia payables recorded in the statement of financial position at the year end in US Dollars. As the majority of sales and receivables are denominated in US Dollars, a devaluation in the local currency will result in operating exchange gains recorded in the income statement.

With the devaluation of the local currency, US Dollar-denominated loans held by the Ukrainian subsidiary resulted in non-operating exchange losses to the extent these are not matched by US Dollar-denominated assets. Fixed assets are similarly held in local currency amounts and the devaluation in the currency resulted in reduced net asset values with the effect recorded in the translation reserve.

The NBU manages and determines the official exchange rates. An interbank market for exchange of currencies exists in Ukraine and is monitored by the NBU. The Group, through financial institutions, exchanges currencies at bank offered market rates.

Trade receivables are predominately in US Dollars and are not hedged. Trade payables denominated in US Dollars are also not hedged on the market, but are matched against US Dollar currency receipts. This includes the interest expense, which is principally payable in US Dollars. Trade receivables and trade payables in Ukrainian Hryvnia are not hedged as a forward market for the currency is generally not available.

Other Group monetary assets and liabilities denominated in foreign currencies are considered immaterial as the exposure to currency risk mainly relates to corporate costs within Switzerland and the United Kingdom.

Note 31: Financial instruments continued

The Group's exposure to foreign currency risk was as follows based on notional amounts:

US$000	Ukrainian Hryvnia	US Dollars	Euro	Swiss Franc	Other currencies	Total
	As at 31.12.15					
Financial assets	2	5,316	5,931	108	2,592	13,949
Financial liabilities						
Other banks – secured	–	(34,418)	(71)	–	–	(34,489)
Other banks – unsecured	–	(8,439)	–	–	–	(8,439)
Obligation under finance lease	–	(74)	–	–	–	(74)
Interest accrued	–	(272)	–	–	–	(272)
Total borrowings	–	(43,203)	(71)	–	–	(43,274)
Trade and other payables	–	(2,592)	(1,097)	(206)	(386)	(4,281)
Accrued liabilities	–	–	–	–	(813)	(813)
Total financial liabilities	–	(45,795)	(1,168)	(206)	(1,199)	(48,368)
Net financial assets/(liabilities)	2	(40,479)	4,763	(98)	1,393	(34,419)

US$000	Ukrainian Hryvnia	US Dollars	Euro	Swiss Franc	Other currencies	Total
	As at 31.12.14					
Financial assets	2	118,924	7,477	528	1,332	128,263
Financial liabilities						
Other banks – secured	–	(54,801)	(151)	–	–	(54,952)
Obligation under finance lease	–	(1,481)	–	–	–	(1,481)
Interest accrued	–	(334)	–	–	–	(334)
Total borrowings	–	(56,616)	(151)	–	–	(56,767)
Trade and other payables	–	(4,622)	(966)	(257)	(343)	(6,188)
Accrued liabilities	–	–	–	(32)	(1,330)	(1,362)
Total financial liabilities	–	(4,622)	(966)	(289)	(1,673)	(7,550)
Net financial assets/(liabilities)	2	57,686	6,360	239	(341)	63,946

Interest rate risk

The Group predominantly borrows bank funds that are at floating interest rates and is exposed to interest rate movements. The interest rate exposure to US Dollars remained relatively low during the period, and no interest rate swaps have been entered into in this or prior periods.

Commodity risk

The Group is exposed to movements in the price of iron ore as an index based pricing model is applied to long-term contracts. These contracts have embedded provisional pricing mechanisms, which have the character of commodity derivatives that are carried at fair value through profit and loss. As a consequence, trade receivables may have to be adjusted in a future period when final invoices can be issued based on changes in iron ore prices and the specific underlying contract terms.

Where pricing terms deviate from the index based pricing model, derivative commodity contracts may be used to return the effective prices to the index.

Finished goods are held at cost without revaluation to a spot price for iron ore pellets at the end of the reporting period, as long as the recoverable amount exceeds the cost basis.

Note 31: Financial instruments continued

Sensitivity analysis

A 20% strengthening of the US Dollar against the following currencies at 31 December would have increased/(decreased) income statement and equity by the amounts shown below. This assumes that all other variables, in particular interest rates, remain constant.

US$000	Year ended 31.12.15 Income statement/ equity	Year ended 31.12.14 Income statement/ equity
Ukrainian Hryvnia	(6,746)	9,615
Euro	794	1,060
Swiss Franc	(16)	40
Total	(5,968)	10,715

A 20% weakening of the US Dollar against the above currencies would have an equal but opposite effect to the amounts shown above, on the basis that all the other variables remain constant.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not hold any derivatives (e.g. interest rate swaps). Therefore a change in interest rates at the reporting date would not affect the income statement.

Cash flow sensitivity for variable rate instruments

An increase of 100 basis points ("bps") in interest rates would have decreased equity and the consolidated result by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

US$000	Year ended 31.12.15	Year ended 31.12.14
Net finance charge	4,768	1,102

A decrease of 100bps would increase equity and profit by US$1,730 thousand for the year ended 31 December 2015 (2014: increase of US$331 thousand). This is on the basis that all the other variables remain constant.

Capital management

The Board's policy is to maintain a strong capital base. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity, excluding non-controlling interests, and the level of dividends to Ordinary Shareholders. Please refer to the Statement of Changes in Equity for details of the capital position of the Group.

The capital base was adversely affected in the year as a result of a continual fall in the price of iron ore reducing reported revenues and profitability while production maintained at full capacity. The price that the industry earns for iron ore products is cyclical in nature and the Board of Directors continues to review its capital base in line with industry trends. In prior years the Board approved investments in growth projects as part of its policy to support a strong capital base. During the year and in recognition of the industry trend, and to further support the Group's capital base, the Board suspended investments in major growth projects.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and advantages and security afforded by a sound capital position. The Board continues to support maintaining a sound capital base balanced against these market constraints.

The Board maintains a dividend policy consistent with the Group's profile, reflecting the investment activities the Group has made supporting current and future production growth and the cash generated by existing operations, whilst maintaining a prudent level of dividend cover supported by an appropriate level of liquidity. In accordance with this policy and in recognition of lower profitability in the year, no final dividend is being declared for the year ended 31 December 2015.

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements other than a bank covenant requirement to maintain consolidated equity of the Group of US$500,000 thousand including non-controlling interests and excluding the translation reserve. Compliance is ensured by balancing dividend payments against the earnings of the Group.

For more information about the Group's interest-bearing loans and borrowings see Note 30.

Note 31: Financial instruments continued

Fair values and impairment testing

Set out below are the carrying amounts and fair values of the Group's financial instruments that are carried in the consolidated statement of financial position:

	Carrying amount		Fair value	
US$000	As at 31.12.15	As at 31.12.14	As at 31.12.15	As at 31.12.14
Financial assets				
Cash and cash equivalents	**35,330**	626,509	**35,330**	626,509
Restricted cash and deposits	**9,308**	–	**9,308**	–
Trade and other receivables	**83,379**	87,226	**83,379**	87,226
Available-for-sale investments	**9**	46	**9**	46
Other financial assets	**5,757**	8,944	**5,757**	8,944
Total financial assets	**133,783**	722,725	**133,783**	722,725
Financial liabilities				
Trade and other payables	**27,566**	32,351	**27,566**	32,351
Accrued liabilities	**14,223**	30,497	**14,223**	30,497
Interest-bearing loans and borrowings	**903,650**	1,304,627	**766,526**	1,204,836
Total financial liabilities	**945,439**	1,367,475	**808,315**	1,267,684

Other financial assets

The fair values of cash and cash equivalents, trade and other receivables and payables are approximately equal to their carrying amounts due to their short maturity.

The carrying amount and fair value of restricted cash and deposits is shown net of an allowance for cash and deposits held at Bank F&C, which are currently not available to the Group. See Note 29 for further information.

Interest bearing loans and borrowings

The fair values of interest-bearing loans and borrowings are based on the discounted cash flows using market interest rates except for the fair value of the Eurobond issued, which is based on the market price quotation at the reporting date.

Available-for-sale investments

As at 31 December 2015 available-for-sale investments comprised:

	Ownership		Carrying value	
US$000	As at 31.12.15	As at 31.12.14	As at 31.12.15	As at 31.12.14
Ferrous Resources	**–**	15.51%	**–**	–
PJSC Stakhanov Railcar Company	**1.10%**	1.10%	**9**	46
Vostok Ruda LLC	**1.10%**	1.10%	**–**	–
LLC Atol	**9.95%**	9.95%	**–**	–
CJSC AMA	**9.00%**	9.00%	**–**	–
CJSC Amtek	**9.00%**	9.00%	**–**	–
Total available-for-sale financial assets			**9**	46

The Group acquired during the financial year 2013 a 15.5% strategic stake in Ferrous Resources, a producing iron ore company operating in the iron ore quadrangle of the Minas Gerais region of Brazil, which was fully impaired during the financial year 2014 and sold in June 2015. See following page for further information.

The other investments listed above relate to companies incorporated in Ukraine.

Note 31: Financial instruments continued

Ferrous Resources

As at 9 June 2015, the Group disposed its 15.5% available-for-sale equity investment in Ferrous Resources Limited ("Ferrous") for a total cash consideration of US$41,767 thousand resulting in a gain in this amount realised in the period ended 31 December 2015. This investment was acquired during the financial year 2013 with total transaction costs of US$82,382 thousand and fully impaired as at 30 September 2014 due to uncertainties in respect of the operational activity and the future development of the mining operation at this point of time. In the period ended 31 March 2015, the investment was revalued to US$41,800 thousand based on an irrevocable tender and support agreement signed on 29 April 2015 for the disposal of the stake in Ferrous for a cash consideration of US$41,800 thousand, which was considered to be the fair value of the investment at the end of this reporting period and the gain from this revaluation was recognised in the statement of other comprehensive income. This gain was reclassified to profit or loss at the point of time of the completion of the disposal. The gain shown in the income statement is net of disposal related costs of US$382 thousand. See also Note 13.

PJSC Stakhanov Railcar Company

The available-for-sale equity investment in PJSC Stakhanov Railcar Company in the amount of US$9 thousand (2013: US$46 thousand) is fair valued based on the quoted market price for its shares on the Ukrainian Stock exchange. The value of PJSC Stakhanov Railcar Company decreased due to a lower quoted market price for its shares on the Ukrainian stock exchange as of 31 December 2015. The significant decline of the fair value is expected to be prolonged and the decline is therefore recorded as an impairment. As a consequence, the total amount included in the net unrealised gains reserve has been reclassified to the income statement reducing the impairment charge booked in the comparative period. See Note 13 and Note 39.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at 31.12.15			
US$000	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale investments	9	–	–	9
Total available-for-sale financial assets	9	–	–	9

	As at 31.12.14			
US$000	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale investments	46	–	–	46
Total available-for-sale financial assets	46	–	–	46

There were no transfers between Level 1 and Level 2 in the period.

Note 31: Financial instruments continued

Reconciliation of Level 3 fair value measurements of financial assets

US$000	Year ended 31.12.15 Available-for-sale financial assets	Year ended 31.12.14 Available-for-sale financial assets
Opening balance	–	82,382
Additions	–	–
Total gains or losses:		
– in the income statement	41,767	(82,382)
– in other comprehensive income	–	–
Disposal	(41,767)	–
Transfer out of Level 3	–	–
Closing balance	–	–

Note 32: Share-based payments

Accounting policy

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the grant date using modelling techniques consistent with the mathematics underlying the Black-Scholes option pricing model extended to allow for the performance conditions. The fair value is determined by reference to the quoted closing share price on the grant date. The cost is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. In valuing equity-settled transactions, no account is taken of any vesting conditions, except for market conditions, such as the relative Total Shareholder Return ("TSR").

Where the vesting of awards is subject to the satisfaction of certain market conditions, a vesting charge is recognised irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. Where awards terminate before the performance period is complete, any unamortised expense is recognised immediately.

At each reporting date, the cumulative expense of outstanding awards is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous reporting date is recognised in the income statement, with a corresponding entry in Employee Benefit Trust reserve in equity.

Long-term incentive plan ("LTIP")

The LTIPs are share-based schemes whereby certain senior management and executives receive rewards based on the relative TSR. The LTIP is subject to a performance condition based on the TSR compared to a comparator group, which operate in a similar environment, measured over the vesting period. Further description is provided in the Remuneration Report. The cost of equity-settled awards is measured as described above together with an estimate of future social security contributions payable in respect of this value.

The following share awards were granted under the LTIP in the previous financial years. The LTIP vesting period is three years.

No. (000)	2015 LTIP	2014 LTIP	2013 LTIP	Total
Year ended 31.12.15	617	–	–	617
Year ended 31.12.14	–	480	–	480
Year ended 31.12.13	–	–	450	450

Note 32: Share-based payments continued

The following expenses have been recognised in 2015 and 2014 in respect of the LTIP:

US$000	2015 LTIP	2014 LTIP	2013 LTIP	2012 LTIP	Total
Year ended 31.12.15	**125**	**203**	**187**	**–**	**515**
Year ended 31.12.14	–	203	163	164	530

	Year ended 31.12.15 WAFV (US$)	Year ended 31.12.14 WAFV (US$)	Year ended 31.12.15 No. ('000)	Year ended 31.12.14 No. ('000)
LTIP				
Beginning of the year	**1.62**	2.60	**1,250**	1,320
Awards granted during the year	**0.61**	1.27	**617**	480
Lapsed during the year	**–**	2.01	**–**	(150)
Vested during the year	**2.32**	4.28	**(370)**	(400)
Outstanding at 31 December	**1.03**	1.62	**1,497**	1,250

Note 33: Employees

Employee benefits expenses for the year ended 31 December 2015 consisted of the following:

US$000	Year ended 31.12.15	Year ended 31.12.14
Wages and salaries	**43,960**	63,503
Social security costs	**12,550**	20,360
Post-employment benefits	**999**	2,215
Other employee costs	**3,704**	4,735
Share-based payments	**515**	530
Total employee benefits expenses	**61,728**	91,343

Average number of employees	Year ended 31.12.15	Year ended 31.12.14
Production	**7,591**	7,855
Marketing and distribution	**187**	179
Administration	**1,012**	984
Other	**835**	861
Total average number of employees	**9,625**	9,879

The balances included in the table below cover compensation for Non-executive Directors, Executive Directors and other key management personnel:

US$000	Year ended 31.12.15	Year ended 31.12.14
Wages and salaries	**6,357**	5,512
Social security costs	**468**	438
Other employee costs	**263**	276
Total compensation for key management	**7,088**	6,226

Note 33: Employees continued

Share-based payments amounting to US$515 thousand (2014: US$530 thousand) are included in wages and salaries.

The details of compensation relating to Non-executive and Executive Directors are disclosed in the table below:

US$000	Year ended 31.12.15	Year ended 31.12.14
Salary and fees	2,543	2,457
Bonus	846	839
Benefits	174	183
Pension	80	100
Gains made on exercise of nil cost share options under the LTIP	–	65
Total compensation to Non-executive and Executive Directors	**3,643**	3,644

Note 34: Operating profit by function

US$000	Notes	Before adjusting items	Adjusted items	Year ended 31.12.15	Before adjusting items	Adjusted items	Year ended 31.12.14
Revenue	6	961,003	–	961,003	1,388,285	–	1,388,285
Cost of sales	7	(446,756)	–	(446,756)	(647,960)	–	(647,960)
Gross profit		514,247	–	514,247	740,325	–	740,325
Selling and distribution expenses	8	(226,222)	–	(226,222)	(311,514)	–	(311,514)
General and administrative expenses	9	(37,103)	–	(37,103)	(48,642)	–	(48,642)
Other income	10	6,852	–	6,852	9,094	–	9,094
Other expenses	11	(32,726)	(143,290)	(176,016)	(57,014)	(95,149)	(152,163)
Operating foreign exchange gains	12	26,025	–	26,025	76,372	–	76,372
Operating profit		251,073	(143,290)	107,783	408,621	(95,149)	313,472
Share of profit of associates	38	4,620	–	4,620	4,878	–	4,878
Total profit from operations and associates		255,693	(143,290)	112,403	413,499	(95,149)	318,350

Summary of adjusted items:

US$000	Notes	Year ended 31.12.15	Year ended 31.12.14
Operating adjusting items			
Allowance for restricted cash	28	(174,579)	–
Gain on disposal of available-for-sale investment	13/31	41,385	–
Write-down of VAT receivable	23	–	(6,790)
Write-offs and impairment losses	13	(5,555)	(83,534)
Losses on disposal of property, plant and equipment		(4,541)	(4,825)
Total operating adjusting items		(143,290)	(95,149)

Note 35: Commitments, contingencies and legal disputes

Accounting policy

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, i.e. whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not specified in an arrangement.

Note 35: Commitments, contingencies and legal disputes continued

Group as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance costs and the amortisation of the lease liability in order to achieve a constant interest rate on the remaining outstanding lease liability. Finance costs are recognised in the income statement.

Leased assets are generally depreciated over the useful life of the asset. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases and recognised over the lease term as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Operating lease commitments – Group as lessee

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2015 are as follows:

US$000	As at 31.12.15	As at 31.12.14
Less than one year	1,757	667
Between one and five years	4,586	3,288
More than five years	33,209	36,783
Total minimum rentals payable	**39,552**	40,738

During the year ended 31 December 2015, US$1,814 thousand was recognised as an expense in the income statement in respect of operating leases (2014: US$1,970 thousand).

The Group leases land and buildings under operating leases. The leases on land typically run for 48 years and with a lease period of five to ten years on buildings.

Operating lease commitments – Group as lessor

The Group does not have any commitments from lease agreements acting as lessor.

Finance lease commitments

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	As at 31.12.15	
US$000	Minimum payments	Present value of payments
Less than one year	4,272	3,444
Between one and five years	10,835	9,759
Total minimum lease payments	**15,107**	**13,203**
Less: amounts representing finance charges	(1,904)	–
Present value of minimum lease payments	**13,203**	**13,203**

Note 35: Commitments, contingencies and legal disputes continued

US$000	As at 31.12.14 Minimum payments	As at 31.12.14 Present value of payments
Less than one year	5,852	4,644
Between one and five years	15,658	13,624
Total minimum lease payments	21,510	18,268
Less: amounts representing finance charges	(3,242)	–
Present value of minimum lease payments	18,268	18,268

Other

US$000	As at 31.12.15	As at 31.12.14
Capital commitments on purchase of property, plant and equipment	**32,591**	108,763

Legal

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

Deposit Guarantee Fund and Liquidator of Bank F&C

The Group's principal subsidiary, FPM, received a credit of US$9,984 thousand to its account with Bank F&C following the introduction of the temporary administration on 18 September 2015. FPM filed a claim against Bank F&C under the management of the Administrator, as appointed by the Deposit Guarantee Fund, on 30 October 2015 in the Kyiv City Commercial Court for the release of this amount in accordance with applicable legislation. The hearing on 4 December 2015 ruled in favour of FPM. This court ruling was subsequently appealed and the hearing is expected to take place in April 2016.

Based on legal advice and its knowledge of the matter at hand, management of the Group is of the opinion that the Group's claim is both well-founded as verified by the initial court ruling and expects this amount ultimately to be recovered in full as required under Ukrainian legislation. See also Note 28 and Note 29 for further information.

Share dispute

The Group has been involved in a share dispute, which commenced in 2005 and has been disclosed in its various public documents since IPO in 2007. The main chronology of the dispute is below:

On 21 April 2010, the Higher Commercial Court of Ukraine invalidated the share sale and purchase agreement ('SPA') pursuant to which a 40.19% stake in FPM was sold on 18 November 2002 to nominee companies that were previously ultimately controlled by Kostyantin Zhevago, which ultimately sold the shares to Ferrexpo AG.

On 2 December 2014, the Supreme Court of Ukraine set aside the judgement of the Higher Commercial Court of Ukraine delivered in April 2010 and remitted the case for review to the Higher Commercial Court of Ukraine. On 16 February 2015, the Higher Commercial Court of Ukraine confirmed the decisions of the lower courts, which dismissed the claim for invalidation of the SPA. As at the date of the publication of these financial statements for the period ended 31 December 2015, the original SPA of 18 November 2002 is valid.
In October 2011, the claimants commenced further proceedings for the restoration of their shareholding in FPM. On 20 October 2014, the Kyiv City Commercial Court dismissed the claim in full. This judgement was confirmed by the Kyiv Appeal Commercial Court and the Higher Commercial Court of Ukraine on 28 January 2015 and 14 April 2015, respectively.

After having taken legal advice, the management of the Group believes that risks related to further court proceedings commencing before the Claimants are time barred in April 2016 are remote. In light of the risks surrounding the operation and independence of Ukrainian courts, including those associated with the Ukrainian legal system in general, however the claimants may ultimately prevail in this dispute and the Group's ownership of the relevant interest in FPM may be successfully challenged.

Tax and other regulatory compliance

Ukrainian legislation and regulations regarding taxation and customs continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations and inconsistent enforcement by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations are not unusual. The uncertainty of application and the evolution of Ukrainian tax laws, including those affecting cross-border transactions, create a risk of additional tax payments having to be made by the Group, which could have a material effect on the Group's financial position and results of operations. This includes also a transfer pricing law, which significantly increased the power of the tax authorities. The Group does not believe that these risks are any more significant than those of similar enterprises in Ukraine.

35: Commitments, contingencies and legal disputes continued

Recoverable VAT amounting to US$1,147 thousand (2014: US$3,587 thousand) outstanding at 31 December 2015 and US$3,402 thousand (2014: US$5,178) refunded by the tax authorities during the financial year 2015 are in the process of being considered by the Ukrainian court system in several different cases. As the VAT is fully recoverable under the relevant Ukrainian legislation, the Group expects to receive positive court decisions for these ongoing court proceedings and expect these amounts to be recovered in a further issuance of bonds. Consequently, the VAT is recorded at its full amount in the financial statements, net of an estimated discount to reflect the expected difference to the bonds. See also disclosure made in Note 23. No provision has been made for any related penalties and fines, which would in the case of a final negative ruling become payable.

Note 36: Share capital and reserves

Accounting policy

Ordinary Shares

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares and share options are recognised as a deduction from equity, net of any tax effects.

Employee benefit trust reserve

Ferrexpo plc shares held by the Group are recognised at cost and classified in reserves. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost is to be recorded in reserves. No gain or loss is recognised in the income statement on the purchase, issue or cancellation of equity shares.

Treasury shares

Own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in reserves.

Translation reserve

The translation reserve represents exchange differences arising on the translation of non-US Dollars (e.g. Ukrainian Hryvnia) functional currency operations within the Group into US Dollars.

Information on the Group's share capital and reserves is provided below:

Share capital

Share capital represents the nominal value on issue of the Company's equity share capital, comprising £0.10 Ordinary Shares. The fully paid share capital of Ferrexpo plc at 31 December 2015 was 613,967,956 Ordinary Shares (2014: 613,967,956) at a par value of £0.10 paid for in cash, resulting in share capital of US$121,628 thousand (2014: US$121,628 thousand) per the statement of financial position.

As at 31 December 2015 other reserves attributable to equity shareholders of Ferrexpo plc comprised:

US$000	Uniting of interest reserve	Treasury share reserve	Employee benefit trust reserve	Net unrealised gains reserve	Translation reserve	Total other reserves
At 31 December 2013	31,780	(77,260)	(6,542)	712	(296,016)	(347,326)
Foreign currency translation differences	–	–	–	–	(1,185,874)	(1,185,874)
Transfer to profit and loss	–	–	–	(712)	–	(712)
Tax effect	–	–	–	–	80,394	80,394
Total comprehensive loss for the period	–	–	–	(712)	(1,105,480)	(1,106,192)
Share-based payments	–	–	530	–	–	530
At 31 December 2014	**31,780**	**(77,260)**	**(6,012)**	**–**	**(1,401,496)**	**(1,452,988)**
Foreign currency translation differences	**–**	**–**	**–**	**–**	**(465,129)**	**(465,129)**
Tax effect	**–**	**–**	**–**	**–**	**40,978**	**40,978**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**(424,151)**	**(424,151)**
Share-based payments	**–**	**–**	**515**	**–**	**–**	**515**
At 31 December 2015	**31,780**	**(77,260)**	**(5,497)**	**–**	**(1,825,647)**	**(1,876,624)**

Note 36: Share capital and reserves continued

Uniting of interest reserve

The uniting of interest reserve represents the difference between the initial investment by Ferrexpo AG in FPM to gain control of the subsidiary in 2005 and the net assets acquired, which under the pooling of interests method of accounting are consolidated at their historic cost, less non-controlling interests.

Treasury share reserve

In September 2008, Ferrexpo plc completed a buy-back of 25,343,814 shares for a total cost of US$77,260 thousand (2014: US$77,260 thousand). These shares are currently held as treasury shares by the Group. The Companies Act 2006 forbids the exercise of any rights (including voting rights) and the payment of dividends in respect of treasury shares.

Employee benefit trust reserve

This reserve represents the treasury shares held by Ferrexpo AG setting up an employee benefit trust reserve. The reserve is used to satisfy future grants for senior management incentive schemes. Information on the Group's share-based payments is provided in Note 32. As at 31 December 2015, the employee benefit trust reserve includes 3,162,399 shares (2014: 3,162,399 shares).

Net unrealised gains reserve

This reserve records fair value changes on available-for-sale investments. See Note 31 for further information on the available-for-sale investments.

Translation reserve

During the financial year 2015, the Ukrainian Hryvnia devalued from 15.769 as at the beginning of the year to 24.001 as at 31 December 2015 and the exchange differences arising on translation of the Group's foreign operations is initially recognised in the statement of other comprehensive income.

See also the consolidated statement of comprehensive income on page 101 of these financial statements for further details.

Note 37: Consolidated subsidiaries

Accounting policy

Entities are included in the consolidated financial statements from the date of obtaining control and the inclusion in the consolidated financial statements is consequently ceased when the control over a entity is lost. Control is obtained when the Group is exposed, or has the rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity that gives the current ability to direct the relevant activities. Control can be obtained through voting rights, but also through agreements, statutes, contracts, trust deeds or other schemes.

Non-controlling interests in the net assets of consolidated subsidiaries are shown separately in the Group's consolidated statement of financial position and consolidated statement of changes in equity. The share of the profit attributable to non-controlling interests are shown in the consolidated income statement and the consolidated statement of comprehensive income.

Note 37: Consolidated subsidiaries continued

The Group comprises Ferrexpo plc and its consolidated subsidiaries as set out below:

Name	Country of incorporation	Principal activity	Equity interest owned 31.12.15 %	Equity interest owned 31.12.14 %
OJSC Ferrexpo Poltava Mining	Ukraine	Iron ore mining	**97.3**	97.3
Ferrexpo AG	Switzerland	Sale of iron ore pellets	**100.0**	100.0
DP Ferrotrans	Ukraine	Trade, transportation services	**97.3**	97.3
United Energy Company LLC	Ukraine	Holding company	**97.3**	97.3
Ferrexpo Finance plc	England	Finance	**100.0**	100.0
Ferrexpo Services Limited	Ukraine	Management services and procurement	**100.0**	100.0
Ferrexpo Hong Kong Limited	China	Marketing services	**100.0**	100.0
LLC Ferrexpo Yeristovo GOK	Ukraine	Iron ore mining	**100.0**	100.0
LLC Ferrexpo Belanovo GOK	Ukraine	Iron ore mining	**100.0**	100.0
Nova Logistics Limited	Ukraine	Service company	**51.0**	51.0
Ferrexpo Middle East FZE	U.A.E.	Sale of iron ore pellets	**100.0**	100.0
Ferrexpo Singapore PTE Ltd.	Singapore	Marketing services	**100.0**	100.0
First-DDSG Logistics Holding GmbH	Austria	Holding company	**100.0**	100.0
EDDSG GmbH	Austria	Barging company	**100.0**	100.0
DDSG Tankschiffahrt GmbH	Austria	Barging company	**100.0**	100.0
DDSG Services GmbH[1]	Austria	Service company	**100.0**	100.0
DDSG Mahart Kft.	Hungary	Barging company	**100.0**	100.0
Pancar Kft.	Hungary	Barging company	**100.0**	100.0
Ferrexpo Port Services GmbH	Austria	Port services	**100.0**	100.0
Ferrexpo Shipping International Ltd.	Marshall Islands	Holding company	**100.0**	100.0
Iron Destiny Ltd.	Marshall Islands	Shipping company	**100.0**	100.0
Transcanal SRL	Romania	Port services	**77.6**	77.6
Helogistics Asset Leasing Kft.	Hungary	Asset holding company	**100.0**	100.0
Universal Services Group Ltd.	Ukraine	Asset holding company	**100.0**	100.0
LLC DDSG Ukraine Holding	Ukraine	Holding company	**100.0**	100.0
LLC DDSG Invest	Ukraine	Asset holding company	**100.0**	100.0
LLC DDSG Ukraine Shipping Management	Ukraine	Barging company	**100.0**	100.0
LLC DDSG Ukraine Shipping	Ukraine	Asset holding company	**100.0**	100.0
Arlington Ltd.[2]	Guernsey	Holding company	**100.0**	100.0

1 Formerly Helogistics Transport GmbH.
2 The entity was acquired in February 2014.

The Group's interests in the entities listed above are held indirectly by the Company, with the exception of Ferrexpo AG which is directly held. The Group's equity interests are 100% for all its major consolidated subsidiaries, except for FPM. The interest that non-controlling interests have in the Group's operations are not material and predominantly related to FPM. No significant judgements and assumptions were required to determine that the Group has control over these entities.

The Group does not have any other interests of 20% or more in undertakings that are not disclosed in the table above, except for the investment in the associate mentioned below.

The Group also holds an interest of 48.6% (2014: 48.6%) in TIS Ruda, a Ukrainian port located on the Black Sea. As this is an associate, it is accounted for using the equity method of accounting and further disclosed in Note 38.

Note 38: Investments in associates

Accounting policy

The Group's investments in associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus any post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's investment in the associate.

The share of profit from an associate is shown on the face of the income statement. This is the profit attributable to the Group and is therefore the profit after tax and non-controlling interests in the subsidiaries of the associate. The reporting dates of the associates and the Group are identical and the associates' accounting policies are generally in conformity with those applied by the Group.

As at 31 December 2015 investments in associates comprised:

	Principal activity	Country of incorporation	Ownership %	**As at 31.12.15 US$000**	As at 31.12.14 US$000
TIS Ruda[1]	Port development	Ukraine	48.6	**5,801**	8,569

TIS Ruda operates a port on the Black Sea which the Group uses as part of its distribution channel.

US$000	**Year ended 31.12.15**	Year ended 31.12.14
Opening balance	**8,569**	20,546
Share of profit[1]	**4,620**	4,878
Dividends received	**(4,076)**	(2,756)
Translation adjustments	**(3,312)**	(14,099)
Closing balance	**5,801**	8,569

The share of profit from the associate is shown net of an impairment loss in the amount of US$2,984 thousand in relation to an investment of TIS Ruda in another company in Ukraine. The share of profit was adjusted in the consolidated accounts of the Group in anticipation of the reduction of the associate's equity caused by the impairment in the accounts of the associate with a corresponding effect of the Group's share in the associate's equity.

For the year ended 31 December 2015 the summarised financial information for the associate was as follows:

	Total assets		Total liabilities		Revenue		Net profit	
US$000	**As at 31.12.15**	As at 31.12.14	**As at 31.12.15**	As at 31.12.14	**Year ended 31.12.15**	Year ended 31.12.14	**Year ended 31.12.15**	Year ended 31.12.14
TIS Ruda[1]	**11,896**	20,231	**2,891**	2,486	**24,174**	25,447	**9,259**	9,776

1 Based on preliminary and unaudited financial information.

Note 39: Related party disclosure

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

Entities under common control are those under the control of Kostyantin Zhevago. Associated companies refer to TIS Ruda LLC, in which the Group holds an interest of 48.6%. This is the only associated company of the Group. Other related parties are principally those entities controlled partially by Anatoly Trefilov. Anatoly Trefilov is a member of the supervisory board of FPM.

The payments made to the Non-executive Directors and Executive Directors are disclosed in the Remuneration Report on page 76.

Note 39: Related party disclosure continued

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

Revenue, expenses, finance income and expense

	Year ended 31.12.15			Year ended 31.12.14		
US$000	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Sales of pellets[a]	2,871	–	–	–	–	–
Other sales[b]	334	–	496	696	–	524
Total related party transactions within revenue	3,205	–	496	696	–	524
Materials[c]	6,909	–	12	12,334	–	26
Purchased concentrate and other items for resale[d]	277	–	–	769	–	–
Spare parts and consumables[e]	1,298	–	2	2,423	–	2
Gas[f]	45,869	–	–	39,259	–	–
Total related party transactions within cost of sales	54,353	–	14	54,785	–	28
Selling and distribution expenses[g]	10,896	22,248	5,023	11,201	24,130	5,984
General and administration expenses[h]	849	–	382	1,267	–	–
Allowance for restricted cash and deposits[i]	174,579	–	–	–	–	–
Total related party transactions within expenses	240,677	22,248	5,419	67,253	24,130	6,012
Finance income[j]	2,039	–	–	1,804	–	–
Finance expenses[j]	(58)	–	–	(99)	–	–
Net related party finance income	1,981	–	–	1,705	–	–

Entities under common control

The Group entered into various related party transactions with entities under common control. A description of the most material transactions which are in aggregate over US$200 thousand in the current or comparative period is given below. All transactions were carried out on an arm's length basis in the normal course of business.

a Spot sales of pellets in the amount of US$2,871 thousand (2014: nil) to VA Intertrading AG.

b Sales of power, steam and water and other materials for US$78 thousand (2014: US$160 thousand) and Income from premises leased to Kislorod PCC of US$147 thousand (2014: US$258 thousand).

c Purchases of compressed air and oxygen and metal scrap from Kislorod PCC for US$3,918 thousand (2014: US$5,347 thousand);

c Purchases of cast iron balls from AutoKraZ Holding Co. for US$1,063 thousand (2014: US$5,530 thousand); and

c Purchases of cast iron balls from OJSC Uzhgorodsky Turbogas for US$1,787 thousand (2014: US$1,209 thousand).

d Purchases of concentrate and other items for resale from Vostok Ruda Ltd. amounting to US$277 thousand (2014: US$769 thousand).

e Purchases of spare parts from CJSC Kyiv Shipbuilding and Ship Repair Plant ("KSRSSZ") in the amount of US$338 thousand (2014: US$821 thousand);

e Purchases of spare parts from Valsa GTV of US$273 thousand (2014: US$749 thousand); and

e Purchases of ferromanganese from Raw and Refined Commodities AG for US$484 thousand (2014: US$512 thousand).

f Procurement of gas for US$45,869 thousand (2014: US$39,259 thousand) from OJSC Ukrzakordongeologia.

g Purchases of advertisement, marketing and general public relations services from FC Vorskla of US$10,855 thousand (2014: US$11,137 thousand).

h Insurance premiums of US$429 thousand (2014: US$574 thousand) paid to ASK Omega for workmen's insurance and other insurances; and

h Fees of US$273 thousand (2014: US$439 thousand) paid to Bank F&C for bank services.

i The Group recorded an allowance for its cash and deposits (including the deposits previously shown as non-current assets) held at Bank F&C resulting in a charge of US$174,579 thousand recognised in the income statement subsequent to the insolvency of the bank declared by the NBU. See also page 160 for further information

j Transactional banking services were provided to certain subsidiaries of the Group by Bank F&C. Finance income and expense relate to these transactional banking services. Further information is provided under transactional banking arrangements on page 160.

Associated companies

The Group entered into related party transactions with its associated company TIS Ruda LLC, which were carried out on an arm's length basis in the normal course of business for the members of the Group (see Note 38). These are described below:

g Purchases of logistics services in the amount of US$22,248 thousand (2014: US$24,130 thousand) relating to port operations, including port charges, handling costs, agent commissions and storage costs.

Other related parties

The Group entered into various transactions with related parties other than those under the control of the majority owner of the Group. Descriptions of the material transactions are below:

b Sales of material and services to Slavutich Ruda Ltd. for US$481 thousand (2014: US$508 thousand).

h Consulting fees paid to Nage Capital Management AG of US$382 thousand (2014: nil) controlled by a former member of the Board of Directors of Ferrexpo plc who resigned in August 2014. The Group entered into this transaction within one year of his resignation and therefore considered it to be transaction with a related party.

g Purchases of logistics management services from Slavutich Ruda Ltd. relating to customs clearance services and the coordination of rail transit. Total billings amounted to US$5,023 thousand (2014: US$5,984 thousand). Slavutich Rda Ltd. earned commission income of US$434 thousand on these services (2014: US$1,350 thousand).

Note 39: Related party disclosure continued

Purchases of property, plant and equipment

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

	Year ended 31.12.15			Year ended 31.12.14		
US$000	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Purchases with independent confirmation	–	–	–	458	–	–
Purchases with shareholder approval	842	–	–	887	–	–
Purchases in the ordinary course of business	1,257	–	10	2,724	–	5
Total purchase of property, plant and equipment[k]	**2,099**	**–**	**10**	4,069	–	5

Entities under common control

Current year

k During the financial year 2015, the Group entered in various transactions of a capital nature with related parties totalling US$1,267 thousand. These transactions were in the ordinary course of business. Individual transactions of a capital nature which exceeded US$200 thousand are listed below.

– The Group procured a filter in the amount of US$958 thousand from OJSC Berdichev Machine-Building Plant Progress for the quality upgrade of the pelletising plant at FPM and design documentation services from OJSC DIOS totalling US$288 thousand.

In April 2015 the Group received an additional 27 rail cars totalling US$1,431 thousand (US$842 thousand at the prevailing exchange rate at delivery), which were ordered in February 2014 under the authority of a shareholder approval obtained on 24 May 2012. The remaining balance of the prepayment was fully written-off as of 31 December 2015. See below and footnote (n) on page 160 for further information.

Prior year

k During the financial year 2014, the Group entered into various transactions of a capital nature with related parties totalling to US$2,724 thousand, which were in the ordinary course of business:

– The Group procured goods and services totalling US$1,807 thousand from OJSC Berdichev Machine-Building Plant Progress for various ongoing projects and design documentation services from OJSC DIOS totalling US$597 thousand.

In August 2014, the Group acquired in two separate transactions a railway line and an associated power line from LLC Vorskla Steel totalling US$458 thousand. The transaction was not considered to be in the ordinary course of business and an independent confirmation was obtained and an announcement made in accordance with the UK Listing Rules.

In February 2014, the Group ordered 300 rail cars from PJSC Stakhanov Railcar Company, of which 233 rail cars amounting to US$12,349 thousand were under the authority of the shareholder approval obtained on 24 May 2012 obtained under the listing rules applicable at that time and an additional 67 rail cars amounting to US$3,551 thousand were ordered in the ordinary course of business. A total prepayment of US$11,925 thousand (US$4,920 thousand at the exchange rate as at 31 December 2014) was made in relation to these rail cars. The rail cars were scheduled for delivery in the second half of the financial year 2014. As a consequence of the conflict in the eastern part of Ukraine only 25 rail cars totalling US$1,325 thousand (US$887 thousand at the prevailing exchange rate at delivery) were delivered during the financial year 2014. See above for information in respect of the developments during the financial year 2015.

Balances with related parties

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

	As at 31.12.15			As at 31.12.14		
US$000	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Investments available-for-sale[l]	9	–	–	46	–	–
Other non-current assets[m]	–	–	–	4,726	–	–
Prepayments for property, plant and equipment[n]	24	–	–	604	–	–
Total non-current assets	**33**	**–**	**–**	5,376	–	–
Trade and other receivables[o]	688	2,273	8	712	–	91
Prepayments and other current assets[p]	680	–	–	164	–	595
Cash and cash equivalents[q]	–	–	–	161,473	–	–
Total current assets	**1,368**	**2,273**	**8**	162,349	–	686
Trade and other payables[r]	902	2,625	91	1,429	151	490
Current liabilities	**902**	**2,625**	**91**	1,429	151	490

Note 39: Related party disclosure continued

Entities under common control

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

l The balance of the investments available-for-sale comprised shareholdings in PJSC Stakhanov Railcar Company (1.10%) and Vostok Ruda Ltd. (1.10%). The ultimate beneficial owner of these companies is Kostyantin Zhevago. PJSC Stakhanov Railcar Company is further listed on the Ukrainian stock exchange. The changes of the values in the table on the previous page are related to fair value adjustments recorded during the respective reporting periods. The shareholdings for all investments remained unchanged during the periods disclosed above. The balance of US$9 thousand as at 31 December 2015 related to the investment in PJSC Stakhanov Railcar Company (2014: US$46 thousand).

m As at the end of the comparative period ended December 2014, other non-current assets related to a deposit of US$4,726 thousand with Bank F&C, which was deposited for loans and mortgages granted by the bank to employees of the Group under the Group's social loyalty programme. As at 31 December 2015, an allowance for the full amount of US$3,104 thousand (at the exchange rate at the end of the period) with Bank F&C was recorded subsequent to the insolvency of Bank F&C declared by the National Bank of Ukraine on 17 September 2015. Further information is provided below and in Note 28 and Note 29.

n As at 31 December 2015, a prepayment in the amount of US$3,558 thousand (at current exchange rate) made to PJSC Stakhanov Railcar Company was written off. The prepayment was made in February 2014 for 300 rail cars ordered from PJSC Stakhanov Railcar Company (2014: US$6,007 thousand). As at 31 December 2015, the Group received 52 rail cars of the total 300 rail cars ordered in February 2014 and it is unlikely that the remaining number of rail cars can be delivered or the prepaid amount can be recovered. Due to these uncertainties caused by the conflict in the Eastern Ukraine, the Group already recorded an allowance for the full outstanding amount as at 31 December 2014 (see section Purchases of property, plant, equipment and investments above for further details). Prepayments for property, plant and equipment of the comparative period ended 31 December 2014 included US$527 thousand prepaid to OJSC Berdichev Machine-Building Plant Progress for various ongoing projects.

o As of 31 December 2015, trade and other receivables included outstanding amounts due from Vorskla Steel Ltd. of US$187 thousand (2014: US$244 thousand) in relation to other sales and US$404 thousand (2014: US$317 thousand) from Kislorod PCC for the sale of power, steam and water.

p The balance as at 31 December 2015 includes prepayments of US$577 thousand made to Vostok Ruda Ltd. for purchases of concentrate (2014: nil).

q As at the end of the comparative period ended 31 December 2014, cash and cash equivalents with Bank F&C were US$161,473 thousand. On 17 September 2015, the National Bank of Ukraine announced that it had adopted a decision to declare Bank F&C insolvent and the bank was put into temporary administration by the Deposit Guarantee Fund. The bank license of Bank F&C was revoked by the NBU on 17 December 2015 and the liquidation was initiated by the Deposit Guarantee Fund. As a consequence, the Group recorded an allowance for its cash and deposits (including the deposits previously shown as non-current assets) resulting in a charge of US$174,579 thousand recognised in the income statement for the balances currently not available to the Group. The Group is currently involved in a court case in respect of an amount of US$9,308 thousand to be released by the Liquidator of the bank. Based on the positive decisions from the Kyiv City Commercial Court, management expect this amount to be released by the Liquidator later this year and no allowance was recorded for this amount. Further information on Bank F&C is provided below and in Note 29 and Note 35.

r Trade and other payables amounting to US$475 thousand for compressed air and oxygen purchased from Kislorod PCC (2014: US$483 thousand). The balance as at the end of the period ended 31 December 2014 included an amount of US$397 thousand payable to PJSC Stakhanov Railcar Company, no amounts were due as at 31 December 2015.

Associated companies

o As at 31 December 2015, trade and other receivables included US$2,273 thousand (2014: nil) for dividends receivable from TIS Ruda LLC.

r As at 31 December 2015, trade and other payables included US$2,625 thousand (2014: US$151 thousand) related to purchases of logistics services from TIS Ruda LLC.

Other related parties

p Prepayments and other current assets in the comparative period include an amount of US$595 thousand made to Slavutich Ruda Ltd. for distribution services. No such prepayment outstnanding as at 31 December 2015.

r Trade and other payables of US$38 thousand (2014: US$490 thousand) as of 31 December 2015 were in respect of distribution services provided by Slavutich Ruda Ltd.

Transactional banking arrangements

The Group had transactional banking arrangements with Bank F&C in Ukraine which was under common control of Kostyantin Zhevago (see Note 1).

The NBU announced on 17 September 2015 that it had adopted a decision to declare Bank F&C insolvent and the bank was put into temporary administration by the Deposit Guarantee Fund. The bank license of Bank F&C was revoked by the NBU on 17 December 2015 and the liquidation was initiated by the Deposit Guarantee Fund. See Note 28, Note 29 and Note 35 for further information in respect of Bank F&C.

On 25 May 2013, the Group entered into an uncommitted multicurrency revolving loan facility agreement and a documentary credit facility agreement with Bank F&C which would have expired on 29 May 2016. The aggregate maximum limit of these facilities amounted to UAH80 million (2014: US$5,073 thousand) and, as required under Ukrainian legislation, fixed assets are pledged (US$3,990 thousand). The terms and conditions of both facilities were the subject of an independent confirmation. No amounts are drawn and no letters of credit are outstanding under this facility as at 31 December 2015 (2014: nil). The facilities and fixed asset pledge agreements were cancelled on 2 November 2015 subsequent to the declaration of insolvency of Bank F&C.

Bank F&C provided mortgages and loans to employees of the Group for the acquisition, construction and renovation of apartments in Ukraine. This was part of a social loyalty programme started by the Group in December 2011 allowing certain employees of the Group to borrow at preferential interest rates. FPM and LLC Ferrexpo Yeristovo GOK acted as guarantors for the bank's loans to the employees of the Group and had deposited US$3,104 thousand at Bank F&C as security (2014: US$4,726 thousand). The interest rate margin earned by Bank F&C covered the costs of administrating the mortgages and loans. The allowance recorded by the Group on the balances of cash and cash equivalents held at Bank F&C also covers the deposits made in respect of the Group's social loyalty programme.

Note 39: Related party disclosure continued

Prior to Bank F&C being put into liquidation by the Deposit Guarantee Fund, cash and cash equivalents balances held with Bank F&C were in the normal course of business in Ukraine and were held on call or from time to time on overnight deposit. Interest was paid on balances held. The interest rates received by the Group were in line with relevant comparable market rates throughout the periods presented. Finance income and expenses are disclosed in the table on page 158. Subsequent to the declaration of insolvency of Bank F&C, the Group changed its transactional banking arrangements that had previously been with Bank F&C to third party banks in Ukraine.

Note 40: Events after the reporting period

No material adjusting or non-adjusting events have occurred subsequent to the year end.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

US$000	Notes	As at 31.12.15	As at 31.12.14
ASSETS			
Non-current assets			
Investment in subsidiary undertakings	5	**147,496**	147,496
Other receivables due from subsidiary undertakings	6/12	**4,458**	4,576
Total non-current assets		**151,954**	152,072
Current assets			
Other receivables due from subsidiary undertakings	6/12	**850,865**	902,778
Accrued interest and prepaid expenses	10	**2,261**	2,244
Other taxes recoverable and prepaid		**1**	1
Cash and cash equivalents		**78**	381
Total current assets		**853,205**	905,404
TOTAL ASSETS		**1,005,159**	1,057,476
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**121,628**	121,628
Share premium		**185,112**	185,112
Treasury share reserve	9	**(77,260)**	(77,260)
Employee benefit trust reserve	9/11	**(5,497)**	(6,012)
Retained earnings		**769,007**	819,677
Total equity		**992,990**	1,043,145
Non-current liabilities			
Financial guarantees	7/12	**4,458**	4,576
Non-current liabilities		**4,458**	4,576
Current liabilities			
Financial guarantees	7/12	**4,140**	6,808
Other payables	10	**575**	699
Accrued liabilities		**734**	609
Income tax payable		**2,262**	1,639
Total current liabilities		**7,711**	9,755
TOTAL EQUITY AND LIABILITIES		**1,005,159**	1,057,476

The opening statement of financial position as at 1 January 2014, when the Company transitioned to IFRS, is shown in Note 12.

The financial statements were approved by the Board of Directors on 9 March 2016.

Kostyantin Zhevago
Chief Executive Officer

Christopher Mawe
Chief Financial Officer

PARENT COMPANY STATEMENT OF CASH FLOWS

US$000	Year-ended 31.12.15	Year-ended 31.12.14
Profit before income tax:	**28,879**	111,377
Adjustments for:		
Dividend income	**–**	(91,728)
Interest and guarantee fee income	**(36,176)**	(26,806)
Interest and finance expenses	**6**	7
Operating and non-operating forex gains	**371**	(393)
Operating cash flow before working capital changes	**(6,920)**	(7,543)
Changes in working capital:		
(Increase)/decrease in other receivables	**(132)**	53
Increase in other payables and accrued liabilities	**6**	126
Decrease in other taxes	**–**	(49)
Cash generated from operating activities	**(7,046)**	(7,413)
Interest and guarantee fee received	**24,911**	26,736
Income tax paid	**(1,600)**	(1,653)
Net cash flows from operating activities	**16,265**	17,670
Cash flows from investing activities		
Payments to subsidiary undertakings	**(14,504)**	(109,482)
Repayments from subsidiary undertakings	**75,634**	77,116
Dividends received	**–**	91,728
Net cash flows used in investing activities	**61,130**	59,362
Cash flows from financing activities		
Dividends paid	**(77,548)**	(76,904)
Net cash flows used in financing activities	**(77,548)**	(76,904)
Net increase in cash and cash equivalents	**(153)**	128
Cash and cash equivalents at the beginning of the year	**381**	240
Currency translation differences	**(150)**	13
Cash and cash equivalents at the end of the year	**78**	381

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

US$000	Issued capital	Share premium	Treasury share reserve	Employee Benefit Trust reserve	Retained earnings	Total capital and reserves
At 1 January 2014	121,628	185,112	(77,260)	(6,542)	787,432	1,010,370
Profit for the period	–	–	–	–	109,546	109,546
Total comprehensive loss for the period	–	–	–	–	109,546	109,546
Equity dividends paid to shareholders	–	–	–	–	(77,301)	(77,301)
Share-based payments	–	–	–	530	–	530
At 31 December 2014	**121,628**	**185,112**	**(77,260)**	**(6,012)**	**819,677**	**1,043,145**
Profit for the period	**–**	**–**	**–**	**–**	**26,615**	**26,615**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**26,615**	**26,615**
Equity dividends paid to shareholders	**–**	**–**	**–**	**–**	**(77,285)**	**(77,285)**
Share-based payments	**–**	**–**	**–**	**515**	**–**	**515**
At 31 December 2015	**121,628**	**185,112**	**(77,260)**	**(5,497)**	**769,007**	**992,990**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Note 1: Corporate information

Ferrexpo plc (the “Company”) is incorporated in the United Kingdom, which is considered to be the country of domicile, with its registered office at 23 King Street, London, SW1Y 6QY, UK. The Company’s Ordinary Shares are traded on the London Stock Exchange.

The majority shareholder of the Company is Fevamotinico S.a.r.l. (“Fevamotinico”), a company incorporated in Luxembourg and ultimately owned by The Minco Trust, of which Kostyantin Zhevago, the Group’s Chief Executive Officer, is a beneficiary. At the time this report was published, Fevamotinico held 50.3% (31 December 2014: 50.3%) of the Company’s issued share capital.

Note 2: Basis of preparation

The Parent Company financial statements of the Company are presented as required by the Companies Act 2006 and were approved for issue on 9 March 2016.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The Company has transitioned to IFRS from previously applied UK accounting standards for all periods presented in these financial statements. Note 12 shows the effects of reclassifications and remeasurements from the transition to IFRS as at 1 January 2014. The financial statements are presented in US Dollars (US$), the Company’s functional currency, and all values are rounded to the nearest thousand, except where otherwise indicated. The functional currency is determined as the currency of the primary economic environment in which the Company operates. The majority of the Company’s operating activities are conducted in US Dollars.

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006. The profit after taxation dealt with in the financial statements of the Company was US$26,615 thousand for the financial year ended 31 December 2015 (2014: US$109,546 thousand). There were no gains or losses in the current or preceding years recognised in other comprehensive income.

Going concern basis

The Company is parent of the Ferrexpo Group (the “Group”) and a guarantor for some of the Group’s debt facilities drawn as of 31 December 2015. Over the next year from the approval of the accounts, debt amortisation payments for the Group’s debt facilities in the amount of US$203,181 thousand fall due. The Group continues to generate positive operating cash flow in the current low iron ore price environment and the Company is dependent on the cash flows generated by the Group. At certain iron ore pricing levels, without associated cost relief, the Group’s operating cash flow generation, although positive, might not be sufficient to allow the Company to meet these debt amortisations or to be sufficient to remain within financial covenants triggering cross default across part or all of its debt facilities.

The Company expects to be able to repay its facilities as they fall due based on current forecasts and remain within its financial covenants and also expects, that if necessary, it would be able to agree amendments to relevant facilities. As a result, the accounts have been drawn up on a going concern basis. However, the impact of the volatility in the future level of the iron ore price and operating cost inputs are material uncertainties that may cast significant doubt upon the Company’s ability to meet its debt amortisation obligations and to continue as a going concern.

Under these circumstances, and absent appropriate financing, the Company may be unable to continue to realise assets and discharge liabilities in the normal course of business and it will be necessary to restate amounts in the balance sheet to reflect these circumstances which will materially change the amounts and classification of figures contained in the financial statements.

Note 3: Summary of significant accounting policies

Foreign currencies

The Company’s functional currency and presentation currency is US Dollars. Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Investments

Equity investments in subsidiaries are carried at cost less any provision for impairments.

Financial instruments

Non-derivative financial instruments

Financial assets and financial liabilities are initially measured at fair value. Any transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities are added from its fair value except for financial assets and financial liabilities at fair value through the income statement. For those financial assets and financial liabilities, the transactions costs are recognised immediately in the income statement.

Note 3: Summary of significant accounting policies continued

All regular way purchases and sales of financial assets are recognised on the trade date (i.e. the date that the Company commits to purchase or sell the asset). Regular way purchases or sales are those that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The subsequent measurement is based on the classification of the financial instruments.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method less impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired along with the amortisation process.

Other payables are subsequently measured at amortised cost using the effective interest method.

Interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

The Company has not designated any financial asset as financial assets at fair value through profit or loss.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the income statement.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

If, in a subsequent period, the amount of the impairment loss of an asset carried at amortised cost decreases and it is objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is to be reversed. Any subsequent reversal of an impairment loss is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial guarantees

Financial guarantee liabilities issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss, which incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

Financial guarantees provided are initially recognised at fair value and subsequently measured at the higher of the amount determined in accordance with IAS 37 *Provisions, contingent liabilities and contingent assets* and the amount initially recognised less, when appropriate, the cumulative amortisation recognised as guarantee fee in accordance with IAS 18 *Revenue*.

Note 8 to the financial statements provides further information on the composition of the financial instruments.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Treasury share reserve

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity shown in the treasury share reserve. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in reserves.

Note 3: Summary of significant accounting policies continued

Share-based payments

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the grant date using modelling techniques consistent with the mathematics underlying the Black-Scholes option pricing model extended to allow for the performance conditions. The fair value is determined by reference to the quoted closing share price on the grant date. The cost is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. In valuing equity-settled transactions, no account is taken of any vesting conditions, except for market conditions, such as the relative Total Shareholder Return ("TSR").

Where the vesting of awards is subject to the satisfaction of certain market conditions, a vesting charge is recognised irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. Where awards terminate before the performance period is complete, any unamortised expense is recognised immediately.

At each reporting date, the cumulative expense of outstanding awards is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous reporting date is recognised in the income statement, with a corresponding entry in Employee Benefit Trust reserve in equity.

All costs related to the share-based payments of the Group are recorded in a subsidiary undertaking of the Company. Notes 2 and 11 to the financial statements provides further information on the valuation related to the share-based payments and the costs recorded.

Employee benefit trust reserve

Ferrexpo plc shares held by the Company are classified in capital and reserves as "employee benefit trust reserves" and recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost taken to revenue reserves. No gain or loss is recognised on the purchase, sale issue or cancellation of equity shares.

New standards and interpretations not yet adopted

The Company has elected not to early adopt the following revised and amended standards, which are not yet mandatory in the EU. The list below includes only standards and interpretations that could have an impact on the Parent Company's financial statements.

IFRS 9 Financial instruments

The complete standard has been issued in July 2014 including the requirements previously issued and additional amendments. The new standard replaces IAS 39 and includes a new expected loss impairment model, changes to the classification and measurement requirements of financial assets as well as to hedge accounting. The new standard becomes effective for financial years beginning on or after 1 January 2018. The Company will assess the impact on its financial statements.

IFRS 11 Joint arrangements – acquisition of interests in joint operations

The amendment was issued in May 2014 and provides guidance in respect of the accounting for acquisitions in interests of joint operations. The amendment becomes mandatory for financial years beginning on or after 1 January 2016. The Company does not expect an impact on its financial statements from this amendment.

IAS 1 Presentation of Financial Statements – disclosure initiative

The amendment was issued in December 2014 and includes a number of smaller projects aiming to improve the presentation and disclosure principles and requirements in existing standards. The amendment becomes mandatory for financial years beginning on or after 1 January 2016. The Company does not expect a significant impact on its financial statements arising from the application of this amendment.

IAS 27 Separate financial statements – equity method

The amendment to the standard was issued in August 2014 and becomes effective for financial years beginning on or after 1 January 2016. The amendment allows the use of the equity method to account for investments in subsidiaries, associates and joint ventures in an entity's separate IFRS financial statements if local regulation requires using the equity method. This amendment applies only to the separate financial statements of the parent entity and is irrelevant for the consolidated financial statements of the Group.

Note 4: Dividend paid and proposed

No final dividend is proposed for the financial year 2015.

US$000	Year ended 31.12.15
Dividends paid	
Interim dividend for 2015: 3.3 US cents per Ordinary Share	**19,364**
Final dividend for 2014: 3.3 US cents per Ordinary Share	**19,517**
Special dividend for 2014: 6.6 US cents per Ordinary Share	**38,667**
Total dividends paid	**77,548**

US$000	Year ended 31.12.14
Dividends proposed	
Final dividend for 2014: 3.3 US cents per Ordinary Share	19,320
Special dividend for 2014: 6.6 US cents per Ordinary Share	38,640
Total dividends proposed	57,960
Dividends paid	
Interim dividend for 2014: 3.3 US cents per Ordinary Share	19,011
Final dividend for 2013: 3.3 US cents per Ordinary Share	19,279
Special dividend for 2013: 6.6 US cents per Ordinary Share	38,614
Total dividends paid	76,904

Note 5: Investment in subsidiary undertakings

Investment in subsidiary undertakings at 31 December 2015 relates to the Company's investment in Ferrexpo AG, which is domiciled in Switzerland and wholly-owned by the Company.

US$000	At 31.12.15	At 31.12.14
Investment in subsidiary undertakings	**147,496**	147,496
Total investment in subsidiary undertakings	**147,496**	147,496

See Note 37 to the consolidated financial statements for further information on subsidiaries indirectly held by the Company.

Note 6: Other receivables due from subsidiary undertakings

Other receivables due from subsidiary undertakings at 31 December 2015 relate to the following:

US$000	At 31.12.15	At 31.12.14
Non-current other receivables due from subsidiary undertakings		
Other receivables	**4,458**	4,576
Total non-current other receivables due from subsidiary undertakings	**4,458**	4,576
Current other receivables due from subsidiary undertakings		
Loans	**837,584**	898,714
Other receivables	**13,281**	4,064
Total current other receivables due from subsidiary undertakings	**850,865**	902,778
Total other receivables due from subsidiary undertakings	**855,323**	907,354

The Company provided a loan to its subsidiary Ferrexpo AG without a fixed repayment date and the loan is repayable on call and thus classified as current.

Other receivables due from subsidiaries are related to the financial guarantees provided by the Company and reflect the future guarantee fee receivable recorded when recognised the financial guarantees as a liability. See Note 2 for further information in respect of the initial recognition and subsequent measurement of the financial guarantees and the related receivable balances due from subsidiary undertakings.

Note 7: Financial guarantees

The Company's policy is to provide financial guarantees under limited circumstances only for the benefit of wholly-owned or substantially owned subsidiaries.

At 31 December 2015, the Company was a guarantor to the Group's outstanding Eurobond totalling US$346,385 thousand issued by Ferrexpo Finance plc and to two syndicated pre-export finance facilities totalling US$472,500 thousand drawn by Ferrexpo Finance plc and Ferrexpo AG. Both are revolving facilities with amortisation over the final 24 months to the final maturity dates of 31 July 2016 and 8 August 2018, respectively, whereas the outstanding Eurobond is repayable in two equal instalments of US$173,193 thousand falling due on 7 April 2018 and 2019.

The Company earns a guarantee fee from its subsidiaries for the financial guarantees provided in respect of the Group's finance facilities mentioned above.

See Note 2 for further information in respect of the initial recognition and subsequent measurement of the financial guarantees.

Note 8: Financial risk management objectives and policies

The Company's principal financial instruments comprise a loan granted to a subsidiary undertaking and financial guarantees provided in respect of the Eurobond and major bank debt facilities issued and drawn by subsidiary undertakings.

The main risk arising from the Company's financial instruments is the concentration risk (counterparty and country).

The Company's exposure to interest rate risk is limited to interest income on a loan granted to a subsidiary undertaking with a variable interest rate. Interest rates on borrowings to Group undertakings are determined after due consideration of potential external funding costs of the respective Group undertakings in their available financial market.

The Company is exposed to transactional currency exposure. Such exposure arises from costs being incurred in a currency other than the functional currency of US Dollar, mainly the Euro and the Swiss Franc.

The Company does not hedge against currency risk due to the values involved, but continues to monitor the situation closely.

All financial assets and liabilities of the Company are initially measured at fair value. The subsequent measurement is at amortised cost.

Fair values

Except for the financial guarantees, the Directors are of the opinion that the carrying amounts of the financial assets and financial liabilities are approximately equal to their fair values due to the short maturity whereas the fair value of the financial guarantees is expected to be equal to the carrying amount due to currently low probability of payments to be made under the guarantee contract.

Capital management

The Group manages capital on a group basis. For details of the capital management policies please refer to the Ferrexpo plc Annual Report and Accounts for the year ended 31 December 2015.

Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

US$000	At 31.12.15	At 31.12.14
Cash and cash equivalents	**78**	381
Accrued interest due from subsidiary undertakings	**2,061**	2,059
Accrued interest due from third parties	**200**	183
Loans due from subsidiary undertakings	**837,584**	898,714
Other current receivables due from subsidiary undertakings	**13,281**	4,064
Other non-current receivables due from subsidiary undertakings	**4,458**	4,576
Total maximum exposure to credit risk	**857,662**	909,977

The balance of other current receivables and loans due from subsidiary undertakings could potentially expose the Company to a concentration of credit risk. There were no impairment losses in either period.

Note 8: Financial risk management objectives and policies continued

Liquidity risk

The following table shows the contractual maturities of non-interest bearing financial liabilities:

	Year-end 31 December 2015			
US$000	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Total
Financial liabilities				
Non-interest bearing				
Financial guarantees	4,140	2,946	1,512	8,598
Other payables	575	–	–	575
Accrued liabilities	734	–	–	734
Total cash flow maturities	5,449	2,946	1,512	9,907

	Year-end 31 December 2014			
US$000	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Total
Financial liabilities				
Non-interest bearing				
Financial guarantees	6,808	3,149	1,428	11,385
Other payables	699	–	–	699
Accrued liabilities	609	–	–	609
Total cash flow maturities	8,116	3,149	1,428	12,693

See Note 7 for further information on the financial guarantees provided for the benefit of wholly-owned subsidiaries and the maturities of the secured Eurobond and major bank debt facilities issued and drawn by subsidiary undertakings.

Currency Risk

The Company's exposure to foreign currency risk (predominately limited to the Euro and Swiss Franc) was as follows based on notional amounts:

	Year-end 31 December 2015		
US$000	Swiss Franc	Other currencies	Total
Cash and cash equivalents	–	9	9
Financial assets	–	9	9
Other payables	(81)	(73)	(154)
Accrued liabilities and deferred income	–	(89)	(89)
Financial liabilities	(81)	(162)	(243)
Net financial assets/(liabilities)	(81)	(153)	(234)

	Year-end 31 December 2014		
US$000	Swiss Franc	Other currencies	Total
Cash and cash equivalents	40	44	84
Financial assets	40	44	84
Other payables	(63)	(99)	(162)
Accrued liabilities and deferred income	–	(23)	(23)
Financial liabilities	(63)	(122)	(185)
Net financial assets/(liabilities)	(23)	(78)	(101)

Note 8: Financial risk management objectives and policies continued

Sensitivity analysis

A 5% strengthening of the US Dollar against the Euro and Swiss Franc at 31 December would have increased or (decreased) equity and profit and loss by the amounts shown below. This assumes that all other variables, in particular interest rates, remain constant.

US$000	Year ended 31.12.15	Year ended 31.12.14
Swiss Franc	(4)	(1)
Other currencies	(7)	(4)
Total	**(11)**	(5)

A 5% weakening of the US Dollar against the above currencies would have an equal but opposite effect to the amounts shown above, on the basis that all the other variables remain constant.

Interest rate risk

The interest receivable profile for financial assets is all current as of 31 December 2015.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, and the Company does not hold any derivatives (e.g. interest rate swaps). Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity for fixed and variable rate instruments

An increase of 100 basis points in interest rates would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

US$000	Year ended 31.12.15	Year ended 31.12.14
Net finance charge	1	4

A decrease of 100 basis points would have a negative effect of US$1 thousand (2014: US$3 thousand), on the basis that all the other variables remain constant.

Note 9: Share capital and reserves

Share capital

Share capital represents the nominal value on issue of the Company's equity share capital, comprising £0.10 Ordinary Shares. The fully paid share capital of the Company at 31 December 2015 was 613,967,956 Ordinary Shares (2014: 613,967,956) at a par value of £0.10 paid for in cash, resulting in share capital of US$121,628 thousand (2014: US$121,628 thousand) per the statement of financial position.

Treasury share reserve

In September 2008, the Company completed a buyback of 25,343,814 shares for a total cost of US $77,260 thousand (2014: US$77,260 thousand). These shares are currently held as treasury shares by the Group. The Companies Act 2006 forbids the exercise of any rights (including voting rights) and the payment of dividends in respect of treasury shares.

Note 9: Share capital and reserves continued

Employee benefit trust reserve

This reserve represents the treasury shares used to satisfy future grants for senior management incentive schemes. Information on the Group's share-based payments is provided in Note 11. As at 31 December 2015, the employee benefit trust reserve includes 3,162,399 shares (2014: 3,162,399 shares).

US$000	Issued capital	Share premium	Treasury share reserve	Employee Benefit Trust reserve	Retained earnings	Total capital and reserves
At 1 January 2014	121,628	185,112	(77,260)	(6,542)	787,432	1,010,370
Profit for the period	–	–	–	–	109,546	109,546
Total comprehensive loss for the period	–	–	–	–	109,546	109,546
Equity dividends paid to shareholders	–	–	–	–	(77,301)	(77,301)
Share-based payments	–	–	–	530	–	530
At 31 December 2014	**121,628**	**185,112**	**(77,260)**	**(6,012)**	**819,677**	**1,043,145**
Profit for the period	**–**	**–**	**–**	**–**	**26,615**	**26,615**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**26,615**	**26,615**
Equity dividends paid to shareholders	**–**	**–**	**–**	**–**	**(77,285)**	**(77,285)**
Share-based payments	**–**	**–**	**–**	**515**	**–**	**515**
At 31 December 2015	**121,628**	**185,112**	**(77,260)**	**(5,497)**	**769,007**	**992,990**

Note 10: Related party disclosures

All transactions and balances are with subsidiaries, which are wholly-owned. The related party transactions entered into by the Company during the relevant financial periods are summarised below:

US$000	**At 31.12.15**	At 31.12.14
Transactions with related parties		
Dividend income	**–**	91,728
Interest income	**23,532**	24,244
Guarantee fee income	**12,644**	2,562
Management fees	**(3,172)**	(3,280)
Total transactions with related parties	**33,004**	115,254
Balances with related parties		
Other receivables – current	**13,281**	4,064
Accrued interest	**2,061**	2,059
Other receivables – non-current	**4,458**	4,576
Loans	**837,584**	898,714
Other payables	**(422)**	(427)
Total balances with related parties, net	**856,962**	908,986

Outstanding balances, except for interest-bearing loans, at the year-end are unsecured, interest free and are settled in cash.

The Company acts as a guarantor for debt facilities drawn by other members of the Group and a guarantee fee is charged to the borrowers for these debt facilities.

For the years ended 31 December 2015 and 2014, the Company has not made any provisions for doubtful debts relating to amounts owed by related parties.

Other disclosures on Directors' remuneration required by the Companies Act 2006 and those specified for audit by the Directors' Remuneration Report Regulations 2002 are included in the Directors Remuneration Report.

Note 11: Share-based payments

The following share awards were granted under the LTIP in the previous financial years. The LTIP vesting period is three years.

No. ('000)	2015 LTIP	2014 LTIP	2013 LTIP	Total
Year ended 31.12.15	**617**	**–**	**–**	**617**
Year ended 31.12.14	–	480	–	480
Year ended 31.12.13	–	–	450	450

The LTIP is subject to a performance condition based on the TSR compared to a comparator group, measured over the vesting period, as described in the Director's Remuneration Report.

The following expenses have been recognised in 2015 and 2014 in respect of the LTIP:

US$000	2015 LTIP	2014 LTIP	2013 LTIP	2012 LTIP	Total
Year ended 31.12.15	**125**	**203**	**187**	**–**	**515**
Year ended 31.12.14	–	203	163	164	530

All costs related to the share-based payments of the Group are recorded in a subsidiary undertaking of the Company.

	Year ended 31.12.15 WAFV (US$)	Year ended 31.12.14 WAFV (US$)	At 31.12.15 No. ('000)	At 31.12.14 No. ('000)
LTIP				
Beginning of the year	**1.62**	2.60	**1,250**	1,320
Awards granted during the year	**0.61**	1.27	**617**	480
Lapsed during the year	**–**	2.01	**–**	(150)
Vested during the year	**2.32**	4.28	**(370)**	(400)
Outstanding at 31 December	**1.03**	**1.62**	**1,497**	**1,250**

The employee benefit trust reserve represents the treasury shares held by the Company to satisfy future grants for senior management incentives schemes. As at 31 December 2015, the employee benefit trust reserve includes 3,162,399 shares (2014: 3,162,399 shares).

Note 12 Transition to IFRS

The Company changed the balance sheet presentation in the course of the transition to IFRS. Under UK GAAP, the balance sheet was presented in a Companies Act format whereas under IFRS, the Company is presenting its balance sheet in an IFRS format instead. The effects from the transition to IFRS are shown in the tables below in the Companies Act format as these periods were published in the past.

The tables below shows the effects from the transition to IFRS as at 1 January 2014 and 31 December 2014, which are related to the recognition of financial guarantees provided to subsidiary undertakings and did not have an effect on the Company's equity and total other comprehensive income. See Note 6 and Note 7 for further details.

In accordance with the exemptions allowed under IFRS 1 *First-time adoption of International Financial Reporting Standards*, the investment in subsidiary undertakings is valued at deemed costs reflecting the previous GAAP carrying amount. The Company did not make use of any other exemptions allowed under IFRS 1.

US$000	Notes	UK GAAP at 01.01.14	Effects from transition to IFRS	IFRS at 01.01.14
Fixed assets				
Non-current investment				
Subsidiary undertakings		147,496	–	147,496
Total fixed assets		147,496	–	147,496
Current assets				
Debtors – amounts falling due within one year				
Amounts due from subsidiaries	6	863,114	7,162	870,276
Prepayments and other current assets		2,207	–	2,207
Cash and cash equivalents		240	–	240
Debtors – amounts falling due after one year				
Amounts due from subsidiaries	6	–	11,384	11,384
Total current assets		865,561	18,546	884,107
Creditors – amounts falling due within one year				
Trade and other creditors		369	–	369
Accruals and deferred income		812	–	812
Income taxes payable		1,456	–	1,456
Other taxes payable		50		50
Financial guarantees to subsidiary undertakings	7	–	7,162	7,162
Total creditors – amounts falling due within one year		2,687	7,162	9,849
Net current assets		862,874	11,384	874,258
Total assets less current liabilities		1,010,370	11,384	1,021,754
Creditors – amounts falling due after one year				
Financial guarantees to subsidiary undertakings	7	–	11,384	11,384
Net assets		1,010,370	–	1,010,370
Capital and reserves				
Share capital		121,628	–	121,628
Share premium		185,112	–	185,112
Treasury share reserve		(77,260)	–	(77,260)
Employee benefit trust reserve		(6,542)	–	(6,542)
Retained earnings		787,432	–	787,432
Total capital and reserve		1,010,370	–	1,010,370

Note 12 Transition to IFRS continued

US$000	Notes	UK GAAP at 31.12.14	Effects from transition to FRS 101	IFRS at 31.12.14
Fixed assets				
Non-current investment				
Subsidiary undertakings		147,496	–	147,496
Total fixed assets		147,496	–	147,496
Current assets				
Debtors – amounts falling due within one year				
Amounts due from subsidiaries	6	895,970	6,808	902,778
Prepayments and other current assets		2,244	–	2,244
Other taxes recoverable and prepaid		1	–	1
Cash and cash equivalents		381	–	381
Debtors – amounts falling due after one year				
Amounts due from subsidiaries	6	–	4,576	4,576
Total current assets		898,596	11,384	909,980
Creditors – amounts falling due within one year				
Trade and other creditors		699	–	699
Accruals and deferred income		609	–	609
Income taxes payable		1,639	–	1,639
Financial guarantees	7	–	6,808	6,808
Total creditors – amounts falling due within one year		2,947	6,808	9,755
Net current assets		895,649	4,576	900,225
Total assets less current liabilities		1,043,145	4,576	1,047,721
Creditors – amounts falling due after one year				
Financial guarantees	7	–	4,576	4,576
Net assets		1,043,145	–	1,043,145
Capital and reserves				
Share capital		121,628	–	121,628
Share premium		185,112	–	185,112
Treasury share reserve		(77,260)	–	(77,260)
Employee benefit trust reserve		(6,012)	–	(6,012)
Retained earnings		819,677	–	819,677
Total capital and reserve		1,043,145	–	1,043,145

Note 13: Commitments and contingencies

The Company provided financial guarantees for the benefit of wholly-owned subsidiaries, which are recorded as a financial liability under the accounting standard applied. Further information is provided in Note 7.

Note 14: Events after the reporting period

No material adjusting or non-adjusting events have occurred subsequent to the year-end.

GLOSSARY

Act	The Companies Act 2006
AGM	The Annual General Meeting of the Company
Articles	Articles of Association of the Company
Audit Committee	The Audit Committee of the Company's Board
Bank F&C	Bank Finance & Credit
Belanovo or Belanovskoye	An iron ore deposit located immediately to the north of Yeristovo
Benchmark price	International seaborne traded iron ore pricing mechanism understood to be offered to the market by major iron ore producers under long-term contracts
Beneficiation process	A number of processes whereby the mineral is extracted from the crude ore
BIP	Business Improvement Programme, a programme of projects to increase production output and efficiency at FPM
Board	The Board of Directors of the Company
bt	Billion tonnes
C1 costs	Represents the cash costs of production of iron pellets from own ore, divided by production volume from own ore, and excludes non-cash costs such as depreciation, pension costs and inventory movements, costs of purchased ore, concentrate and production cost of gravel
Capesize	Capesize vessels are typically above 150,000 tonnes deadweight. Ships in this class include oil tankers, supertankers and bulk carriers transporting coal, ore, and other commodity raw materials. Standard capesize vessels are able to transit through Suez Canal
Capital employed	The aggregate of equity attributable to shareholders, non-controlling interests and borrowings
CFR	Delivery including cost and freight
CIF	Delivery including cost, insurance and freight
CIS	The Commonwealth of Independent States
Code	The UK Corporate Governance Code
CODM	The Executive Committee is considered to be the Group's Chief Operating Decision Maker
Company	Ferrexpo plc, a public company incorporated in England and Wales with limited liability
CPI	Consumer Price Index
CRU	The CRU Group provides market analysis and consulting advice in the global mining industry (see www.crugroup.com)
CSR	Corporate Social Responsibility
CSR Committee	The Corporate Safety and Social Responsibility Committee of the Board of the Company
DAP	Delivery at place
DFS	Detailed feasibility study

Directors	The Directors of the Company
EBITDA	The Group calculates EBITDA as profit from continuing operations before tax and finance plus depreciation and amortisation and non-recurring exceptional items included in other income and other expenses, share-based payment expenses and the net of gains and losses from disposal of investments and property, plant and equipment
EBT	Employee Benefit Trust
EPS	Earnings per share
Executive Committee	The Executive Committee of management appointed by the Company's Board
Executive Directors	The Executive Directors of the Company
FBM	Ferrexpo Belanovo Mining, also known as BGOK, a company incorporated under the laws of Ukraine
Fe	Iron
Ferrexpo	Ferrexpo plc and its subsidiaries
Ferrexpo AG Group	Ferrexpo AG and its subsidiaries, including FPM
Fevamotinico	Fevamotinico S.a.r.l., a company incorporated with limited liability in Luxembourg
First-DDSG	First-DDSG Logistics Holding GmbH (formerly Helogistics Holding GmbH) and its subsidiaries, an inland waterway transport group operating on the Danube/Rhine corridor
FOB	Delivered free on board, which means that the seller's obligation to deliver has been fulfilled when the goods have passed over the ship's rail at the named port of shipment, and all future obligations in terms of costs and risks of loss or damage transfer to the buyer from that point onwards
FPM	Ferrexpo Poltava Mining, also known as Ferrexpo Poltava GOK Corporation or PGOK, a company incorporated under the laws of Ukraine
FRMC	Financial Risk Management Committee, a sub-committee of the Executive Committee
FTSE 250	Financial Times Stock Exchange top 250 companies
FYM	Ferrexpo Yeristovo Mining, also known as YGOK, a company incorporated under the laws of Ukraine
Group	The Company and its subsidiaries
Growth markets	These are predominantly in Asia and have the potential to deliver new and significant sales volumes to the Group
HSE	Health, safety and environment
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards, as adopted by the EU
IPO	Initial public offering
Iron ore concentrate	Product of the beneficiation process with enriched iron content
Iron ore pellets	Balled and fired agglomerate of iron ore concentrate, whose physical properties are well suited for transportation to and reduction within a blast furnace

Iron ore sinter fines	Fine iron ore screened to -6.3mm
JORC	Australasian Joint Ore Reserves Committee – the internationally accepted code for ore classification
K22	GPL ore has been classified as either K22 or K23 quality, of which K22 ore is of higher quality (richer)
KPI	Key Performance Indicator
kt	Thousand tonnes
LIBOR	The London Inter Bank Offered Rate
LLC	Limited Liability Company
LTIFR	Lost-Time Injury Frequency Rate
LTIP	Long-Term Incentive Plan
m^3	Cubic metre
Majority shareholder	Fevamotinico S.a.r.l., The Minco Trust and Kostyantin Zhevago (together)
mm	Millimetre
mt	Million tonnes
mtpa	Million tonnes per annum
Natural markets	These include Turkey, the Middle East and Western Europe and are those markets where Ferrexpo has a competitive advantage over more distant producers, but where market share remains relatively low
NBU	National Bank of Ukraine
Nominations Committee	The Nominations Committee of the Company's Board
Non-executive Directors	Non-executive Directors of the Company
NOPAT	Net operating profit after tax
OHSAS 18001	International safety standard "Occupational Health & Safety Management System Specification"
Ordinary Shares	Ordinary Shares of 10 pence each in the Company
Ore	A mineral or mineral aggregate containing precious or useful minerals in such quantities, grade and chemical combination as to make extraction economic
Panamax	Modern panamax ships typically carry a weight of between 65,000 to 90,000 tonnes of cargo and can transit both Panama and Suez canals
PPI	Ukrainian producer price index
Probable reserves	Those measured and/or indicated mineral resources which are not yet "proved", but of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination and under specific economic conditions
Proved reserves	Measured mineral resources of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination and under specific economic conditions
Rail car	Railway wagon used for the transport of iron ore concentrate or pellets
Relationship agreement	The relationship agreement entered into among Fevamotinico S.a.r.l., Kostyantin Zhevago, The Minco Trust and the Company

Remuneration Committee	The Remuneration Committee of the Company's Board
Reserves	Those parts of mineral resources for which sufficient information is available to enable detailed or conceptual mine planning and for which such planning has been undertaken. Reserves are classified as either proved or probable
Sinter	A porous aggregate charged directly to the blast furnace which is normally produced by firing fine iron ore and/or iron ore concentrate, other binding materials, and coke breeze as the heat source
Spot price	The current price of a product for immediate delivery
Sterling/£	Pound Sterling, the currency of the United Kingdom
STIP	Short-Term Incentive Plan
Tailings	The waste material produced from ore after economically recoverable metals or minerals have been extracted. Changes in metal prices and improvements in technology can sometimes make the tailings economic to process at a later date
Tolling	The process by which a customer supplies concentrate to a smelter and the smelter invoices the customer the smelting charge, and possibly a refining charge, and then returns the metal to the customer
Ton	A US short ton, equal to 0.9072 metric tonnes
Tonne or t	Metric tonne
Traditional markets	These lie within Central and Eastern Europe and include steel plants that were designed to use Ferrexpo pellets. Ferrexpo has been supplying some of these customers for more than 20 years. Ferrexpo has well-established logistics routes and infrastructure to these markets by both river barge and rail. These markets include Austria, Czech Republic, Hungary and Slovakia
Treasury shares	A company's own issued shares that it has purchased but not cancelled
TSF	Tailings storage facility
TSR	Total shareholder return. The total return earned on a share over a period of time, measured as the dividend per share plus capital gain, divided by initial share price
UAH	Ukrainian Hryvnia, the currency of Ukraine
Ukr SEPRO	The quality certification system in Ukraine, regulated by law to ensure conformity with safety and environmental standards
US$/t	US Dollars per tonne
Value-in-use	The implied value of a material to an end user relative to other options, e.g. evaluating, in financial terms, the productivity in the steel-making process of a particular quality of iron ore pellets versus the productivity of alternative qualities of iron ore pellets
VAT	Value Added Tax
WAFV	Weighted average fair value
WMS	Wet magnetic separation
Yeristovo or Yeristovskoye	The deposit being developed by FYM

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