FERREXPO

SUPPLYING THE WORLD WITH IRON ORE PELLETS FOR 40 YEARS

FERREXPO PLC

ANNUAL REPORT AND ACCOUNTS 2016

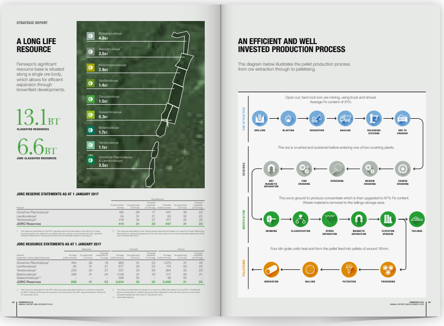
Ferrexpo is an iron ore pellet producer with mines in Ukraine and sales operations around the world.

The Group has maintained a premium listing on the Main Market of the London Stock Exchange since its IPO in June 2007 and it is currently a constituent of the FTSE 250 Index.

Ferrexpo is the largest exporter of iron ore pellets in the Former Soviet Union (the "FSU") and currently the third largest supplier of blast furnace 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.

FEATURES

05 | **BUSINESS MODEL**



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STRATEGIC REPORT

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2016 SUMMARY

OPERATIONAL

- Record output of premium 65% Fe pellets
- Record sales volumes
- Record low cost of production

↑ 5%

IRON ORE PRICE[A]

PLATTS 62% Fe CFR iron ore fines price +5% on average in 2016 at US$58.3 per tonne
(2015 average: US$55.6 per tonne)

↑ 3%

SALES VOLUMES[A]

Sales volumes of 11.7 million tonnes
(2015: 11.3 million tonnes)

↑ 2%

PRODUCTION OF PREMIUM PELLETS[A]

Increased output of higher quality pellets to 10.54 million tonnes. Total production down 4% to 11.2 million tonnes.
(2015: FPP 10.36 million tonnes; total production 11.7 million tonnes)

↑ 1.17x

LTIFR[A]

Group LTIFR increased to 1.17x in 2016 (2015: 0.96x)
Most regrettably there were two fatalities during the year (2015: nil)

FINANCIAL

- Record low cost of production
- EBITDA margin of 38%
- Strong credit metrics

ALTERNATIVE PERFORMANCE MEASURES
Words with the symbol **A** are defined in the Alternative Performance Measures section of the Annual Report on pages 163.

↑ 3%

REVENUE

Revenue US$986 million
(2015: US$961 million)

↑ 20%

EBITDA[A]

EBITDA US$375 million, EBITDA margin 38%
(2015: US$313 million, EBITDA margin 33%)

↑ 40%

DILUTED EPS BEFORE SPECIAL ITEMS

Diluted EPS before special items 33.51 US cents
(2015: 23.86 US cents)

↓ 13%

C1 CASH COST[A]

C1 cash cost US$27.7 per tonne
(2015: US$31.9 per tonne)

↑ 813%

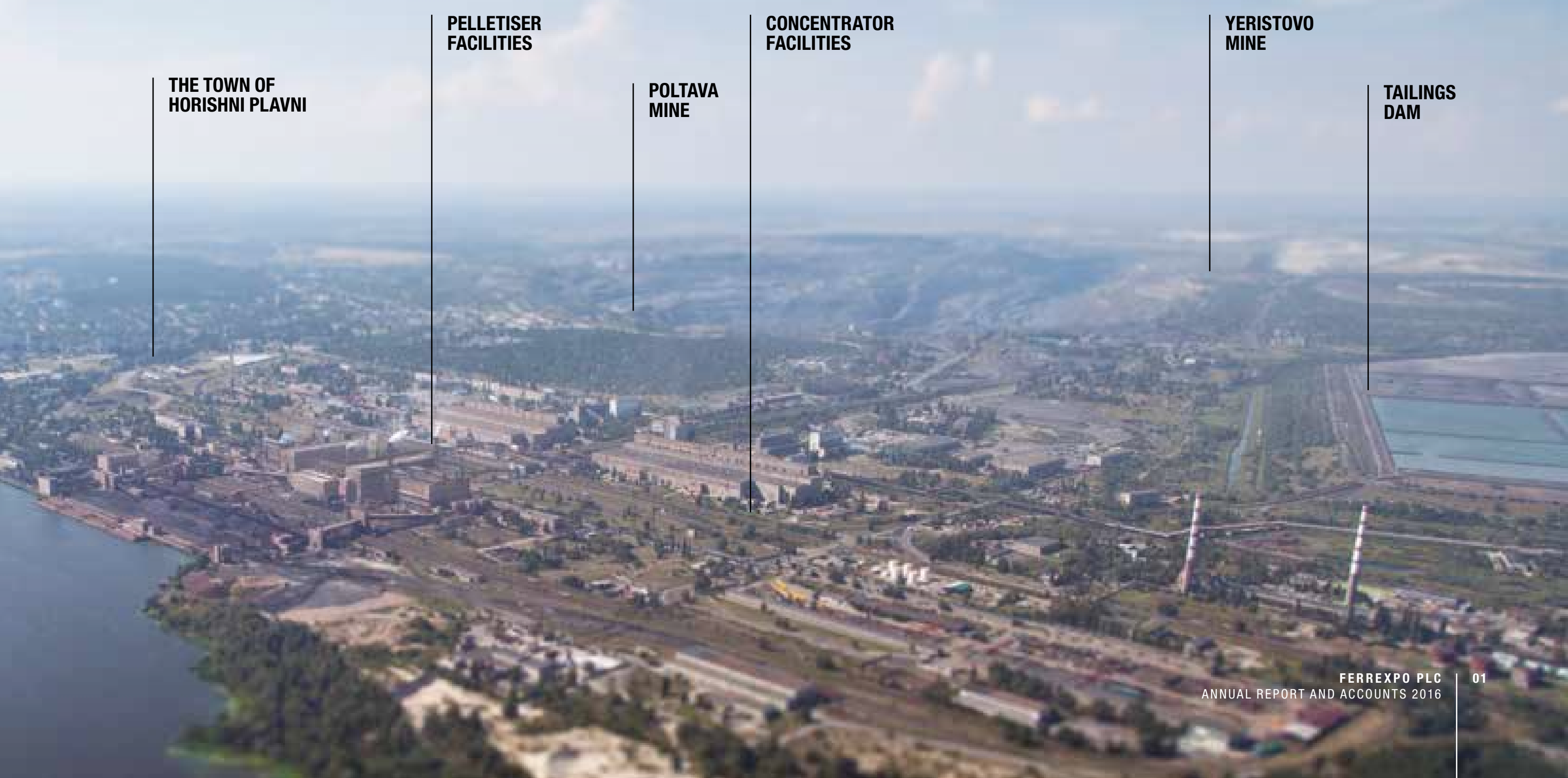
PROFIT BEFORE TAX

Profit before tax US$231 million
(2015: US$25 million)

↓ 43%

NET DEBT TO EBITDA[A]

Net debt to EBITDA as of 31 December 2016: 1.57x
(31 December 2015: 2.78x)



CHAIRMAN'S STATEMENT

STEVE LUCAS
CHAIRMAN

In 2016, Ferrexpo demonstrated the strength of its business model and management team.

11.7MT

RECORD SALES VOLUMES

(2015: 11.3 million tonnes)

+159%

NET CASH FLOW FROM OPERATING ACTIVITIES US$332 MILLION

(2015: US$128 million)

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INTRODUCTION

In very challenging market conditions, where the iron ore price traded at eight-year lows, the Group was able to increase its net cash flows from operations by over 1.5 times to US$332 million compared to 2015 allowing it to significantly reduce its financial leverage and strengthen its balance sheet.

Ferrexpo's strategy is founded on reliably producing and selling a high quality iron ore product to the best steel mills in the world while remaining competitively placed on the cost curve.

I joined the Ferrexpo Board in May 2016 and was appointed Chairman on 28 November 2016. I am very positive about the future of this Group as I have been most impressed with the quality and depth of the executive team as well as the talent and enthusiasm of all the Group's employees, most notably in Ukraine, together with the high quality of the Group's assets. The Group has an enviable track record of achieving its stated targets and delivering strong operational performance over decades despite operating in a challenging emerging market and a volatile commodity industry. Testimony to this is the high quality of the customer base who rely on Ferrexpo to supply a premium input into their production process. These customers are significant economic contributors to their respective countries of operations and produce a top quality product with relatively inelastic demand which in turn provides Ferrexpo with a high degree of reliability regarding its sales volumes.

I would like to thank all of Ferrexpo's employees for contributing to a successful 2016 through their dedication and hard work. We can look back with pride at what we have achieved during the year.

HEALTH AND SAFETY

Most regrettably there were two fatalities at the operations in 2016 (2015: nil). These deaths have been investigated in detail and Ferrexpo's goal remains firmly focused on achieving zero fatalities or injuries.

For further information on health and safety performance see page 17.

FINANCIAL RESULTS

2016 can be characterised as a year of two halves. The first half followed a weak ending to 2015 and the average PLATTS 62% Fe iron ore fines price was US$51.87

per tonne for the six months ending 30 June 2016. This was the lowest first half average in ten years (1H 2015: US$60.49 per tonne) while the second half of 2016 saw a recovery in the iron ore price with an average for the period of US$64.64 per tonne (2H 2015: US$50.83 per tonne). Overall the average iron ore price in 2016 was in line with 2015 at US$58.26 per tonne (2015: US$55.66 per tonne).

The pellet premium that the Group received in addition to the 62% Fe iron ore fines price improved throughout the year, recovering from lows seen at the start of the year to finish the year strongly. In China, the spot pellet premium published by Platts fell to a low of US$11 per tonne in January 2016 before recovering to US$23 per tonne by year end. While the Platts Atlantic long-term contract pellet premium improved from US$26 per tonne in January 2016 to US$35 per tonne in December 2016.

Record production of Ferrexpo's premium 65% Fe pellet, record sales volumes of 11.7 million tonnes (2015: 11.3 million tonnes) and a 13% reduction in the Group's C1 cash cost of production[A] to US$27.7 per tonne (2015: US$31.9 per tonne) underpinned a strong financial result for the Group.

Revenue increased 3% to US$986 million (2015: US$961 million) while EBITDA[A] increased 20% to US$375 million (2015: US$313 million). Although 2016 was characterised in general by a weak iron ore price environment, this was also reflected in the Group's lower cost base due to a fall in the price of commodity inputs and a depreciation of the Hyrvnia against the US Dollar. Diluted earnings per share was 31.91 US cents compared to 5.63 US cents in 2015.

Significantly, net cash flows from operating activities increased by US$204 million, or 159%, to US$332 million (2015: US$128 million). The Group repaid US$196 million of debt and increased its cash balance by US$110 million to US$145 million (2015: US$35 million). As a result, net debt decreased by US$279 million, or by 32%, to US$589 million as of 31 December 2016 (31 December 2015: US$868 million). Ferrexpo's net debt to EBITDA[A] was 1.57 times as of 31 December 2016 compared to 2.78 times as of 31 December 2015.

FINANCIAL MANAGEMENT

Ferrexpo's balance sheet strengthened materially in 2016 as the Group reduced its debt levels and increased its cash balance. Ferrexpo routinely assess various funding options, including the bank debt and Eurobond markets, against its expected cash flow generation and debt repayment obligations as well as capital investment priorities. The Board believes an average net debt to EBITDA[A] target of around 1.0 times with a debt amortisation profile repayable through own generated cash flows is appropriate. This will provide a strong platform for the Group going forward while continuing to make cash available for investment and facilitating cash returns to shareholders.

With continued strong cash generation in 2017 to date, the Group's net debt to EBITDA[A] is set to improve further from 2016 levels.

RETURNS TO SHAREHOLDERS

The strength of the Company's performance in 2016, together with the strong demand outlook for pellets in 2017, gives the Board confidence to announce a return to paying dividends to shareholders. A final ordinary dividend of 3.3 US cents per share is being proposed which amounts to approximately US$19 million (2015 final ordinary dividend: nil). The Board will also be paying a special dividend of 3. 3 US cents per share or approximately US$19 million (2015 special dividend: nil).

If the final dividend is approved by shareholders, the dividend payout relating to the financial performance of 2016 will total US$38 million (2015: US$19 million) in line with the full year ordinary dividend of previous years prior to the suspension of the dividend at the end of 2015.

The special dividend will be paid on 11 April 2017 to shareholders on the register at the close of business on 31 March 2017. Subject to approval at the Ferrexpo PLC AGM, payment of the final ordinary dividend will be made on 31 May 2017 to shareholders on the register at the close of business on 5 May 2017. The dividend will be paid in UK Pounds Sterling with an election to receive US Dollars.

Ferrexpo's dividend policy is to pay a base level of sustainable dividends through the commodities cycle of approximately US$40 million per annum (or 6.6 US cents per year). The dividend will be split equally between an interim dividend and a final dividend payable normally in October and May following the Company's interim results and Annual General Meeting.

Special dividends will be paid from cash flows in excess of the Group's needs taking into account debt repayments and development capital expenditure. If appropriate, the Group will target special dividends of around US$40 million per financial year (or 6.6 US cents per share) to be paid at an appropriate time in its reporting cycle.

The Board's strategy is to maintain a balance between sustainable and attractive shareholder returns, investment into growth opportunities and balance sheet strength.

CAPITAL INVESTMENT

Ferrexpo is one of the lowest cost pellet producers in the world, positioned in the bottom quartile of the global pellet cost curve. Underpinning its cost position is over US$2 billion of capital investment to modernise and expand the mining, production and logistics operations since its IPO on the Main Market of the London Stock Exchange in 2007.

Given the lower iron ore price environment in 2016 and the Group's priority to reduce debt, capital investment focused on maintenance capital during the year. Total capital expenditure decreased to US$48 million (2015: US$65 million).

Ferrexpo has considerable flexibility to increase its pellet production up to 20 million tonnes per year and plans to increase output incrementally towards that target. If projects meet strict payback criteria, Ferrexpo would not expect to spend more than US$150 million in any one year. Ferrexpo currently has one approved project to increase concentrate output by approximately 1.5 million tonnes at an additional cost of US$50 million which will be incurred in 2017 and 2018. This project was slowed down in 2016 and has been accelerated again in 2017.

For further details see Performance Review – Capital Investment.

CHAIRMAN'S STATEMENT CONTINUED

BOARD CHANGES

In 2016, as part of the Board's refreshment programme, Michael Abrahams, Mike Salamon, Wolfram Kuoni and Ihor Mitiukov retired as Non-executive Directors. The Board is grateful to all of them for their considerable contribution and commitment to the Company over many years. In addition, David Frauman, who was appointed to the Board on a short-term basis at the end of 2015, stepped down from the Board.

I would like to record my particular gratitude to Michael Abrahams, my predecessor, for all his years of dedicated service to the Group. He leaves behind a strong company which is able to look to the future with confidence.

During the year the Board was delighted to welcome Sir Malcolm Field (as of March 2016) and Vitalii Lisovenko (as of November 2016) as Independent Directors. Sir Malcolm has extensive experience, gained over many years in the private and public sectors in Britain and abroad, while Vitalii has deep knowledge of Ukraine, given his long experience of working in the Ukrainian financial sector and public administration.

It is planned that the Senior Independent Director, Oliver Baring, who has served nine years on the Board but who remains independent in character and judgement, will retire and be replaced during 2017.

I believe these changes have delivered a Board whose Non-executive Directors have the appropriate skills, stature and experience to oversee the Group and ensure strong corporate governance.

BANK F&C REVIEW

In September 2015, Bank F&C (a related party) was declared insolvent by the National Bank of Ukraine. At the time, Ferrexpo held the equivalent of US$175 million on deposit with Bank F&C, which was provided for in 2015.

Sir Malcolm Field was appointed to the Board on 10 March 2016 to chair a sub-committee responsible for reviewing matters relating to Bank F&C ("the Sub-Committee").

As part of its work the Sub-Committee has considered the corporate governance procedures within Ferrexpo. While the Sub-Committee has noted some areas where there is scope for improvement or refinement, and has put forward some corporate governance recommendations to the Board for its consideration, the Sub-Committee did not consider that there were significant shortcomings in the corporate governance structures. Responsibility for overseeing the implementation of these corporate governance recommendations will now sit with myself and the Committee of Independent Directors, a permanent sub-committee of the Board chaired by the Senior Independent Director.

Ferrexpo is pursuing recovery of its funds held at Bank F&C although this process could take many years and there is no certainty that any funds will be recovered (for more information see Note 35 of the Financial Statements). Oversight for this and any other possible claims or other actions will also now sit with the Committee of Independent Directors.

SOCIAL RESPONSIBILITY

For the year ended 2016, it is expected that Ferrexpo's pellet exports will be approximately 1.9% of Ukraine's total export revenue[1]. The Board believes it is important to ensure that Ferrexpo makes a meaningful contribution to the society in which it operates, assisting with the long-term development of Ukraine and creating a stable operating environment for the Group. Ferrexpo undertakes a broad array of social programmes in the towns and villages surrounding the mine. Examples in 2016 included the upgrade of school infrastructure and the modernisation of classrooms, development and maintenance of sporting facilities, purchase of state of the art equipment for hospitals, provision of medical care for the elderly and the vulnerable and financial support for the arts and other cultural events. These programmes underpin Ferrexpo's licence to operate and ensure that the community is supported in times when state funding is under strain. For further details see Responsible Business on page 37.

Importantly, there have been no significant industrial actions or labour disputes at Ferrexpo Poltava Mining ("FPM") since its privatisation in 1995, or at Ferrexpo Yeristovo Mining ("FYM") since its inception in 2008.

OUTLOOK

The pellet industry has high barriers to entry given the capital intensity of new investment while the demand for high grade ore, including pellet, remains strong.

Ferrexpo is currently the third largest exporter of blast furnace pellets in the world by volume and benefits from a well invested asset base, a competitive cost position and a diversified high quality customer portfolio.

The average 62% Fe iron ore fines price in 1Q 2017 (as of 20 March 2017) has been approximately US$86 per tonne while Ferrexpo's average pellet premium for the full year is expected to be in line with the Platts Atlantic long-term contract pellet premium less adjustments for quality. Costs remain subject to commodity prices, the Hryvnia exchange rate and inflation levels in Ukraine.

Taken together, these factors deliver a positive outlook for 2017.

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[1] www.ukrstat.gov.ua

BUSINESS MODEL

Inputs: 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.

Process:

WORKFORCE

MINING

PROCESSING

LOGISTICS

MARKETING

Outputs:

Skilled workforce

Ferrexpo has been producing iron ore pellets for 40 years and 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 and well-educated workforce. The Group is committed to further developing the skills of its employees and supporting the local community.

Ferrexpo applies fair and consistent employment practices that demonstrate a commitment to human rights, non-discrimination, freedom of association and the right to engage in collective bargaining.

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") to improve mining productivity.

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 and low level of impurities. Pellets also produce less air emissions during the steel making process compared to sinter fines.

In 2016, 94% 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.

Reliable, controlled and flexible

Ferrexpo's central geographic location allows it to competitively deliver product to customers in Europe and Asia.

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 terminal at Port Yuzhny on the Black Sea. Ferrexpo charters ocean going bulk carriers up to 210,000 tonnes to deliver to customers in Western Europe, the Middle East and Asia.

Diversified, high quality customer portfolio

Ferrexpo has a geographically diversified portfolio of long-term contracts with steel mills who are focused on producing high value-added steel products in niche markets. The Group has supplied some of these steel mills for a number of decades. These contracts follow internationally accepted terms for iron ore supplied into Europe and Asia. A small volume of product is allocated for the spot market to manage: (1) any production variability; (2) development of new customers; and (3) opportunistic sales into market spikes.

Competitive advantages:

1. High quality assets

2. High quality products

3. Crisis resistant customers

Sustainable stakeholder relationships:

WORKFORCE

COMMUNITY

GOVERNMENT

CUSTOMERS

SUPPLIERS

CAPITAL PROVIDERS

MARKET REVIEW

IRON ORE INDUSTRY IN 2016

A Chinese credit stimulus towards the end of 1Q 2016 as well as curtailment of Chinese domestic iron ore production, increased demand for steel and hence seaborne iron ore throughout the year. By December 2016 the Platts CFR 62% Fe iron ore fines price had recovered to US$80 per tonne compared to an average price in January 2016 of US$42 per tonne, an eight year low.

Overall in 2016, the World Steel Organisation reports that Chinese steel production increased 1.2% to 808 million tonnes while steel production in the rest of the world remained broadly stable (see table below).

The 1.2% increase in Chinese steel production implies an increase in demand of approximately 20 million tonnes of iron ore. Trade data, however, shows that imports of iron ore rose by 7.5%, or by approximately 70 million tonnes, in 2016 similar to growth rates last seen in 2012.

According to CRU, the increase in imports reflected lower Chinese domestic production due to environmental restrictions on output. In addition, supply side structural reforms in the Chinese steel industry supported demand for higher quality seaborne ore as incumbent steel mills looked to increase output.

In total CRU believe that production of domestic Chinese iron ore was reduced by approximately 30 million tonnes in 2016 while approximately 20 million tonnes of seaborne imports were used to restock inventories given weak iron ore price levels. Together with the increase in Chinese steel output, these factors absorbed the incremental supply of seaborne iron ore of approximately 60 million tonnes in 2016.

STEEL AND IRON ORE STATISTICS 2016 VS. 2015

Million tonnes	2016	2015	Change
World steel production	**1,628.5**	1,615.4	0.8%
China steel production	**808.4**	798.8	1.2%
Rest of the world	**820.1**	816.6	0.4%
Chinese imports of iron ore	**1,025**	953	7.5%

Source: World Steel Association, Chinese customs data.

LIMITED GROWTH IN PELLET CAPACITY DUE TO HIGH BARRIERS TO ENTRY

Exports of iron ore million tonnes	2000	2016	Increase	% of total increase
Pellet feed	18	**71**	53	5.0%
Pellets	**106**	**111**	**5**	**0.5%**
Lump	79	**247**	168	15.8%
Sinter fines	265	**1,105**	840	78.7%
Total	**468**	**1,534**	**1,066**	**228%**

Source: CRU iron ore market outlook January 2017 statistical review.

The table below shows that demand for pellets is expected to show the strongest growth for the period to 2021 of 4.7% while consumption of sinter fines is expected to decline marginally.

PELLET DEMAND TO SHOW STRONGEST GROWTH IN IRON ORE

Consumption million tonnes	2016	2021	Change	CAGR
Pellets	**416**	**523**	**107**	**4.7%**
Lump	**310**	352	42	2.6%
Sinter fines	**1,347**	1,320	-27	-0.4%
Total	**2,074**	**2,195**	**122**	**1.1%**

Source: CRU iron ore market outlook January 2017 statistical review.

IRON ORE PELLETS

The pellet premium that the Group received in 2016 improved throughout the year, recovering from lows seen at the start of the year to finish the year more strongly. In China, the spot pellet premium published by Platts fell to a low of US$11 per tonne in January 2016 before recovering to US$23 per tonne by year end. While the Platts long-term contract Atlantic pellet premium improved from US$26 per tonne in January 2016 to US$35 per tonne in December 2016. This recovery reflected an increasingly tight market for pellets following the production stoppage at Samarco, which represented approximately 20% of the seaborne pellet market in 2015, and an increase in pellet utilisation rates as steel mill profitability recovered from lows seen in recent years. Demand for pellet was also supported by a significant rise in coking coal prices in the second half of the year as an increase in pellet consumption allows for lower coke usage in the blast furnace. As such, by the end of 2016 the pellet market was in deficit, which was reflected in the strong recovery of pellet premiums.

Pellets are the most efficient source of iron for a blast furnace, reducing energy requirements in the iron making process and emitting the lowest levels of waste and emissions compared to sinter fines or lump. Due to the high iron content of pellets (on average between 62% Fe and 66% Fe) and their lower level of impurities, they help to improve the quality of the final steel product.

Given their superior performance characteristics and no need for further processing before being charged to the blast furnace, pellets receive a price premium over sinter fines and lump. CRU believe the historic average annual long-term contact pellet premium to non-Chinese markets has been approximately US$34 per tonne since 2011 to 2016.

The table at the top of the page shows that historically there has been limited supply growth in pellets, with exports increasing by only five million tonnes since 2000. This compares to an increase of approximately 840 million tonnes since 2000 in the iron ore fines market. The limited availability of pellets reflects the highly capital intensive nature of installing beneficiation and pelletising operations.

Apart from the pelletising facilities at Samarco, which are currently not in operation and where a restart date is uncertain, there is around seven to ten million tonnes of idled high cost pellet capacity within the industry that could re-enter the market if pellet premiums provide an acceptable return. Total pelletising capacity, however, is not expected to increase significantly in the coming years due to the high capital barriers to entry.

Looking forward, strong pellet consumption should be underpinned by a rationalisation in Chinese steel capacity with a bias toward larger and more environmentally efficient blast furnace operations. These blast furnaces typically consume higher levels of pellets to support high productivities. Furthermore, continued environmental controls in China should limit the output of local low grade iron ore production supporting demand for high grade imports of iron ore, including pellets. Meanwhile in the rest of the world, demand for pellets should continue to be supported by the production of high quality steels requiring premium inputs.

The Group's investment strategy of improving the quality of its product, supplying the top steel mills in the world under long-term volume contract together with its low cost base have maintained strong and improving EBITDA margins through the low points of the commodity cycle.

4.7%

DEMAND GROWTH FOR PELLETS EXPECTED OVER NEXT FIVE YEARS

GLOBAL PELLET EXPORTERS

Million tonnes	2016
Vale (Brazil + Oman)	38.0
LKAB (Sweden)	18.5
Ferrexpo (Ukraine)	**11.7**
Rio Tinto (IOC, Canada)	9.8
ArcelorMittal (QCM, Canada)	5.8
Severstal (Russia)	4.9
Metalloinvest (Russia)	4.0
Metinvest (Ukraine)	3.1
Bahrain Steel (Bahrain)	3.0
Grange (Australia)	2.6
Cliffs (USA)	2.5
CMP (Chile)	2.4
Total pellet export market (direct reduction and blast furnace)	**120**
Ferrexpo's market share	**10%**

Source: CRU, government statistics, Bloomberg, Ferrexpo analysis.

> "Given their superior performance characteristics, pellets receive a price premium over sinter fines and lump."

A LONG LIFE RESOURCE

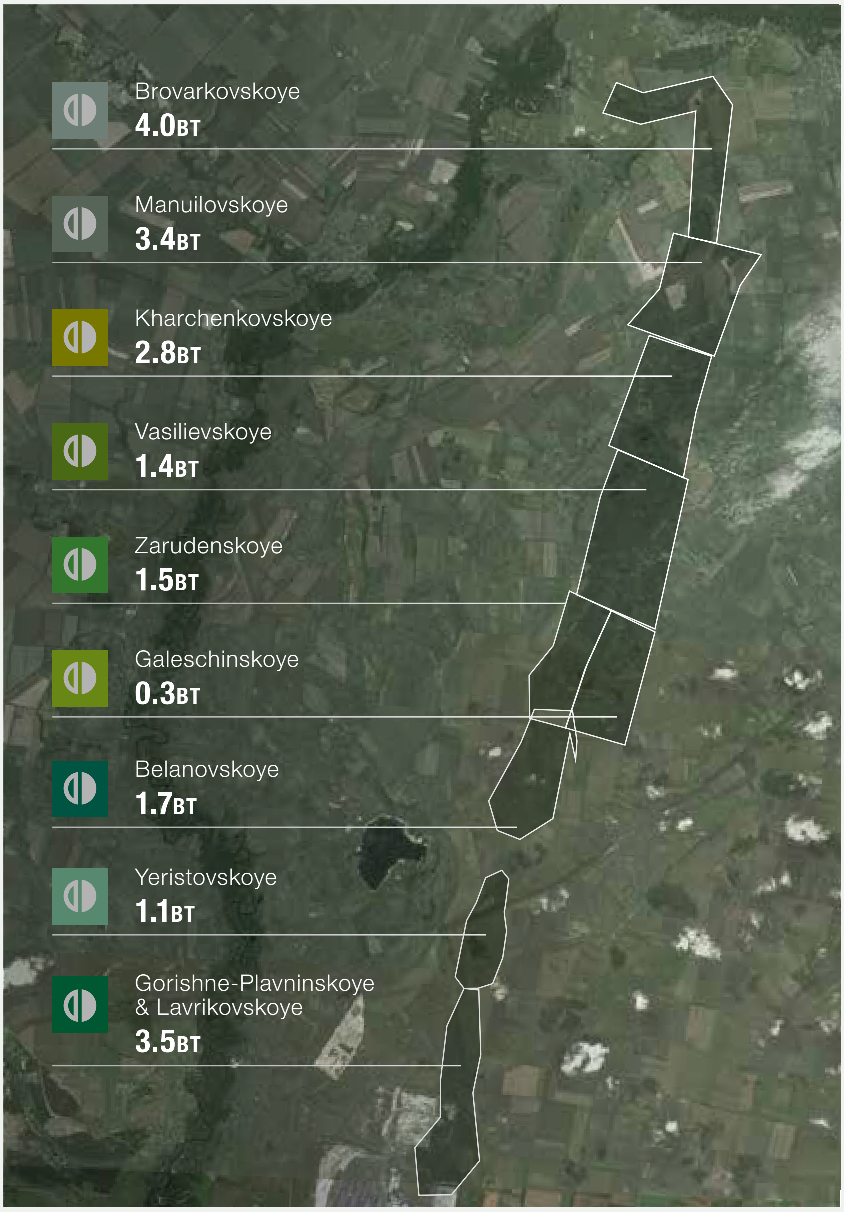
Ferrexpo's significant resource base is situated along a single ore body, which allows for efficient expansion through brownfield developments.

FORMER SOVIET UNION CLASSIFIED RESOURCES

13.1BT

JORC CLASSIFIED RESOURCES

6.6BT



JORC RESERVE STATEMENT AS AT 1 JANUARY 2017

	Ore Reserves					
Deposit	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]	162	26	17	447	30	22
Lavrikovskoye[1]	34	31	21	83	32	23
Yeristovskoye[2]	218	34	27	417	32	25
JORC Reserves	**414**	**31**	**23**	**947**	**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 2016 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 2016.

JORC RESOURCE STATEMENT AS AT 1 JANUARY 2017

	Measured			Indicated			Inferred		
Deposit (magnetite, unless stated otherwise)	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]	244	29	19	983	31	23	1,275	31	23
Lavrikovskoye[1]	95	31	21	677	30	22	174	29	20
Yeristovskoye[2]	223	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 Resources	**898**	**31**	**23**	**3,634**	**33**	**22**	**2,088**	**31**	**22**

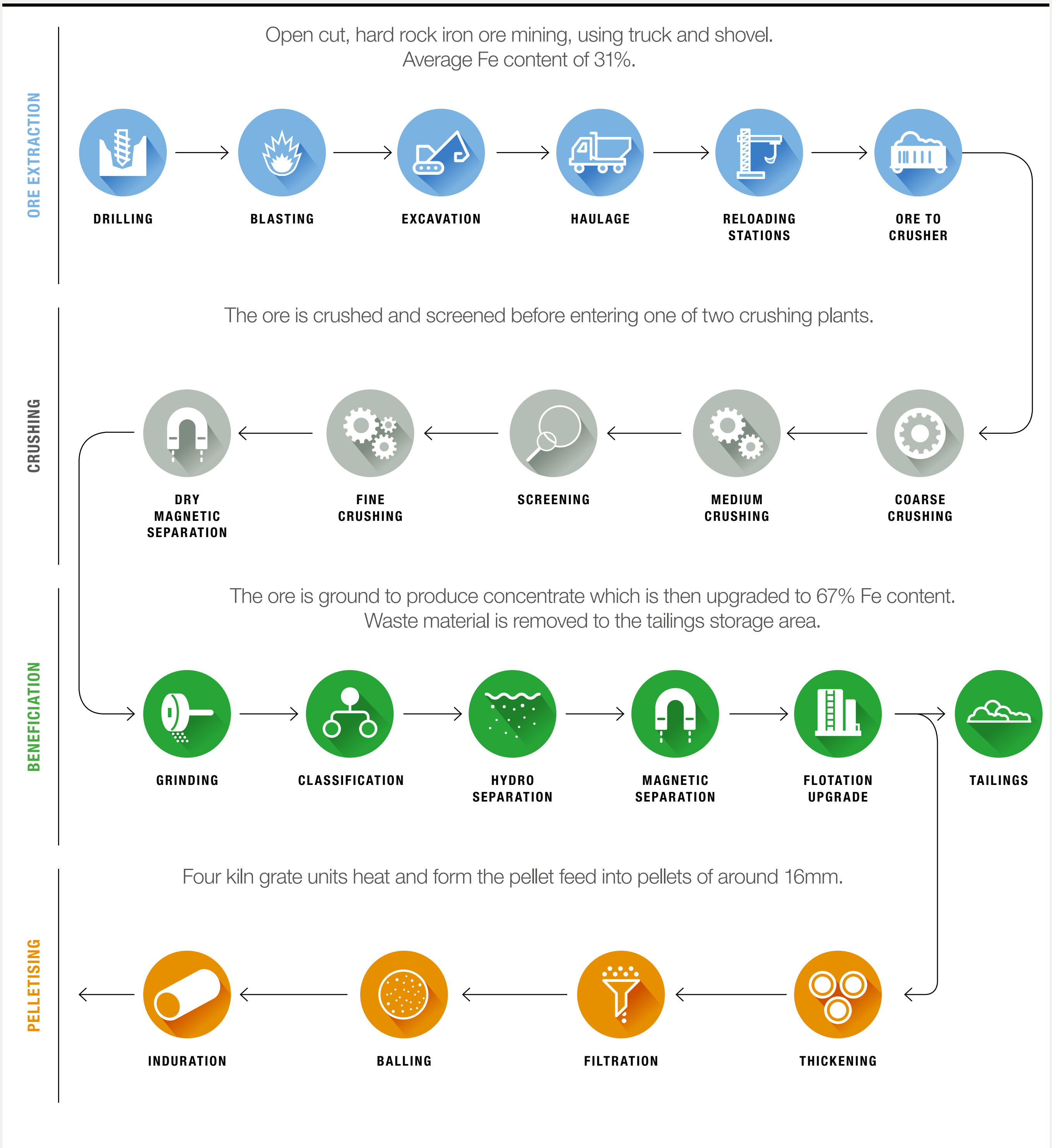
1 The resource estimates for the GPL deposits were calculated based on a review conducted by SRK in March 2008 less the volume of ore mined from the GPL deposit between 2008 and 31 December 2015.

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.

AN EFFICIENT AND WELL INVESTED PRODUCTION PROCESS

The diagram below illustrates the pellet production process from ore extraction through to pelletising.



Open cut, hard rock iron ore mining, using truck and shovel. Average Fe content of 31%.

The ore is crushed and screened before entering one of two crushing plants.

The ore is ground to produce concentrate which is then upgraded to 67% Fe content. Waste material is removed to the tailings storage area.

Four kiln grate units heat and form the pellet feed into pellets of around 16mm.

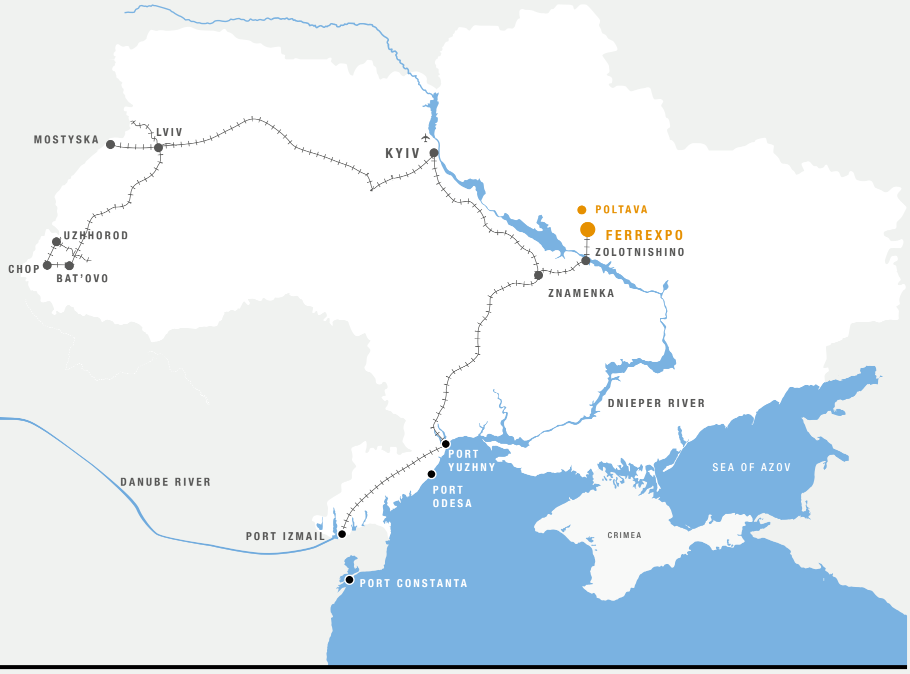
ESTABLISHED LOGISTICS AND DIVERSIFIED CUSTOMER PORTFOLIO

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 TIS Terminal in the southern port of Yuzhny for seaborne shipments via Capesize vessels.

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 and 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.

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.



150
BARGES

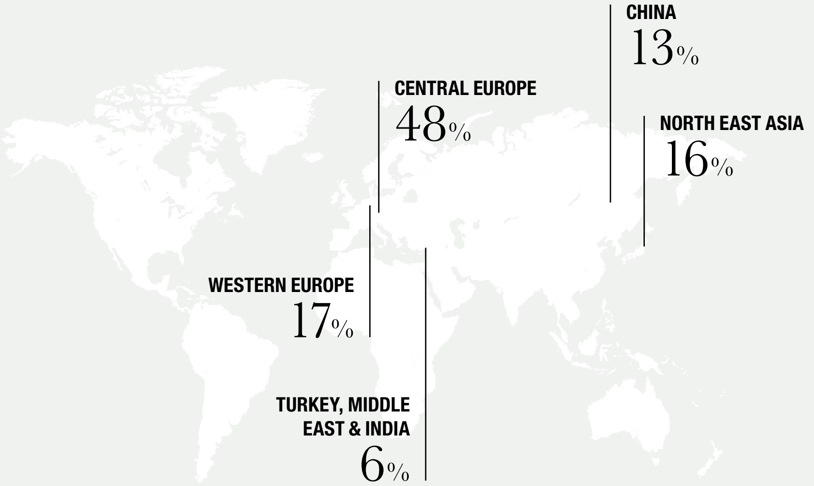
22
CAPESIZE SHIPS LOADED

2,252
RAIL CARS

PREMIUM CUSTOMER PORTFOLIO

16 sailing days
MIDDLE EAST

35 sailing days
CHINA



PERFORMANCE REVIEW

KOSTYANTIN ZHEVAGO
CHIEF EXECUTIVE OFFICER

CHRIS MAWE
CHIEF FINANCIAL OFFICER

US$986M

GROUP REVENUE

(31 December 2015: US$961 million)

+20%

EBITDA^A INCREASED TO US$375 MILLION

(2015: US$313 million)

FINANCIAL RESULTS

Group revenue increased 2.6% in 2016 to US$986 million (2015: US$961 million) principally reflecting higher sales volumes.

REVENUE

Ferrexpo increased its sales volumes by 3% to 11.7 million tonnes (2015: 11.3 million tonnes) while the Group's net realised DAP/FOB price increased marginally compared to 2015 reflecting a weak market in the first half of the year before prices recovered (driven by improved demand for iron ore and lower pellet availability). Turnover from international freight services decreased to US$66 million during the year compared to US$75 million in 2015 reflecting lower freight rates of US$9.0 per tonne compared to US$11.2 per tonne in 2015.

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COSTS

C1 COST OF PRODUCTION^A

The Group's C1 cost of production reduced by 13% to US$27.7 per tonne compared to US$31.9 per tonne in 2015. Of this US$4.2 per tonne cost reduction, approximately US$1.5 per tonne reflected the weaker local currency compared to the US Dollar, US$1.6 per tonne related to lower oil and gas prices, and US$1.1 per tonne was due to cost reduction initiatives.

For further information see Production Costs on page 18.

Please see Note 5 on page 103 of the accounts for the definition of C1 cost and a reconciliation to cost of sales.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs decreased by 7% to US$210 million (2015: US$226 million). Reduced freight costs were as a result of the depreciation of the Hryvnia against the US Dollar together with lower international freight rates.

PERFORMANCE REVIEW CONTINUED

> Net cash flows from operating activities increased by US$204 million, or 159%, to US$332 million in 2016 compared to 2015.

CURRENCY

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

During 2016 the Hryvnia devalued from UAH24.00 per US Dollar as of 1 January 2016 to UAH27.19 per US Dollar as of 31 December 2016. Over half of the Group's total cost base, including inland logistics costs, are denominated in Hryvnia.

UKRAINIAN HRYVNIA VS. US DOLLAR

	31 Jan 2016	**31 Dec 2016**	Average 2016	Average 2015
UAH per US$	24.00	**27.19**	25.55	21.86

Source: National Bank of Ukraine.

Balances at 31 December 2016 are converted at the prevailing rate. The devaluation of the currency since 31 December 2015 has resulted in a US$125 million reduction in the net assets of the Group and has been reflected in the translation reserve.

EBITDA[A]

EBITDA for the year ended 31 December 2016 was US$375 million compared to US$313 million in 2015, an increase of 20% reflecting increased turnover and lower costs.

Operating foreign exchange gains of US$14 million benefited EBITDA, reflecting the 13% devaluation of the Hryvnia against the US Dollar during the year. In 2015 operating foreign exchange gains were US$26 million, reflecting the 52% devaluation of the Hryvnia against the US Dollar.

INTEREST AND DEBT

As of 31 December 2016 gross debt was US$734 million, a US$170 million reduction compared to gross debt at 31 December 2015 of US$904 million. This reflected repayment of US$196 million of debt over the period and a US$19 million increase in trade finance facilities.

Finance expense was US$67 million during the period (2015: US$72 million). The average cost of debt for the period ended 31 December 2016 was 6.7% (average 2015: 5.5%). The increased average rate reflected amortisation of the Group's pre-export banking facilities which have a lower cost compared to the Group's outstanding US$346 million Eurobond.

TAX

In 2016, the Group's tax charge, before special items, was US$44 million, resulting in an effective tax rate of 18.0% compared to 13.7% in 2015, or US$22 million.

The Group has recorded a tax expense of US$33 million for the year compared to a US$6 million tax credit in 2015.

The balance of prepaid corporate profit tax in Ukraine decreased to US$16 million as of 31 December 2016, compared to US$54 million as of 31 December 2015. The reduction in the balance reflected a refund of corporate profit tax of US$27 million, the devaluation of the Hryvnia against the US Dollar amounting to US$5 million and the utilisation of US$6 million against FPM's profits for the period.

For further details see Note 15 of the financial statements.

PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Profit for the year increased to US$189 million from US$31 million in 2015. This was driven by a strong EBITDA[A] performance as well as a significant reduction in write-offs and allowances (recorded as special items) compared to 2015.

For further information on special items see Note 13 and Note 29 on page 108 and page 128 respectively of the financial statements.

Profit for the year from continuing operations before special items increased by US$57 million in 2016 to US$199 million (2015: US$142 million).

CASH FLOWS

Net cash flows from operating activities increased by US$204 million, or 159%, to US$332 million in 2016 compared to US$128 million in 2015. This reflected the strong EBITDA performance as well as a US$9 million working capital inflow during the period (2015: US$77 million working capital outflow) due to the sale of 373 thousand tonnes of pellets held on stock at the end of 2015, a reduction in trade

Position

Ferrexpo's strategic priorities grouped under Position are explained below. For a full explanation of the Group's strategic priorities and associated risks see page 22.

FERREXPO: 3rd LARGEST EXPORTER OF IRON ORE PELLETS

Strategic priorities

BE A LOW COST PRODUCER

Maintain a low cost position to ensure the Group can compete effectively through the commodities cycle.

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.

DEVELOP THE CUSTOMER PORTFOLIO

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

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.

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PERFORMANCE REVIEW CONTINUED

receivables and the recovery of overdue VAT and prepaid corporate profit tax. Included in working capital is an outflow of US$42 million related to the increase in stocks of lower grade iron ore. This ore is expected to be processed once the Group has additional beneficiation capacity in place (for further information see Note 4 on page 102). The Group secured new trade finance arrangements during the year, of which US$19 million was utilised as of 31 December 2016, and received a US$17 million prepayment for pellets shipped in March 2017.

CAPITAL INVESTMENT[A]

Capital expenditure in 2016 of US$48 million focused primarily on sustaining capital (2015: US$65 million). The Group slowed its investment programme in 2016 and is accelerating it again in 2017. For further information see Capital Investment in the Chairman's Statement on page 3 and Capital Investment in the Operations Review on page 20.

DEBT MATURITY PROFILE AND LIQUIDITY

Net debt[A] declined by US$279 million to US$589 million as of 31 December 2016 (US$868 million as of 31 December 2015).

Net debt to EBITDA[A] for the last 12 months was 1.57x compared to 2.78x as of 31 December 2015. As of 31 December 2016, Ferrexpo's cash and cash equivalents balance increased by US$110 million to US$145 million compared to US$35 million at the end of December 2015.

During the year the Group repaid US$196 million of debt. This included US$123 million of amortisations relating to a US$420 million pre-export finance facility (repaid in full as of July 2016), the first of eight quarterly instalments of US$44 million under the US$350 million pre-export finance and US$30 million of debt under Export Credit Agency funding lines.

In 2017, the Group has US$201 million of debt amortisations.

As of 31 December 2016, the debt facilities outstanding were US$306 million under bank facilities with a further seven quarterly instalments due; a US$346 million Eurobond maturing in equal parts in April 2018 and April 2019, and US$65 million of Export Credit Agency funding maturing over the next five years.[1]

For Ukrainian borrowers the bank and debt capital markets have been closed since late 2013, initially as a result of political uncertainty and more recently as a result of low iron ore prices. These markets reopened in late 2016 following a recovery in commodities and a more certain outlook in Ukraine. During 2016 Ferrexpo considerably strengthened its balance sheet and improved its liquidity to target levels. Ferrexpo currently holds a long-term credit rating of B- with a stable outlook with S&P and Fitch, in line with the Ukraine sovereign rating, and plans to access the bank or debt capital markets as required.

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[1] Ferrexpo may from time to time seek to actively manage its debt portfolio. This process may include retiring or purchasing outstanding debt through cash purchases by means of open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, Ferrexpo's liquidity requirements, contractual restrictions and other factors. In addition, Ferrexpo may contemplate new issuances of debt securities.

Optimise

Ferrexpo's strategic priorities grouped under Optimise are explained below. For a full explanation of the Group's strategic priorities and associated risks see page 22.

Strategic priorities

DEVELOP THE RESOURCE BASE

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

DEVELOP LOGISTICS CAPABILITIES

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

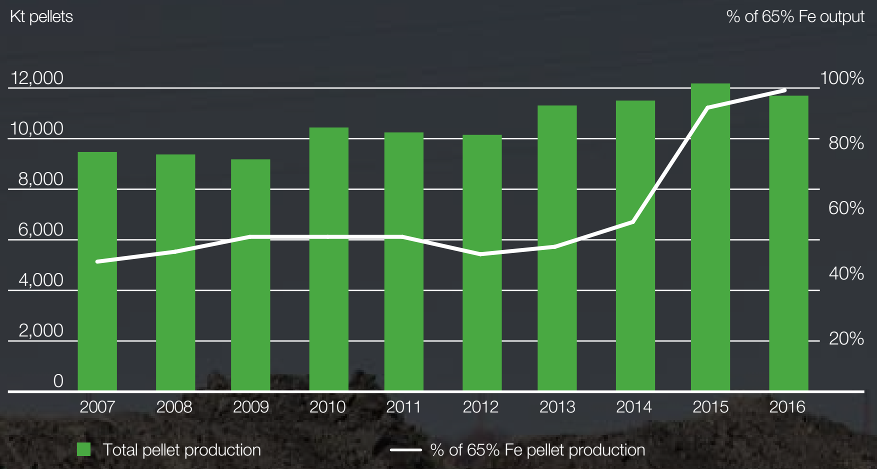
BE AN EFFICIENT PRODUCER

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.

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.

INCREASING QUALITY OF PRODUCTION AND RELIABLE OUTPUT



24 | TO READ MORE ABOUT OUR STRATEGIC PROGRESS

PERFORMANCE REVIEW CONTINUED

+46%

INCREASE IN SALES VOLUMES^A TO WESTERN EUROPE & NORTH EAST ASIA IN 2016 COMPARED TO 2015

OPERATIONAL REVIEW

MARKETING

In 2016 Ferrexpo increased sales volumes to a record level of 11.7 million tonnes compared to 11.3 million tonnes in 2015, reflecting strong global demand for the Group's pellets. The table below shows the breakdown of sales by key market regions.

Sales to Western Europe increased to 17% of total sales volumes in 2016 compared to 11% in 2015 while sales to North East Asia increased to 16% compared to 12% in 2015. The increase in sales to targeted customers in these regions was offset by a nine percentage point decline in sales to China and South East Asia.

SALES VOLUME^A BY MARKET REGIONS

	2016	2015
Central Europe	48%	49%
Western Europe	17%	11%
North East Asia	16%	12%
China and South East Asia	13%	22%
Turkey, Middle East, India	6%	6%
Total sales volume^A (thousand tonnes)	**11,697**	**11,330**

Of total sales volumes, 94% represented Ferrexpo Premium Pellets of 65% Fe compared to 88% in 2015, while 6% represented Ferrexpo Basic Pellets of 62% Fe (2015: 12%) and 1% represented Ferrexpo Pellet Feed (2015: 0.4%) sold together with Ferrexpo's Premium Pellets as part of a customer development programme.

The additional premium received for selling pellets compared to iron ore fines ensured the Group's average received price in 2016 outperformed the Platts 62% Fe iron ore fines CFR index by 26% compared to a 30% outperformance in 2015. The price performance in 2016 reflected a weak 1Q followed by a strong recovery, particularly in 4Q 2016 (as described above). Overall the average premium that the Group received in 2016 was 15% lower than 2015. The Group's long-term contracts are all based on a spot index iron ore fines price using various reference periods and takes into account the cost of international freight, typically the C3 index. Pellet premiums are typically negotiated annually, half-yearly or quarterly.

LOGISTICS

Selling and distribution costs decreased by 7% to US$210 million (2015: US$226 million) as a result of the devaluation of the local currency and lower international freight rates.

PRODUCTION

HEALTH AND SAFETY

Most regrettably there were two fatalities at the mining operations during the year. Independent investigations were undertaken of each incident, with remedial action taken and findings from the investigations shared across the Group. In 2015, there were no work-related fatalities at the Group's operations, a goal that Ferrexpo will continue to work towards.

There were a total of 22 Lost Time Injuries ("LTIs") across the Group in 2016 (2015: 19), equating to a LTI frequency rate ("LTIFR")[A] of 1.17 (2015: 0.96). The table below details the LTIFR as per million man hours worked across the Company's mining and processing operations in Ukraine and its barging subsidiary on the River Danube for 2016 and 2015.

LOST TIME INJURY FREQUENCY RATE[A]

LTIFR	2016	2015
- FPM	1.14	0.75
- FYM	0.38	0.74
- FBM	0.00	0.00
Ukraine	1.01	0.75
Barging	3.70	4.55
Group	1.17	0.96

Most of the accidents reported have been traced back to non-compliance with internal safety procedures. The Group is focused on implementing risk mitigation programmes to improve the understanding of safety protocols and adherence to standards which is being combined with training to ensure better awareness of the consequences of risk taking in the operational environment.

PELLET PRODUCTION

Pellet production from own ore in 2016 was 11.1 million tonnes compared to 11.3 million tonnes in 2015. Production from own ore included a 45% increase in output of the Group's higher performance[A] FPP+[1] pellets to 3.3 million tonnes (2015: 2.3 million tonnes). Total production of 11.2 million tonnes for the year compared to 11.7 million tonnes in 2015 reflects a large decrease in production of pellets from low margin third party concentrate. Approximately 94% of total production volumes were pellets of 65% Fe, compared to 89% in 2015.

The table below summarises production in 2016 and 2015.

PRODUCTION STATISTICS

('000t unless otherwise stated)	2016	2015	Change
Iron ore processed from FPM & FYM	29,335	30,168	-2.8%
Average Fe content	33.74%	33.65%	0.3%
Concentrate produced ("WMS")	14,006	14,378	-2.6%
Weighted average Fe content	62.78%	62.35%	0.7%
Pellets produced from FPM & FYM	11,071	11,258	-1.7%
FPP	7,070	7,662	-7.7%
Average Fe content	64.88%	64.90%	-0.03%
FPP+	3,336	2,307	44.6%
FBP	666	1,289	-48.3%
Average Fe content	62.44%	62.45%	-0.0%
Purchased concentrate	149	466	-68.0%
Average Fe content	66.66%	66.33%	0.5%
Pellets produced from purchased concentrate	129	403	-67.9%
FPP	129	397	-67.5%
Average Fe content	64.80%	64.85%	-0.08%
FBP	–	6	–
Average Fe content	–	62.36%	–
Total pellet production	11,201	11,662	-4.0%
Total production of pellet feed for sale	123	40	208%
Average Fe content	67.49%	67.00%	0.8%
Pellet sales volume	11,697	11,290	3.2%
Pellet feed sales volume	123	40	208%
Gravel output	2,156	1,757	22.7%
Total Group stripping volume (million m^3)	22,623	26,933	-16.0%

Note: Ferrexpo Basic Pellets ("FBP"), Ferrexpo Premium Pellets ("FPP") and Ferrexpo Premium Pellets plus ("FPP+").

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[1] Ferrexpo Premium Pellets plus ("FPP+") contain 65% Fe with enhanced basicity and low temperature disintegration properties compared to FPP pellets.

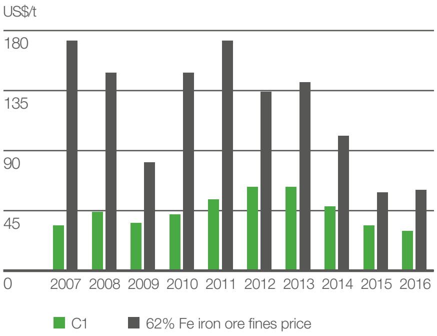
PERFORMANCE REVIEW CONTINUED

PRODUCTION COSTS

The Group's C1 cost of production[A] reduced by 13% to US$27.7 per tonne compared to US$31.9 per tonne in 2015. Of this US$4.2 per tonne cost reduction, approximately US$1.6 per tonne was driven by lower oil and gas prices, US$1.5 per tonne by the depreciation of the Hryvnia against the US Dollar, and US$1.1 per tonne was due to cost reduction initiatives.

The graph to the right shows how the Group's C1 cash cost of production[A] has moved relative to the iron ore fines price since 2007. Approximately 60% of Ferrexpo's C1 cash cost of production is commodity related, including fuel, electricity, gas, explosives and steel grinding media. In times of high iron ore prices the cost of production tends to increase due to commodity cost inflation; however, during periods of low commodity prices the cash cost is reduced.

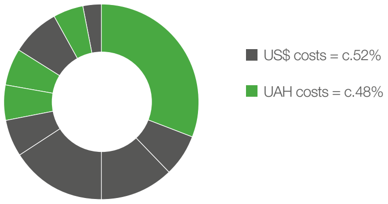
IRON ORE FINES PRICE AND FERREXPO'S C1 CASH COST OF PRODUCTION[A]



The pie chart to the right breaks down the Group's C1 cash cost by category and highlights local currency costs.

GROUP'S C1 CASH COST[A] BY CATEGORY

1. Electricity	**31%**	6. Maintenance	**6%**
2. Fuel	**7%**	7. Personnel	**6%**
3. Gas	**12%**	8. Grinding bodies	**8%**
4. Materials	**16%**	9. Royalties	**5%**
5. Spares	**6%**	10. Explosives	**3%**



In 2016, the average Hryvnia per US Dollar exchange rate was 25.6 compared to 21.9 in 2015, a 17% depreciation. The higher rate in 2016 reduced the C1 cash cost by 5% as approximately 48% of the Group's cost to produce a pellet is in Hryvnia.

FERREXPO HAS INVESTED

+US$2BN

INTO ITS MINING AND LOGISTICS OPERATIONS SINCE ITS IPO IN 2007

2007

105M

LISTED ON THE LONDON STOCK EXCHANGE

2008

278M

Development of FYM begins.

2009

86M

Capex reduced to maintenance levels in low iron ore price environment.

2010

167M

Acquired one of the largest inland waterway transportation companies on the Danube River.

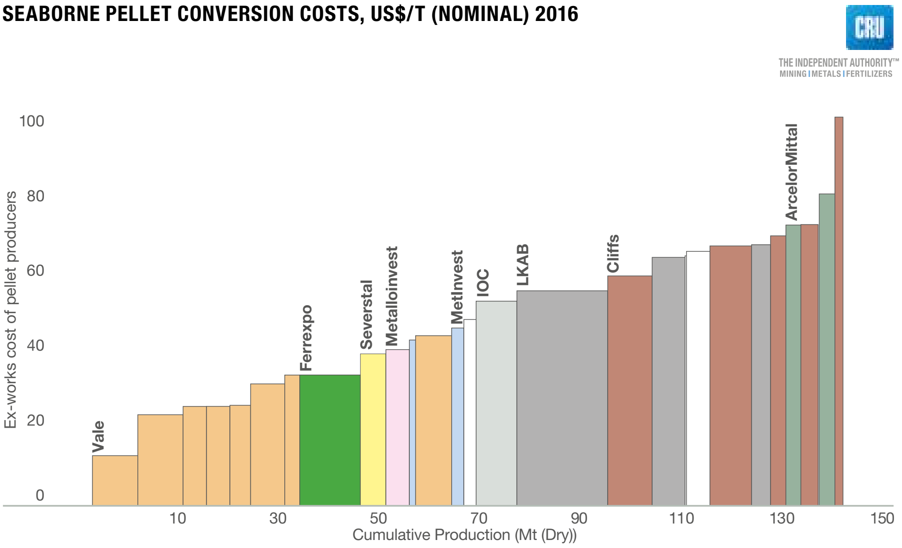
Local inflation during the period was primarily driven by electricity price increases (+11% vs. average 2015) following the devaluation of the Hryvnia against the US Dollar. Year-on-year Ukrainian CPI was 14% in 2016. Inflation peaked in January 2016 at 40% and thereafter the rate of increase slowed to 12% by December. Source: ukrstat.gov.ua

As part of Ferrexpo's efforts to reduce its reliance on natural gas to pelletise its iron ore concentrate, it has continued to progress its Sunflower Husks Project (as previously announced in 2015). In 2016, FPM partially substituted natural gas with sunflower husks in the heating of the kilns in its pelletiser. This initiative helped reduce natural gas consumption by 35.7 million m^3, or 19%, during the year. FPM continues to pursue this biofuel initiative for its cost savings and the associated reduction in emissions, with the long-term goal of 30% gas substitution.

Ferrexpo is a low cost and efficient pellet producer which has allowed the Group to remain profitable even in a low iron ore price environment.

The graph below shows the cost of pellet production on an ex-works basis for most pellet producers. Ferrexpo remains competitively placed on the curve while some of the larger producers are placed at the top end of the cost curve.

SEABORNE PELLET CONVERSION COSTS, US$/T (NOMINAL) 2016

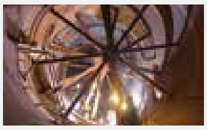


Note: Ex-works costs include mining, processing and pelletising costs only & excludes royalties.
Source: CRU March 2017, Ferrexpo internal analysis.

2011

380M

Commencement of modernisation and upgrade programme at FPM.



2012

430M

First ore at FYM, completion of world class mining facilities and associated infrastructure.

2013

278M

Iron Density, the Group's transshipment vessel, first year of operation, allowing Ferrexpo to load capesize vessels and reduce seafreight costs.

2014

235M

Completion of FPM's Quality Upgrade Programme, and ramp up of premium 65% Fe pellet production.

2015

65M

Ferrexpo increases ownership of rail cars to 2,252, which transport approximately 80% of production volumes.

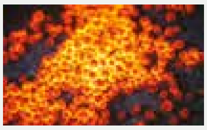
Capex reduced to maintenance levels in low iron ore price environment.

2016

48M

Record production of 65% Fe premium pellets.

Capex reduced to maintenance levels in low iron ore price environment.



PERFORMANCE REVIEW CONTINUED

MINING AND PRODUCTION EFFICIENCIES

The Group has several projects underway which are contributing to cost savings and efficiency improvements. These include improved drilling and blasting techniques which yield better ore fragmentation and improved excavator dig rates. FPM is also looking at increasing its concentrate yield by optimising the amount of reagent used and varying the blend ratios of ore.

CO_2 EMISSIONS

The table below shows the Group's CO_2 intensity ratio was 0.232 emissions per tonne in 2016 compared to 0.229 emissions per tonne in 2015. While actual emissions of CO_2 reduced by 3% during the year, the intensity ratio was impacted a by a 4% decline in production.

Emissions in tonnes	**2016**	2015	Change
CO_2 emissions	**2,599,838**	2,675,215	-3%
Pellets produced (kt)	**11,201**	11,661	-4%
Intensity ratio	**0.232**	0.229	1%

Note: 2015 emissions data has been reduced by 53,098 tonnes and the intensity ratio reduced accordingly. This was 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 0.55 million tonnes in 2016 compared to 0.63 million tonnes in 2015. The reduction in direct emissions is as a result of a 19% reduction in the volume of natural gas consumed, due to the substitution of gas in the pelletiser with sunflower husks, and a 5% reduction in diesel consumption. Collectively, diesel and natural gas represent 82% of direct CO_2 emissions. Emissions generated from indirect sources, such as electricity purchased from Ukraine's national grid, were 2.05 million tonnes in 2016 in line with 2015.

CAPITAL INVESTMENT

Ferrexpo currently has one approved project to add approximately 1.5 million tonnes of concentrate at a cost of around US$50 million (including associated infrastructure). The Group is now accelerating this project following a pause in 2016 due to low iron ore prices.

Ferrexpo plans to develop its production capabilities and output via investments evaluated on strict financial parameters. This is not expected to involve investment of more than US$150 million in any one year on expansion projects.

UKRAINE

After a challenging macro-economic and political period, Ukraine is showing positive signs of economic recovery.

GDP growth accelerated by 4.7% in 4Q 2016 (compared to 4Q 2015) and was 2.2% for the year. In January 2017 GDP accelerated to 5.1%. This compares to a contraction of -9.9% in 2015 and -6.6% in 2014.

In November 2016, Fitch upgraded Ukraine's credit rating from CCC to B- with a stable outlook. The rating reflected easing external financing pressures with an increase in international reserves to around 3.5 months of imports as well as greater domestic confidence, easing inflation and increased exchange rate flexibility.

Continued structural reforms, however, are necessary to turn the current economic stabilisation into strong and sustainable growth so that Ukraine can catch up with its regional peers. The IMF estimate that per capita GDP in Ukraine is still very low at approximately 20% of the EU average, the second lowest level of all Central and Eastern European countries.

Discipline

Ferrexpo's strategic priorities grouped under Discipline are explained below. For a full explanation of the Group's strategic priorities and associated risks see page 22.

NET DEBT TO EBITDA [A]

1.57x

AS OF 31 DECEMBER 2016

US$196m

OF DEBT REPAID IN 2016

Strategic priorities

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.

EVALUATE RELEVANT INVESTMENT OPPORTUNITIES

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

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.

24 | TO READ MORE ABOUT OUR STRATEGIC PROGRESS

STRATEGIC PRIORITIES

Ferrexpo's priorities are to position itself for growth, to further optimise its operations and to ensure disciplined governance. 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. This will allow it to increase its market share in the blast furnace pellet market and develop its direct reduction pellet capability. The Group looks to consistently reduce business risk and deliver sustainable value to all stakeholders over the long term.

Position

- **Be a low cost producer**
- **Improve the quality of output**
- **Develop the customer portfolio**
- **Maintain a social licence to operate**

RISKS

- **Competitive environment**
- **Seaborne freight rates**
- **Ukrainian currency and inflation**
- **Ukrainian VAT and taxation**
- **Counterparty risks**
- **Mining and processing risks and hazards**
- **Energy costs**
- **Reliance on state monopolies**
- **Logistics**
- **Interest rate risk**
- **Sustaining and expansion investment**
- **Mining licences and government approvals for expansions**

Optimise

- **Develop the resource base**
- **Develop logistics capabilities**
- **Be an efficient producer**
- **Train and develop the Group's employees**

RISKS

- **Global economic growth, iron ore price and pellet premiums**
- **Competitive environment**
- **Mining and processing risks and hazards**
- **Energy costs**
- **Logistics**
- **Sustaining and expansion capital investment**
- **Mining licences and governmental approvals for expansions**

Discipline

- **Maintain high standards of corporate governance**
- **Evaluate relevant investment opportunities**
- **Maintain appropriate credit metrics and sufficient financial liquidity**

RISKS

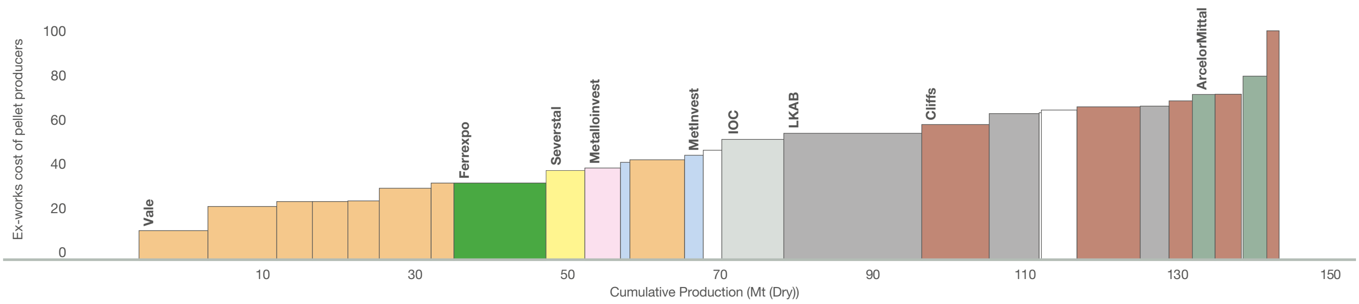
- **Political**
- **Legal system and compliance and corruption**
- **Ukrainian banking sector**
- **Counterparty risks**
- **Debt maturity profile**
- **Interest rate risk**

28 | **SEE OUR PRINCIPAL RISKS**
TO SEE HOW OUR PRIORITIES RELATE

38 | **SEE OUR RESPONSIBLE BUSINESS**
AND HOW THEY LINK TO THE GROUP'S STRATEGIC OBJECTIVES

KEY PERFORMANCE INDICATORS

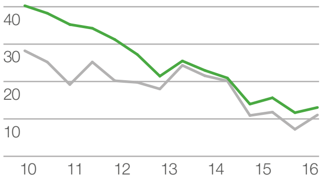
SEABORNE PELLET CONVERSION COSTS, US$/T (NOMINAL)



Note: Ex-works costs include mining, processing and pelletising costs only & excludes royalties.
Source: CRU March 2017, Ferrexpo internal analysis.

Related strategic priorities

FREIGHT COSTS
US$ per tonne

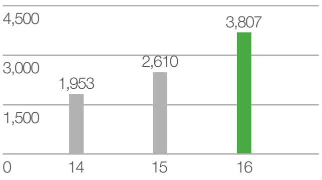


🟩 Ferrexpo Qingdao Equiv
◼ C3 Tubarao-Qindao

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

Related strategic priorities

NEW MARKETS
'000 tonnes



Sales volumes to Western Europe and North East Asia, which are the Group's newest markets, continue to grow as the Group increases production of its premium 65% Fe pellet.

Related strategic priorities

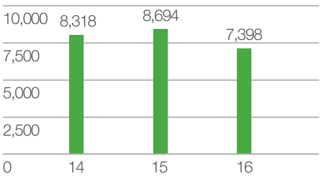
CRUDE ORE MINED
million tonnes

	2014	2015	**2016**
FPM	29.4	25.0	**28.3**
FYM	12.3	14.0	**14.1**
Total	41.7	39.0	**42.4**

Total crude ore mined in 2016 increased compared to 2015 as the Group focused on increasing production of FPP+ pellets which require more high grade ore.

Related strategic priorities

TRAINED EMPLOYEES AND CONTRACTORS number



Health and safety training was in line with previous years while a reduction in absolute training numbers was due to the Group's efforts to conserve cash, especially in 1H 2016 when the average iron ore price was at nine-year lows.

Related strategic priorities

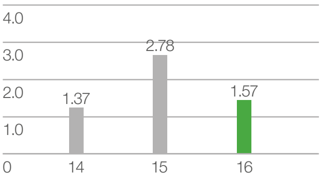
LOST-TIME INJURY FREQUENCY RATE LTIFR

	2014	2015	**2016**
Mining	0.47	0.75	**1.01**
Barging	9.08	4.93	**3.7**
Total Group	0.86	0.96	**1.17**

Most regrettably, the Group suffered two work related fatalities in 2016 (2015: 0). The increase in the LTIFR reflects an increase in lost time injuries from 19 to 22.

Related strategic priorities

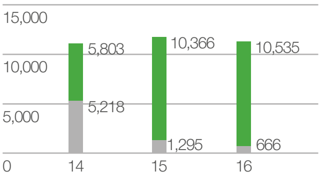
MAINTAIN LOW NET DEBT TO EBITDA Net debt to EBITDAx



Ferrexpo's net debt to EBITDA ratio reduced significantly in 2016. During the year the Group repaid US$196 million of debt and increased its cash balance by US$110 million to US$145 million as of 31 December 2016.

Related strategic priorities

PRODUCTION OF PREMIUM 65% FE PELLETS '000 tonnes



◼ 62% Fe 🟩 65% Fe

Output of the Group's premium 65% Fe pellet increased to record levels in 2016, representing approximately 94% of total production volumes.

Related strategic priorities

CORPORATE GOVERNANCE STRUCTURE

Ferrexpo's Board has the following sub-committees:
- Audit Committee
- Corporate Safety and Social Responsibility Committee
- Remuneration Committee
- Nominations Committee
- Committee of Independent Directors
- Executive Committee
  - Finance & Risk Management Committee
  - Executive Related Party Matters Committee
  - Executive Compliance Committee

Related strategic priorities

PROGRESS AGAINST STRATEGY

STRATEGIC PRIORITY	WHAT WE SAID WE WOULD DO IN 2016
Position – **Be a low cost producer** – **Improve the quality of output** – **Develop the customer portfolio** – **Maintain a social licence to operate**	– Stretch capacity of existing operations to increase volume output and reduce costs – Continue to produce 65% Fe pellets (“FPP”) 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 during periods of flotation unit maintenance – Finalise new long-term contracts with premium steel mills – Maintain a diverse customer base between Europe and Asia – Support the community through various initiatives – Eliminate fatal accidents risk and reduce the LTIFR – Further reduce consumption of key inputs such as electricity and gas, and reduce emissions per tonne
Optimise – **Develop the resource base** – **Develop logistics capabilities** – **Be an efficient producer** – **Train and develop the Group’s employees**	– Further implementation and standardisation of global best practice in mining and production – Progress material risk register to manage significant operational risk – Increase capacity at the Group’s seaborne port terminal from nameplate capacity of 5.5 million tonnes to 7.0 million tonnes, through process improvements – Improve workforce productivity and engagement – Manage people input costs and headcount – Improve leadership and managerial competence – Upgrade people management processes and systems
Discipline – **Maintain high standards of corporate governance** – **Evaluate relevant investment opportunities** – **Maintain appropriate credit metrics and sufficient financial liquidity**	– 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 – Continue to evaluate relevant investment opportunities that could de-risk or diversify the Group’s operations, subject to funding availability – 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

WHAT WE DID	WHAT WE AIM TO DO IN 2017
– Increased production of premium 65% Fe pellets (“FPP”) by 2% – Increased production of higher performance FPP+ pellets by 1 million tonnes – 94% of production volumes were 65% Fe FPP pellets – The C1 cash cost of production reduced by 13% to US$28 per tonne, a ten-year low – One new long term contract agreed – Diverse customer base maintained with increase in sales to Western Europe and North East Asia – The LTIFR increased to 1.17 compared to 0.96 in 2015 due to an increase in lost time incidents from 19 to 22 – Continued to provide financial support to community initiatives despite low iron ore price environment – Most regrettably, there were two fatal accidents during the year – Emissions from fossil fuels fell by 12% in 2016 due to lower use of natural gas and diesel. Due to lower overall production, emissions per tonne increased 1%	– Continue to produce 65% Fe pellets (“FPP”) with consistent quality and low variability – Maintain a competitive cost of production – Maintain a diverse customer base between Europe and Asia – Consolidate market share gains in premium markets – Support the community through various initiatives – Eliminate fatal accidents risk and reduce the LTIFR – Reduce consumption of key inputs such as electricity and gas, and reduce emissions per tonne
– Exceeded benchmark effective dig rates on large excavators, optimised blasting techniques to improve ore fragmentation and deliver optimised feed to processing facilities – Project to improve plant maintenance commenced late 2016 to improve reliability of processing facilities – Developed operational risk register and implemented risk mitigation actions across FYM. FPM risk register currently under review before implementation – BIP team identified process improvements to increase car dumper capacity at port to seven million tonnes – Group headcount reduced by 9% – Worker productivity impacted by lower production levels – Implemented performance management system for senior leaders	– Optimise fleet management system to further enhance mining fleet productivity – Dragline boom monitoring programme in conjunction with Monash university to increase working load – Mill to Mine optimisation program to improve mill operation and throughput and reduce power consumption – Launch a leadership programme aimed at incumbents in business critical roles – Hold a Group-wide leadership conference for “Top 50” leaders – Consolidate Group functions to service “one” Ferrexpo – Implement centralised recruitment throughout the Group
– Revised the Group’s corporate code of conduct and compliance framework – Commencement of training in code of conduct and anti-bribery with over 770 employees completing courses – Two new Non-executive Directors joined the Group in 2016 – Five Non-executive Directors retired during the year – Due to the Group’s priority to strengthen the balance sheet during the year no investment opportunities were entered into – The Group reduced its net debt to EBITDA to 1.57x as of 31 December 2016 (31 December 2015: 2.78x) – Ferrexpo reduced outstanding debt by US$196 million during the year and increased its cash balance by US$110 million to US$145 million	– Recruit a Senior Independent Director to the Board – Continue training in code of conduct and anti-bribery – Continue to evaluate relevant investment opportunities that could de-risk or diversify the Group’s operations, subject to funding availability – Access the bank or debt markets if required

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 sub-committee, 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 reassessed 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 55.

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.

2016 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 28 to 35.

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 36.

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 AND RISK MANAGEMENT COMMITTEE
- Monitor centralised financial risk management structures

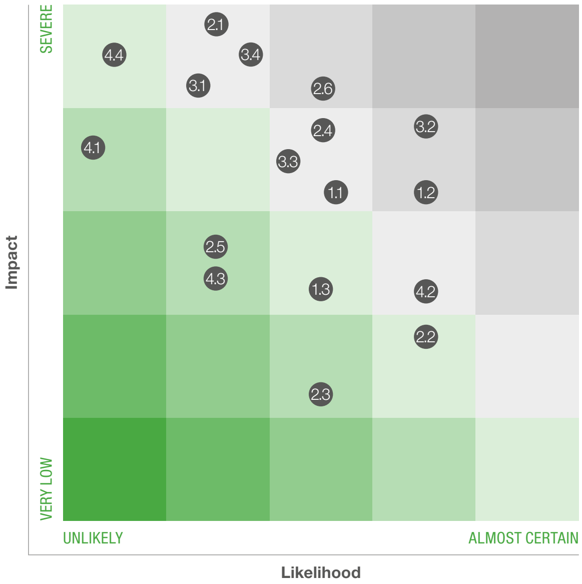
EXECUTIVE COMPLIANCE COMMITTEE
- Monitor Group compliance
- Monitor Group and local compliance officers

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

The list of the principal risks and uncertainties facing Ferrexpo's business that follows below is based on the Board's current understanding. Due to the very nature of risk it cannot be expected to be completely exhaustive. New risks may emerge and the severity or probability associated with known risks may change over time.

1. RISKS RELATED TO THE IRON ORE MARKET

1.1 GLOBAL ECONOMIC GROWTH, IRON ORE PRICES AND PELLET PREMIUMS 📉

Change from 2015 ↓

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 eight 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 mismatch between increasing supply of iron ore and lower demand can lead to iron ore price weakness.

Fluctuations in the iron ore price as well as in demand can negatively impact the financial results of the Group. The Platts 62% Fe iron ore fines CFR China price has declined from a peak of US$193 per tonne in 2011 to a low of US$39 per tonne in 2015. In 2016 the price stabilised at an average of US$58 per tonne for the year compared to an average of US$56 per tonne in 2015. The average price YTD (as of 20 March 2017) has been US$86 per tonne.

Ferrexpo receives a pellet premium from its customers in addition to the iron ore fines price. Currently, a portion of the Group's profit is due to this premium. The historic average annual Atlantic long-term contract pellet premium has been approximately US$30 per tonne since 2011. Spot market pellet premiums in China have been more volatile, reaching a low of approximately US$11 per tonne in January 2016, before recovering to finish 2016 at approximately US$23 per tonne.

Overall, the pellet premium currently represents a high proportion of the underlying iron ore fines price.

MITIGATION

- The pellet market is a niche market and according to CRU is forecast to grow at a faster rate than the underlying iron ore fines market.
- Ferrexpo has invested to increase production and is now the third largest producer of pellets for the seaborne market.
- Ferrexpo is a low cost producer and invests to maintain its low position on the global cost curve.
- Ferrexpo sells under long-term contracts to established steel mills who produce premium steel products through the commodities cycle.
- Through the economic cycle pellet premiums have historically been more stable than the iron ore fines price.
- Ferrexpo has its own logistics infrastructure and a diversified customer base. It is in close proximity to its European customers and has port access to seaborne markets. This provides flexibility should a particular region experience a decline in demand.

ASSOCIATED STRATEGIC PRIORITIES ☆ 📊 🛡

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

☆ Position ▮ Optimise ◉ Discipline

Denotes a risk that the Board considers more likely to impact the viability statement.

📈

1.2 COMPETITIVE ENVIRONMENT

Change from 2015 ↓

POSSIBLE IMPACT

The international iron ore market for all types of iron is highly competitive, with four large producers dominating the export market and several mid-tier producers operating in selected markets. The principal factors affecting competition are price, quality, range of products offered, reliability and logistics costs.

In the pellet market, Ferrexpo considers that its principal pellet competitors are Vale, Luossavaara Kiirunavaara AB ("LKAB"), Iron Ore Company of Canada ("IOC"), Samarco, Lebedinsky-GOK, Mikhailovsky-GOK and Severny-GOK. Samarco's operations are currently idled following a tailings dam accident in November 2015. Prior to the accident, Samarco was the second largest supplier to the global pellet market, exporting approximately 30 million tonnes of pellets per annum, or around 20% of total pellet exports.

The pellet market is currently in supply deficit, which could encourage idled capacity or new supply to enter the market. In addition, Samarco has indicated that it intends to return to the market in the second half of 2017. The increase in supply of pellets could reduce the pellet premium. Furthermore, the current level of pellet premiums could encourage competing products and processes to be developed.

MITIGATION

- Iron ore pellets have high capital costs barriers to entry.
- Iron ore pellet projects require several years to implement.
- Pellet feed is typically more expensive to produce than iron ore fines and requires a higher capital intensity. New entrants are likely to be at higher cost than the current participants in the market.

ASSOCIATED STRATEGIC PRIORITIES ☆ ▮ ◉

1.3 SEABORNE FREIGHT RATES 📈

Change from 2015 →

POSSIBLE IMPACT

As iron ore is a bulk commodity, seaborne freight rates are an important component of the cost to deliver product to a customer. An increase in freight rates will reduce the net price received from a customer (all else equal) while a reduction in freight rates will increase the net price received from a customer.

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

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

MITIGATION

- Ferrexpo has its own in-house freight and distribution specialists who procure freight competitively on behalf of the Group.
- Ferrexpo's geographic proximity to its European customers is a competitive advantage compared to other iron ore producers.
- Ferrexpo can access the seaborne market competitively via its own port infrastructure.
- Ferrexpo invests in its own infrastructure to ensure that its total cost of transportation remains competitive.

ASSOCIATED STRATEGIC PRIORITIES ☆ ▮ ◉

PRINCIPAL RISKS CONTINUED

2. RISKS RELATING TO UKRAINE

2.1 POLITICAL

Change from 2015 →

POSSIBLE IMPACT
Ongoing conflict in Eastern Ukraine, the annexation of Crimea and political instability have negatively impacted the Ukrainian economy.

Any continuing or escalating conflict in Eastern Ukraine could have further adverse effects. This could include a material impact on the availability of critical production inputs such as electricity, gas or other products, including diesel fuel, as well as availability of rail and port services.

Economic deterioration impacts the government's ability to fund usual social services and could lead to social upheaval and political tension within local communities. It can also impact the government's ability to meet its payment obligations to exporters, such as VAT refunds; or it could impact Ferrexpo's ability to use its cash held in Ukraine; or Ferrexpo's ability to obtain financing from international capital markets.

MITIGATION (ALSO SEE UKRAINIAN VAT AND TAX RISK AND RELIANCE ON STATE MONOPOLIES RISK)
- The Group manages liquidity to ensure smooth operations should the economic weakness of the country disrupt the financial system.
- Ferrexpo makes meaningful contributions to the local communities and towns surrounding its operations.
- Ferrexpo invests heavily in energy efficiency, including alternative fuels to augment gas consumption, and maintains close contact with electricity suppliers.
- Ferrexpo has established several sources of suppliers for key products as well as several supply routes.
- Ferrexpo's operations are remote from the conflict zone.

ASSOCIATED STRATEGIC PRIORITIES

2.2 LEGAL SYSTEM AND COMPLIANCE AND CORRUPTION

Change from 2015 →

POSSIBLE IMPACT
Since Ukraine's change in government in 2014, the government has undertaken to implement a number of reforms to strengthen the rule of law in the country, supported by the IMF. The Ukrainian legal system has been developing to support this transformation; however, it is subject to greater risks and uncertainties than more mature legal systems. 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 judgment. For further information see Note 35 of the financial statements on page 150.

Transparency International ranks Ukraine as 131st out of 176 countries in terms of the level of perceived corruption. There is a risk that counterparties are involved in activities that are not in compliance with relevant international standards. Also see Counterparty risk on page 32.

MITIGATION
- Ferrexpo prioritises a strong internal control framework and operates to the highest international standards of compliance and ethics.
- Ferrexpo continues to pursue relevant matters through the court system.

ASSOCIATED STRATEGIC PRIORITIES

2.3 UKRAINIAN BANKING SECTOR

Change from 2015 →

POSSIBLE IMPACT
The Ukrainian banking sector is regarded as weak. In December 2016 PrivatBank, the country's largest bank with 37% of the country's retail deposits and one fifth of the banking assets, was nationalised.

MITIGATION
- Ferrexpo manages its liquidity to ensure it can continue to operate in the event of disruptions to the local banking sector.
- Ferrexpo spreads its funds amongst international and, if available, at least two local banks.

ASSOCIATED STRATEGIC PRIORITIES

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

☆ Position 📊 Optimise 🛡 Discipline

Denotes a risk that the Board considers more likely to impact the viability statement.

📈

2.4 UKRAINIAN CURRENCY AND LOCAL INFLATION 📈

Change from 2015 ↓

POSSIBLE IMPACT

Fluctuations in the Hryvnia /US Dollar exchange rate impacts Ferrexpo's profitability and the book value of its assets.

In 2016 the Hryvnia devalued from UAH24.0 per US Dollar as of 31 December 2015 to UAH27.2 per US Dollar as of 31 December 2016. The average rate during the year was UAH25.6 per US Dollar (2015 average rate: UAH21.9 per US Dollar). Balances at the year end are converted at the prevailing rate.

As a result of the devaluation of the Hryvnia against the US Dollar since 2014 (as of 1 January 2014 the rate was UAH7.9 per US Dollar) local inflation has been around 90% over the past three years.

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.

MITIGATION

- 100% of Ferrexpo's sales are in US Dollars.
- Ferrexpo invests to reduce its costs of production as well as increase its output and quality.
- Ferrexpo has a long-established Business Improvement Programme aimed at reducing costs in constant currency by 2% per year.
- While Ferrexpo's revenue is received in US Dollars, actual costs expressed in US Dollars have historically been linked to international commodity prices rather than local inflation rates.
- Ferrexpo can revalue its assets to reflect current replacement prices in the event of a substantial devaluation of the Hryvnia against the US Dollar or in the event of hyperinflation.

ASSOCIATED STRATEGIC PRIORITIES ☆ 📊 🛡

2.5 UKRAINIAN TAXATION AND VAT 📈

Change from 2015 ↓

POSSIBLE IMPACT

Ferrexpo is a large taxpayer in Ukraine. It also operates internationally and is subject to transfer pricing regulations both locally and internationally. The Group has experienced times where the taxation it has paid in Ukraine has been in excess of the amounts due, leading to increases in working capital and exposure to devaluation of the local currency.

Ferrexpo incurs VAT on purchases of goods and services, which as an exporter, it cannot offset on amounts charged on local sales. As a result, Ferrexpo is exposed to the risk that the Ukrainian government either delays or does not repay the VAT incurred. This can be up to 20% of the costs of local operations.

For further information see Political and Legal risk and Note 23 to the financial statements.

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 Hryvnia.

MITIGATION

- The Group operates its taxation affairs in an open and transparent manner and maintains a close dialogue with the government and operates to best international standards including OECD guidelines, including the recent Base Erosion and Profit Shifting ("BEPS") guidelines.
- Ferrexpo can reduce its working capital requirements via trade finance or similar to mitigate temporary delays and holds sufficient operational liquidity to provide a buffer.

ASSOCIATED STRATEGIC PRIORITIES ☆ 📊 🛡

PRINCIPAL RISKS CONTINUED

2. RISKS RELATING TO UKRAINE CONTINUED

2.6 COUNTERPARTY RISK

Change from 2015 →

POSSIBLE IMPACT

Financial instability of Ferrexpo's counterparties, including its customers, suppliers, the government and local banks, could absorb high amounts of working capital, impact production levels and lead to material financial loss.

Ferrexpo has counterparty exposure through ongoing trading relationships as well as with the Ukrainian government in terms of taxes payable and receivable (see Ukrainian taxation and VAT) and in terms of required licences and other permits.

Ukraine has a weak credit profile as defined by international credit rating agencies. Also see Legal system and compliance and corruption risk on page 30.

MITIGATION

- Ferrexpo deals with well-established steel producers with sound credit profiles.
- Ferrexpo's counterparties are subject to regular and thorough review. The results of these reviews are used to determine appropriate levels of exposure, and available alternatives, in order to reduce the potential risk of financial loss.
- The Group develops its supplier base in order to avoid excessive dependence on any supplier, actively encouraging a diversity of supply where reasonable and practical.
- 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.

ASSOCIATED STRATEGIC PRIORITIES ☆ 📊 🛡

3. RISKS RELATING TO THE GROUP'S OPERATIONS

3.1 MINING AND PROCESSING RISKS AND HAZARDS 📈

Change from 2015 →

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 customer relationships, its financial performance and balance sheet strength.

MITIGATION

- Ferrexpo has significant volumes of iron ore in stock to smooth mining variations and holds pellet stocks to mitigate disruption in the processing facilities.
- Safety, environmental and operational performance is regularly and rigorously reviewed throughout the organisation, including by the Chief Operating Officer, the Executive Committee and the Board.
- Ferrexpo has modernised its mining and production facilities, improving safety, environmental, operational and financial performance.
- All accidents are fully investigated and, where appropriate, improvements are made to minimise the risk of re-occurrence.
- Appropriate safety training is regularly provided to employees.
- Employee remuneration is linked to safety performance.
- Active management of the operational risk register is undertaken to ensure predictable volumes and quality of output.

ASSOCIATED STRATEGIC PRIORITIES ☆ 📊 🛡

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

☆ Position 📊 Optimise 🛡 Discipline

Denotes a risk that the Board considers more likely to impact the viability statement.

📈

3.2 ENERGY COSTS 📈

Change from 2015 ↑

POSSIBLE IMPACT

Energy represented 47% of Ferrexpo's C1 cost in 2016. An increase in oil prices and other energy related costs will increase the Group's operating costs. 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 C3 freight rates).

In 2016, the European Brent spot price increased 49% to US$54 per barrel.

MITIGATION

- Energy costs are either directly or indirectly linked to international markets.
- Ferrexpo is low on the pellet cost curve. Competitors producing pellets will also experience similar cost increases.
- Ferrexpo's Business Improvement Programme focuses on energy reduction, including the replacement of gas with alternative fuels and the optimisation of its mining fleet.

ASSOCIATED STRATEGIC PRIORITIES ☆ 📊

3.3 RELIANCE ON STATE MONOPOLIES (ALSO SEE POLITICAL AND LEGAL RISKS AND ENERGY COSTS ON PAGE 30 AND PAGE 33)

Change from 2015 →

POSSIBLE IMPACT

The Group purchases electricity and transport services from state-owned enterprises and the supply of gas is heavily regulated. Changes in the related tariffs can be politically motivated and 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.

MITIGATION

- Effective lobbying at local and national level to ensure tariffs are appropriate for industry.
- Ferrexpo manages and owns its own rail wagons to reduce reliance on state-owned rail cars.
- Recent reforms to the Ukrainian gas sector have increased competition and improved pricing transparency. As such, Ferrexpo is diversifying its natural gas supplier base.
- To date, the Group has not experienced any material supply disruption of key inputs since its IPO in 2007.
- Ferrexpo looks to reduce its reliance, where possible, on state monopolies.

ASSOCIATED STRATEGIC PRIORITIES ☆ 📊 🛡

3.4 LOGISTICS

Change from 2015 →

POSSIBLE IMPACT

Ferrexpo's logistics capability is dependent on services provided by third parties and state-owned organisations within Ukraine.

The Group operates a barging company on the Danube/Rhine River corridor. River barging can be impacted by low water levels and ice, which at times can limit its ability to operate.

Logistical bottlenecks on rail or at the port may affect Ferrexpo's ability to distribute its products on time, impacting customer relationships.

MITIGATION

- The Group maintains and invests in its logistics capabilities to ensure available capacity to better service its customers, lower costs and reduce reliance on third-party providers. Ferrexpo currently owns 2,252 rail cars, which reduce reliance on state rail cars for transportation of pellets to border points, 150 barges for transportation of pellets into Central Europe and a 49.4% interest in the port of TIS Ruda on the Black Sea which guarantees the Group independent access to the seaborne markets, avoiding reliance on the state port.

ASSOCIATED STRATEGIC PRIORITIES ☆ 📊 🛡

PRINCIPAL RISKS CONTINUED

4. RISKS RELATING TO THE GROUP'S STRATEGY

4.1 DEBT MATURITY PROFILE 📈

Change from 2015 ↓

POSSIBLE IMPACT

From 2013 until 2016 the debt capital markets and bank debt markets have been closed, firstly due to geopolitical factors in Ukraine and in the last year due to low iron ore prices.

As debt falls due Ferrexpo may need to make repayments at a time when refinancing is not possible and will therefore have to temporarily change its business plan.

MITIGATION

- Ferrexpo targets an amortisation profile to match its cash flows with cash held in excess of immediate requirements.
- Ferrexpo targets strong credit metrics. As of 31 December 2016 net debt to EBITDA was 1.57x compared to 2.78x as of 31 December 2015.
- Ferrexpo maintains short-term trade finance lines.

ASSOCIATED STRATEGIC PRIORITIES ☆ 📊 🛡

4.2 INTEREST RATE RISK

Change from 2015 ↑

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. Any new debt facilities could also result in higher interest rates.

The average cost of debt for the period ended 31 December 2016 was 6.7% (average 2015: 5.5%). The increased average rate reflected amortisation of the Group's pre-export banking facilities, which have a lower cost compared to the Group's outstanding US$346 million Eurobond.

MITIGATION

- Ferrexpo maintains a high level of interest cover. As of 31 December 2016 this amounted to 6.9x. The Group has a mix of debt facilities at fixed and floating interest rates. As of 31 December 2016, the debt facilities subject to fixed interest rates represented approximately 54% of the Group's outstanding debt.

ASSOCIATED STRATEGIC PRIORITIES ☆ 📊 🛡

4.3 SUSTAINING AND EXPANSION CAPITAL INVESTMENT

Change from 2015 →

POSSIBLE IMPACT

The Company's facilities require continual sustaining capital expenditure to maintain productive efficiency. 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 invested over US$2 billion into its operations since its IPO in 2007. This has included modernisation of existing equipment.
- The Group has established strict procedures to control, monitor and manage capital expenditure which is regularly reviewed by the Investment and Executive Committee and the Board.

ASSOCIATED STRATEGIC PRIORITIES ☆ 📊 🛡

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

Position Optimise Discipline

Denotes a risk that the Board considers more likely to impact the viability statement.

4.4 MINING LICENCES AND GOVERNMENT APPROVALS FOR EXPANSION

Change from 2015 →

POSSIBLE IMPACT

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

The mining licences for the Gorishne-Plavninskoye and Lavrikovskoye deposit, exploited by FPM, expires in July 2017. Ferrexpo expects that this licence will be renewed as a matter of due course.

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.
- Ferrexpo 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

VIABILITY STATEMENT

The Board monitors the Group's risk management and internal control systems on an ongoing basis, and confirms that during the year it carried out a thorough assessment of the principal risks facing the Group, their potential impact and the mitigating strategies in place as described on pages 26 to 35. The principal risks include those that would threaten the Group's 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 long-term nature of mining assets, including the period required to invest in such assets and taking into account the cash flows generated by those assets, as well as the cyclical nature of the commodities industry. As such a five-year time period was considered an appropriate length for the Board's strategic planning period.

In determining the viability of the business, the Directors have stress tested which individual risks and combination of risks could materially impact the future viability of the business. This includes commodity price changes, production and logistics stoppages, incidents impacting the Group's ability to maintain a social licence to operate, political and legal changes and exchange rate movements. The Group is exposed to commodity price changes through the price it receives for its iron ore pellets (which is influenced by the iron ore fines price and the pellet premium) as well as to its cost base which is exposed to energy prices amongst others.

Ferrexpo has considered various scenarios including severe situations outside the normal course of business, including a breakdown in the linkage between the movements of the iron ore price with other commodity prices, notably the oil price.

The viability of the Group under these scenarios remains sound, principally due to Ferrexpo's competitive position on the iron ore cost curve, its high quality product offering and the Group's experience of managing adverse situations in the past. Management actions to address a severe situation include adjusting capital allocation, accessing additional funding and altering mining schedules, if necessary.

CONCLUSION

Having taken into account the current position and the known principal risks currently facing Ferrexpo, the Directors have a reasonable expectation that for the five-year period of its assessment the Group will continue in operation and meet its liabilities as they fall due.

A RESPONSIBLE BUSINESS

VIKTOR LOTOUS
CHAIRMAN, CORPORATE SOCIAL
RESPONSIBILITY COMMITTEE

Ferrexpo strongly believes that acting in a responsible manner benefits the communities and countries in which it operates and ensures the long-term sustainability of its business model. While a summary of Ferrexpo's approach to responsible business is provided in this report, the Group's 2016 Responsible Business Report will provide a more detailed account. This report will be released in 2Q 2017.

FOR MORE INFORMATION SEE OUR RESPONSIBLE BUSINESS REPORT ON WWW.FERREXPO.COM

In April 2017 Ferrexpo Poltava Mining will celebrate 40 years of successfully producing pellets. This achievement would not have been possible without the support of Ferrexpo's employees, local communities and government. Throughout this time the Group has had no major labour actions or production stoppages. Ferrexpo's ability to create a competitive, world class operating asset has ensured consistent demand for its product, enabling the Group to be a stable and reliable employer as well as a dependable tax payer to the government.

As a result, Ferrexpo is the largest exporter of iron ore pellets in Ukraine and proudly provides a premium raw material to the best steel mills in the world. The Group employs over 10,000 staff and contractors in the Poltava region of the country and always aims to improve local living standards and ensure responsible management of the natural environment.

The Group's approach to responsible business encompasses the following priorities:

- a strong health and safety track record;
- a positive, significant economic contribution;
- a supportive community that attracts and retains employees; and
- minimised environmental impact.

Ferrexpo aims to be a role model for companies with assets in Ukraine, including attracting international investors and capital, setting the standards for mining performance and operating efficiencies and remaining a good corporate citizen. In 2016, Ferrexpo published its first standalone Responsible Business Report with respect to activities in 2015. Ferrexpo intends to further develop its responsible business understanding and reporting mechanisms to best in class levels.

I am pleased with what we have accomplished so far and look forward to continuing to create and share value with all associated with Ferrexpo.

A RESPONSIBLE BUSINESS CONTINUED

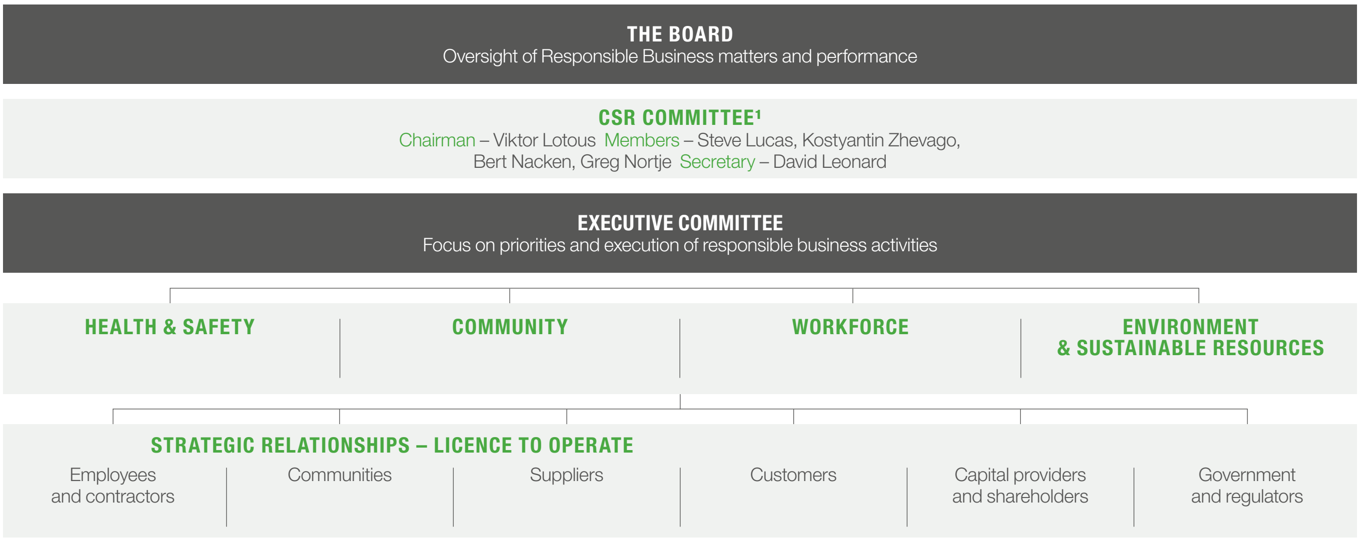
GOVERNANCE AND MANAGEMENT FRAMEWORK

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

The CSR Committee, which is accountable for the areas covered by the Responsible Business Report, met four times in 2016, and assists the Board in its oversight of all responsible business related activities.

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

GOVERNANCE STRUCTURE



THE BOARD
Oversight of Responsible Business matters and performance

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

EXECUTIVE COMMITTEE
Focus on priorities and execution of responsible business activities

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

STRATEGIC RELATIONSHIPS – LICENCE TO OPERATE
Employees and contractors | Communities | Suppliers | Customers | Capital providers and shareholders | Government and regulators

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[1] Viktor Lotous – FPM Chief Operating Officer and Head of Managing Board; Steve Lucas – Ferrexpo PLC Non-executive Chairman; Bert Nacken – independent Non-executive Director; Greg Nortje – Group Head of Human Resources; Kostyantin Zhevago – CEO

OUR APPROACH TO RESPONSIBLE BUSINESS

COMMUNITY
Economic development
Future generations

ENVIRONMENT
Biodiversity
Natural habitat
Risk

WORKFORCE
Diversity
Human rights
Training

HEALTH & SAFETY
Working conditions
Occupational illness
Risk management
Zero harm

STAKEHOLDERS
Government, investors, suppliers, workforce, communities, customers, capital providers

ENGAGING OUR STAKEHOLDERS

ASSESSING KEY ISSUES

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

INCREASING CONCERN TO STAKEHOLDERS

– 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

OUR RESPONSIBLE BUSINESS PRIORITIES

Our people

Safety
Occupational health
Diversity
Local hiring
Training and development
Employment and turnover
Contracts and collective bargaining

Community

Community support donations
Government relations
Resettlement and closure plans

Economic indicators and business ethics

Financial performance
Local investment (including purchasing) and recruitment
Direct value generated:
- Wages
- Pensions

Code of conduct
Responsible purchasing

Environment

Energy
Water
Greenhouse gases
Other air emissions
Land use and rehabilitation

A RESPONSIBLE BUSINESS CONTINUED

PEOPLE

Attracting and retaining a skilled and diverse workforce is central to Ferrexpo's success. By keeping people engaged, safe, and motivated, the Group maximises the ways in which it can generate value for its stakeholders.

HEALTH AND SAFETY

Ferrexpo remains committed to ensuring each member of its workforce returns home safely at the end of their shift. This is achieved through the following activities:

- education of health and safety risks;
- provision of health and safety related equipment and procedures;
- prompt reporting of any safety incidents to ensure that lessons are learnt;
- rewarding improved safety through key performance objectives; and
- monitoring to ensure long-term health of workforce.

Health and safety performance is reported to the Board of Directors, CSR Committee and Executive Committee, with recommendations made when a safety incident is recorded.

Expenditure on safety training per employee was increased by 16% in 2016, and over 15,000 behavioural safety audits were carried out. Despite this, it is with deep regret that we report that two fatalities occurred during the reporting period.

In February 2016, a light vehicle being driven in the FPM pit by a security contractor overturned, and the driver suffered fatal injuries. The Group is now in the process of ensuring all contractor security vehicles have improved safety features.

In October 2016, a contractor was overcome by fumes while cleaning the interior of a fuel storage tank. An internal investigation found the individual involved did not follow the safety procedures in place for such activities and did not use the safety equipment provided. Further training is being given to operators involved in this activity.

The injury frequency rate, referred to as the Lost Time Injury Frequency Rate, increased to 1.17 in 2016 from 0.96 in 2015, but generally remains below peer companies. The primary causal factor of incidents during the reporting period was a failure to comply with existing safety procedures, and/or failure to utilise safety equipment provided by the Company. To improve performance, the focus in 2017 is to ensure operators and supervisors adopt a safety-first approach, with expenditures on safety training set to increase further.

TRAINING AND DEVELOPMENT

Training in skills, safety and other functional areas continued in 2016, with the Company committed to developing the careers of its workforce. The average training programme includes over 30 hours of learning and the equivalent of 71% of the total number of Group employees attended at least one training course during the year.

KPIs

GOAL	PERFORMANCE	
To operate fatality-free	Two fatalities in 2016	↓
Maintain an injury frequency rate below peers.	LTIFR of 1.17 is below the average of the peer group, which we calculate to be 3.88, and includes iron ore miners based in Canada, Brazil, Sweden and USA, but it is an increase compared to 2015, reflecting an increase in incidents from 19 to 22	→

NUMBER OF EMPLOYEES

In 2016, the Group employed on average 9,182 staff (2015: 9,625) and 1,320 contractors (2015: 1,927). The number of employees and contractors declined by 1,050 over the course of 2016 (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. The table below shows that approximately 28% of the Group's total current workforce are female which is in line with 2015. Overall 21% of all Ferrexpo's managers are women, in line with 2015.

	Female	Male	Total
Total employees	2,554	6,556	9,110
%	28%	72%	100%
Of which			
Directors of Ferrexpo PLC	1	7	8
EXCO members	0	8	8
Management	218	826	1,044

+16%

INCREASE IN EXPENDITURE ON SAFETY TRAINING PER EMPLOYEE

206

GRADUATE TRAINEES AND APPRENTICES

ENVIRONMENT

A key priority for the Group is the standardisation and development of a unified environmental policy aimed at increasing production output and efficiency while reducing the impact on the environment by adopting new processes and technology.

REDUCING ENVIRONMENTAL IMPACT

As the Company further develops and modernises its operations, a key target is to reduce its environmental footprint through a number of initiatives such as introducing renewable energy sources, improving energy and CO_2 intensity ratios, and studying biodiversity.

Covering over 5,000 hectares, with mining operations that move over 100 million tonnes of material annually and processing over 30 million tonnes, Ferrexpo's activities have the potential to materially impact air quality, water quality, biodiversity and local communities where it operates. Ferrexpo therefore closely monitors a wide range of these factors at its operations, to ensure compliance with local laws and to limit environmental impacts, with the aim of showing year-on-year progress in each area.

CO_2 EMISSIONS

Ferrexpo monitors its usage of hydrocarbons and tracks its carbon dioxide ("CO_2") as a source of greenhouse gas emissions. CO_2 sources range from diesel used for fuelling haul trucks in the Group's mines, to natural gas used to harden soft pellets into a final pellet product. Sources are categorised according to whether Ferrexpo is in direct control of the gas being produced (e.g. fuel consumption on site), or whether Ferrexpo is indirectly responsible for emissions (e.g. electricity purchased from the Ukrainian national grid). Additional sources of CO_2 included explosives and lubricants.

The table below shows the Group's CO_2 intensity ratio was 0.232 emissions per tonne in 2016 compared to 0.229 emissions per tonne in 2015. While actual emissions of CO_2 reduced by 3% during the year, the intensity ratio was impacted by a 4% decline in production.

Emissions in tonnes	**2016**	2015	% change
CO_2 emissions	**2,599,838**	2,675,215	-3%
direct	**550,591**	625,190	-12%
indirect	**2,049,274**	2,050,025	-0.04%
Pellets produced (kt)	**11,200**	11,662	-4%
Intensity ratio	**0.232**	0.229	+1%

Note: 2015 emissions data has been reduced by 53,098 tonnes and the intensity ratio reduced accordingly. This was due to an incorrect factor applied to the conversion of natural gas from cubic metres into tonnes.

Emissions from direct sources, which are predominantly from fossil fuels, fell by 12% during 2016 through a reduction in the use of natural gas and diesel during the year. This was achieved through the partial substitution of natural gas with sunflower husks in the pelletiser, and reduced stripping volumes at FYM, resulting in an overall reduction in diesel consumption by 5%.

KPIs

GOAL	PERFORMANCE	
Reduce direct and indirect CO_2 emissions	CO_2 emissions fell 3%	↑
Increase percentage renewable energy usage in fuel mix	Biofuels now account for 6% of total energy mix	↑
Reduce carbon footprint	Total CO_2 emissions in line with 2015 (-0.4%)	→

The Group's CO_2 emissions are calculated using figures provided by the Company's operations in Ukraine and barging subsidiary on the River Danube, covering the usage of natural gas, diesel, gas oil, coal, explosives, lubricants and biofuels. Indirect sources of CO_2 are also included, such as the consumption of electricity and steam, both of which are purchased from the Ukrainian national grid. Consumption figures are converted to CO_2 using a number of conversion factors provided by the following sources:

- Hydrocarbons – (1) US Energy Information Agency and (2) Carbon Trust
- Purchased Electricity and Steam – European Bank for Reconstruction and Development (Development of the electricity carbon emission factors for Ukraine – Baseline Study for Ukraine, Final Report 14 October 2010)
- Explosives – Australian Department of Climate Change, National Greenhouse Accounts (NGA) Factors (2008)
- Kyoto/Montreal Protocol Blends – UK Government & Royal Society
- Biofuels – ISCC 205 GHG Emissions Calculation Methodology and GHG Audit

The ongoing project to utilise sunflower husks, a form of biofuel, in the Company's pelletiser meant that biogenic CO_2 emissions rose to 73,352 tonnes in 2016 (2015: 7,382 tonnes). Replacing non-renewable energy sources with biofuels has several advantages, such as a lower reliance on fossil fuels, a more environmentally friendly energy mix, and lower costs. Natural gas historically represented approximately 15% of the Company's C1 cost; the usage of biofuels has helped reduce the Group's natural gas cost to approximately 12% of the C1 cash cost.

A RESPONSIBLE BUSINESS CONTINUED

ECONOMIC INDICATORS AND BUSINESS ETHICS

In 2016 steel related exports represented 17% of total exports from Ukraine. Ferrexpo was the largest exporter of iron ore products representing 2% of total exports.

UKRAINIAN ECONOMY

The Group has been a consistent employer, investor and tax payer to the Ukrainian economy through commodities cycles and periods of political instability. Ferrexpo is the largest employer in Horishni Plavni and operates within the local community at a range of levels, not just as the main employer, but also by providing support to schools, hospitals, the elderly and the vulnerable. Since listing on the London Stock Exchange in 2007, Ferrexpo has made charitable donations of over US$150 million, paid over US$630 million in taxes and royalties to the government and reinvested more than US$2 billion of its profit back into its operations, representing over half of its profits generated during this time. The Company is also a major customer of state run infrastructure; for example in 2016, Ferrexpo was the largest customer of the Ukrainian rail network for exported goods.

BUSINESS ETHICS

In 2016, Ferrexpo updated its code of conduct which re-enforces the high level of expectation the Company has for the behaviour of its employees and contractors in doing business. Ferrexpo is committed to following the laws and regulations of every country in which it operates. The code covers issues such as confidentiality, internal policies such as equality and diversity, human rights, fraud and corrupt practices, and conflicts of interest.

+US$630M

PAID IN TAXES AND ROYALTIES SINCE LISTING

30%

EMPLOYING EQUIVALENT OF 30% OF WORKING AGE PEOPLE IN LOCAL COMMUNITY

KPIs

GOAL	PERFORMANCE	
Continue to support the economy in Horishni Plavni	Spending on goods and services from Horishni Plavni maintained at approximately 10% of total	→
Educate workforce in code of conduct and best practice business principals	Training in code of conduct and anti-bribery commenced in 2016, with over 1,000 employees taking courses in initial phase	↑

TRAINING IN BUSINESS ETHICS

Training modules in both the code of conduct and preventing bribery were introduced in 2016. Since initiation, of the 1,050 individuals invited to undertake training modules in the Company's code of conduct and preventing bribery, a total of 74% had completed courses by 31 December 2016, with this figure continuing to increase as additional departments are invited to participate in 2017. It is the Company's intention for all employees to complete both training modules.

COMMUNITY

Ferrexpo believes that strong, well supported local communities are key to successful and sustainable operations.

BUILDING STRONG COMMUNITIES

Ukraine is currently rebuilding its economy following recent troubles and Ferrexpo supports communities throughout Ukraine where it can, in health, education and other related projects. In 2016, Ferrexpo invested US$28 million or 2.8% of total Group revenue on such projects (2015: US$26 million). Of this amount, approximately 90% related to activities at a national, regional and local level through the charity organisation Blooming Land. Blooming Land performs the majority of its activities through three charities; “Ukraine – Healthy Country (Diabetes A to Z)”, “Healthy Sight (To See It All)” and “Institute of Social Programmes (Happy Old Age)”.

FERREXPO’S COMMUNITY PROJECTS

In addition to the funds allocated to Blooming Land, Ferrexpo finances local community projects within 25 kilometres of the operations through FPM’s charity fund. These projects are identified and prioritised by dedicated committees which are best placed to understand the needs of the local communities adjacent to each business unit. Where possible, existing successful projects were sustained to provide continuity and a consistent approach. Project expenditure relating to these activities in 2016 was allocated as follows: medical care 59%, infrastructure 22%, financial support to the vulnerable 15%, education 1% and sport 3%.

2.8%

OF GROUP REVENUE INVESTED IN COMMUNITY PROJECTS IN 2016

86%

OF NEW HIRES FROM LOCAL COMMUNITIES IN 2016

KPIs

GOAL	PERFORMANCE
Contribute to the development, education and skills of the local population	6,489 employees undertook training in 2016, equivalent to 71% of workforce →
Provide targeted assistance to community projects	Continued to support community projects →

HELPING HANDS PROJECT

Together with German charity organisations, during 2016 Ferrexpo arranged for delivery of aid and supplies to hospitals and kindergartens in the area local to Ferrexpo’s operations. This partnership comprised two deliveries of medical equipment, furniture, wheelchairs and children’s toys, which were kindly provided by German charities and were delivered to Ukraine with logistical assistance from Ferrexpo. Specific examples of aid provided include a ventilation machine for the emergency room in Horishni Plavni’s municipal hospital, as well as 15 boxes of toys for children in the Solnyshko kindergarten in the village of Dmitrovka, located three kilometres to the west of the Company’s Yeristovo mine.

BOARD OF DIRECTORS

STEVE LUCAS
NON-EXECUTIVE CHAIRMAN
(SINCE 28 NOVEMBER 2016)

DATE OF APPOINTMENT

19 May 2016

OTHER APPOINTMENTS

Non-executive director, Tullow Oil PLC since 2012 and Acacia Mining PLC since 2013.

BACKGROUND AND EXPERIENCE

Steve Lucas is a Chartered Accountant with long and wide-ranging financial experience as an executive and non-executive director in the energy and extractive industries.

- Non-executive director, Essar Energy PLC, 2012–2014
- Finance director, National Grid PLC, 2002–2010
- BG Group, 1994–2000, latterly as group treasurer
- Shell International Petroleum Co, 1983–1994, in various senior financial roles.

Chartered Accountant.

COMMITTEE MEMBERSHIP

He is Chairman of Nominations Committee and a member of the CSR Committee.

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 a member of the Nominations, Audit and Remuneration Committees.

SIR MALCOLM FIELD
INDEPENDENT
NON-EXECUTIVE DIRECTOR

DATE OF APPOINTMENT

10 March 2016

OTHER APPOINTMENTS

None.

BACKGROUND AND EXPERIENCE

Sir Malcolm Field has extensive executive and non-executive experience in organisations including WH Smith, MEPC, The Civil Aviation Authority, HMSO and Odgers Berndtson.

- Non-executive director, Hochschild Mining PLC, 2006–2016
- Non-executive director, Petropavlovsk PLC, 2003–2015.

COMMITTEE MEMBERSHIP

None.

VITALII LISOVENKO
INDEPENDENT
NON-EXECUTIVE DIRECTOR

DATE OF APPOINTMENT

28 November 2016

OTHER APPOINTMENTS

Non-executive advisor to the Minister of Finance of Ukraine, having previously served as an executive counsellor to the Minister of Finance.

Associate Professor of Finance at the Kyiv State Economic University since 2010.

Non-executive Director, Black Sea Trade and Development Bank (Greece) since 2014.

BACKGROUND AND EXPERIENCE

Vitalii Lisovenko has spent most of the past 20 years involved in government finance, developing particular expertise in debt negotiation. He has also worked in the private sector, on the executive boards of Ukreximbank (Ukraine) (2006-2010) and Alfa Bank Ukraine (2010-2014), and was also a Non-executive Director of Amsterdam Trade Bank (2013-2014). In 2005 he served as the head of the Trade and Economic Mission at the Ukrainian Embassy in London.

PhD in Economics, Kyiv State Economic University.

COMMITTEE MEMBERSHIP

He is a member of the Audit and Remuneration 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.

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 the Chairman of the Remuneration Committee and a member of the Audit 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; Non-executive Director of Cape PLC; 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 is the Chairman of the Audit Committee and a member 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
GROUP CHIEF FINANCIAL OFFICER

See previous page 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
CHAIRMAN'S INTRODUCTION

STEVE LUCAS
CHAIRMAN

Dear Shareholder,

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

The Board remains committed to maintaining good corporate governance practices throughout the Ferrexpo Group. The structure, policies and procedures we have adopted, which are described in this report, the Directors' Report and the reports of the various Committees, reflect this commitment, but we recognise the need to keep them under review and to make changes where necessary to ensure that standards are maintained. The Board 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.

During the year the Board continued to focus attention on Non-executive Director appointments and refreshment of the composition of Board Committees, and the various changes are set out below and in my Statement on page 2, which also mentions the work of the Bank F&C review sub-committee and its recommendations on governance, which the Committee of Independent Directors has begun to follow up.

Information on Board succession is set out below in the Nominations Committee Report. 2016 saw several departures and arrivals, and we expect the rate of turnover to fall back again this year. While accepting the principle set out in the Corporate Governance Code that Independent Non-executive Directors should generally serve for a maximum of 9 years, the Board believes that an experienced Director of independent character and views does not necessarily cease to be independent as soon as this period expires and that it can be in a company's best interests for that person to continue to serve for a short time, especially when (as is the case with Ferrexpo) the 9 years in question are those following the IPO when the company is following a steep learning curve and continuity on the Board is especially valuable.

STEVE LUCAS
CHAIRMAN

Statement of Compliance
(In Accordance with Listing Rule 9.8.6R)
During the year to 31 December 2016 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:
- Provision D.1.1 of the Governance Code which requires that performance-related remuneration schemes should include malus and clawback provisions. As stated in the Remuneration Report on page 61, such provisions will be applied in future, subject to approval of the revised Remuneration Policy at the 2017 AGM.
- Provision B.6.2 of the Governance Code which requires Board evaluation to be externally-facilitated a least every three years. An explanation for this non-compliance is set out in this report under "Performance Evaluation" on page 52.

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.

CORPORATE GOVERNANCE REPORT CONTINUED

LEADERSHIP

Governance Structure

SHAREHOLDERS

THE BOARD

AUDIT COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE	COMMITTEE OF INDEPENDENT DIRECTORS (CID)	CORPORATE SAFETY AND SOCIAL RESPONSIBILITY COMMITTEE	CHIEF EXECUTIVE OFFICER AND EXECUTIVE COMMITTEE[1]
Responsibilities include: – Monitoring integrity of financial statements; – Reviewing internal control and risk management systems; – Relationship with external auditor.	Responsible for reviewing and approving all aspects of remuneration for Executive Directors and members of the Executive 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.	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.	Responsible for formulating and monitoring the implementation of the Group's policy on CSR issues as they affect operations.	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.
More info: Audit Committee Report page 55	More info: Directors' Remuneration Report on pages 61 to 76	More info: Nominations Committee Report on page 53	See page 49	More info: CSR section on pages 37 to 43	See page 49

[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 Committee of Independent Directors ("CID"), monitoring and authorising related party transactions.

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

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

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 Strategic Report on page 38, and the role of the Remuneration Committee in the Remuneration Report on page 61.

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 Lucas's other current responsibilities are set out in the biographical notes on page 44. 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 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" below under 'Effectiveness')) 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 five 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 Oliver Baring is independent in character and judgement, notwithstanding the fact that he joined the Board in December 2007 and has now served for more than 9 years; however, a successor to him is being actively sought.

Composition of the Board and Committees as at date of this report is illustrated in the table below:

Board members	Role	Audit	Remuneration	Nominations	CID	CSR[1]
S Lucas	Non-executive Chairman			●●	●	●
K Zhevago	Chief Executive Officer					●
C Mawe	Chief Financial Officer					
O Baring	Senior Independent Non-executive Director	●	●	●	●●	
Sir M Field	Independent Non-executive Director				●	
V Lisovenko	Independent Non-executive Director	●	●		●	
B Nacken	Independent Non-executive Director	●	●●		●	●
M Reilly	Independent Non-executive Director	●●	●		●	

[1] CSR Committee also includes some members of senior management; see Strategic Report on page 38.
● Committee member.
●● Committee Chairman.

Biographical details of the Directors at the date of this report are set out on pages 44 and 45.

CORPORATE GOVERNANCE REPORT CONTINUED

Board Activity in 2016

Five scheduled Board meetings were held in 2016, 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, cash flow position, and funding update;
- Bank F&C review update report;
- Related Party matters (including Directors' interests/conflicts);
- Investor Relations report (including shareholder feedback);
- Strategy, Business Plan and budget;
- formal risk review;
- CSR matters, including health and safety and community spending; 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 2016 included capital projects and bank debt negotiations.

The Board visited the Group's operations in Horishni Plavni (formerly known as Komsomolsk) between 28 and 30 September 2016. During that time the Board inspected various parts of the operations and community projects in the local area, 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 held a total of 14 conference calls in the early part of the year in order to monitor cash flow and the situation around the insolvency of Bank F&C.

The Board usually met for dinner on the evening immediately prior to a scheduled Board meeting. The dinners provided 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 November, the Board reviewed the independence of Oliver Baring shortly before he completed 9 years' service on the Board, and, while noting that a successor to him is due to be appointed in the next few months, agreed that he continued to be independent in character and judgement and that he should therefore continue to be deemed independent for the purposes of the UK Corporate 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, without unusual terms; others are referred to the CID. More generally, the CID keeps under review the independence of the Board and compliance with the Governance Code, as the Relationship Agreement requires.

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

- Ferrexpo has entered into a Relationship Agreement with its Controlling Shareholder, as required by LR 9.2.2A R (2)(a).
- Ferrexpo has complied with the independence provisions contained in the Relationship Agreement during 2016.
- So far as Ferrexpo is aware, the Controlling Shareholder and its associates have also complied with the independence provisions during 2016.
- 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 2016.

Conflicts of Interest

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

Training and Professional Development

The Chairman is responsible for agreeing training and development requirements with each Director to ensure they have the necessary skills and knowledge to continue to contribute effectively to the Board's discussions. All Directors receive updates given to the Board as a whole on changes and proposed changes in laws and regulations affecting the Group, as and when necessary. In addition, during 2017 it is planned to hold separate training sessions for the members of the Audit and Remuneration Committees on recent developments in regulation and recommended practice. Site visits are held for the whole Board annually, so as to ensure that all Directors are familiar with the Group's operations, and Directors may visit the operations of the Group independently to the extent to which they feel this is necessary. During the year, as in previous years, the Board spent two days visiting the site in Ukraine. In addition, training may be provided by the Group's advisers in respect of specific areas of interest to the Board, including general economic and market conditions, developments in Corporate Governance regulations and best practice and any other matters as agreed by the Chairman.

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

Induction

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

Following their appointments to the Board in 2016, Sir Malcolm Field and Steve Lucas received an induction briefing that took account of their previous experience and their specific responsibilities at Ferrexpo. Where relevant these inductions 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. Vitalii Lisovenko, who joined the Board at the end of the year, will be completing his induction in the early part of 2017.

Information Flow

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

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

CORPORATE GOVERNANCE REPORT CONTINUED

Time Commitment

Non-executive Directors would normally expect to spend at least two days a month, on average, on Ferrexpo's affairs, and in the case of the Senior Independent Director, the Committee Chairmen and in particular the Chairman of the Board, considerably more than that. All of the 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 2016 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 2017.

Board and Committee Attendance in 2016

	Board[1]						
Director	Scheduled	Ad Hoc[2]	Audit	Rem	Nom	CID	CSR
M Abrahams	5/5	14/14			2/2	6/6	4/4
K Zhevago	5/5	14/14					4/4
C Mawe	5/5	14/14					
O Baring	5/5	14/14	4/5	5/5	2/2	6/6	
Sir M Field	3/3	7/7				4/4	
D Frauman	2/2	7/7				1/2	
W Kuoni	5/5	14/14	3/3	3/3	2/2	3/3	
V Lisovenko							
S Lucas[3]	2/2	2/2	2/2	2/2		3/3	
I Mitiukov	5/5	11/14	3/3			3/3	
B Nacken	5/5	13/14	2/2	5/5		6/6	4/4
M Reilly	5/5	13/14	5/5	2/2		6/6	
M Salamon	2/3	8/12		3/3		2/3	

[1] Figures show number of meetings attended out of those the Director was eligible to attend; certain Directors joined or left the Board, and/or were no longer deemed to be independent owing to their length of service, during the year.

[2] Figures show regular updates held by conference call, mostly in the first half of the year, to monitor the Group's cash balances in the low iron ore price environment. Performance Evaluation.

[3] Steve Lucas is no longer a member of the Audit and Remuneration Committees since becoming Chairman of the Board in November 2016.

Performance Evaluation

The annual performance evaluation of the Board and its Committees was carried out internally in 2016 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 had intended to conduct an externally facilitated performance evaluation process during 2016-2017, but later decided in view of the number of changes to the Board during the year that it is preferable to postpone this until 2017-2018.

The 2015-2016 evaluation of the Board focused on its behaviour following the loss of funds held at Bank F&C; it was concluded that the Board had acted promptly and prudently in response to this event by initiating discussions with lenders and shareholders, and monitoring the cash situation and trading of Ferrexpo on a weekly basis. The conclusion of the 2015-2016 evaluation process was that the Board, its Committees, and each Director continued to function effectively during the year. The 2016-2017 evaluation will, however, take account of the Bank F&C review sub-committee's recommendations for improvements in corporate governance.

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

STEVE LUCAS
CHAIRMAN OF THE NOMINATIONS COMMITTEE

Nominations Committee Report

Dear Shareholder,

I succeeded Oliver Baring as Chairman of the Nominations Committee in July 2016 and am pleased to present the Nominations Committee Report for 2016.

The Committee met formally on two occasions during the year (both of them prior to my appointment to the Board). In addition to those meetings, members of the Committee were active in interviewing candidates for various Board roles and in recommending the appointment to the Board of Sir Malcolm Field, Vitalii Lisovenko and myself. The Committee is also involved in the search for a Non-executive Director to succeed Oliver Baring as the Senior Independent Director, and it is hoped that an appointment will be made during 2017. The Committee is currently composed of an independent Non-executive Director and the Chairman of the Board.

The Committee will focus in 2017 on achieving a more gradual process of Board succession than has been possible in the recent past.

STEVE LUCAS
CHAIRMAN OF THE NOMINATIONS COMMITTEE
21 March 2017

Membership and Meetings

The Nominations Committee is chaired by Steve Lucas and its other member is Oliver Baring; Michael Abrahams and Wolfram Kuoni also served on the Committee during 2016. The Nominations Committee meets at least once a year, as required by its terms of reference, and met formally on two occasions in 2016 besides holding periodic meetings with search agents and interviews with candidates.

Appointment Process and Succession Planning

The Committee is aware of the Governance Code recommendation that Non-executive membership of the Board should not extend beyond nine years in an independent capacity. The search for new Directors to replace the existing Directors as they gradually retire therefore continued during 2016 and led to the appointment of Steve Lucas and Vitalii Lisovenko as Non-executive Directors: Steve Lucas as Chairman designate (he took over from Michael Abrahams at the end of November) and Vitalii Lisovenko to succeed Ihor Mitiukov, also at the end of November. Additionally, in March 2016 the Committee recommended to the Board the appointment of Sir Malcolm Field, with the main purpose of chairing the sub-committee conducting a review of the Bank F&C matter described on page 4.

In the case of Steve Lucas, after consulting the Nominations Committee about the skills and experience required, the executive search consultants Odgers Berndtson (who have no other connection with the Company) 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 Steve Lucas as the preferred candidate, and he was interviewed by other members of the Board before being formally recommended to the shareholders for election at the AGM on 19 May 2016.

CORPORATE GOVERNANCE REPORT CONTINUED

In view of the circumstances surrounding the appointments of Sir Malcolm Field and Vitalii Lisovenko and the specific requirements of their roles, it was not possible to produce a long list of candidates, but Odgers interviewed both candidates, and the appointment process was in other respects the same as for Steve Lucas.

Succession Planning

Succession planning continues to be considered by the Committee and the Board, in particular in respect of the search for a successor to Oliver Baring as the Senior Independent Director.

Re-election

In accordance with the provisions of the Governance Code, it is expected that all Directors (with the exception of Sir Malcolm Field who will leave the Board at the conclusion of the AGM) will stand for re-election by shareholders at the Company's 2017 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 will continue to ensure that gender and other 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 2016.

During the year, the Audit Committee met 5 times and reviewed the Annual Report and associated preliminary year end results and the interim results, focusing on key areas of judgement and complexity and accounting policies. Our Viability Statement is set out in the Strategic Report on page 36.

In addition to its scheduled meetings the Committee conducted a tender process for new auditors, in accordance with the relevant requirements, which culminated towards the end of the year in a recommendation that Deloitte LLP should be appointed as auditors for the 2017 financial year, subject to shareholder approval at the 2017 Annual General Meeting.

The internal control and risk management procedures at Ferrexpo are set out later in this report and the main risks themselves are on page 28 of the Strategic Report. Throughout the year, the Committee has robustly assessed the principal risks facing the business.

The significant issues and judgements considered by the Committee in respect of the 2016 Annual Report are set out below. These include the matters relating to risks disclosed in the external auditor's report and also include the utilisation of lean ore inventory and taxation risks in Ukraine. 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 100 to 102 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.

Finally, the Committee reviewed the application of the new EU regulations that came into force in the summer of 2016 relating to the appointment of external auditors, particularly in respect of the provision of non-audit services (see under activities for November 2016 on page 57).

CORPORATE GOVERNANCE REPORT CONTINUED

Following an internal effectiveness review, we remain satisfied with the performance, independence and objectivity of Ernst & Young LLP, our current external auditor; however, as a consequence of the tender for the external audit for the year ending December 2017 conducted in compliance with the new EU regulations, we have recommended that the Board should propose Deloitte LLP for appointment by the shareholders at the 2017 AGM. We are very grateful to Ernst & Young for their assistance and advice over the 10 years since Ferrexpo's IPO.

MARY REILLY
CHAIRMAN OF THE AUDIT COMMITTEE
21 March 2017

Membership and Meetings

The Audit Committee currently comprises four independent Non-executive Directors, Mary Reilly (Chairman of the Committee), Oliver Baring, Vitalii Lisovenko and Bert Nacken. Wolfram Kuoni and Ihor Mitiukov also served on the Committee earlier in the year. All members of the Audit Committee (and especially Bert Nacken with his long experience of the mining industry) are considered to possess appropriate knowledge and skills relevant to the activities of the Group, and Mary Reilly is considered to have recent and relevant financial experience, including of accounts and auditing, due to her career as an audit partner with Deloitte LLP, and her experience as a member of the audit committees of other companies. The Audit Committee met on five occasions during 2016. Four of these were scheduled meetings, and one was an ad-hoc meeting convened to consider the draft Viability Statement for 2015 (see "Activity during 2016" below). The attendance record of the Committee members is shown in the table on page 52.

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 2016

Key activities of the Audit Committee during 2016 are set out below.

Date	Matters discussed
March (ad hoc)	– Reviewed and approved, with input from Ernst & Young the external auditors, the Viability Statement for inclusion in the 2015 Annual Report
March (scheduled)	– Reviewed the Annual Report and financial statements for the year ended 31 December 2015 (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 and matter of material uncertainty – Reviewed Ernst & Young's report on the 2015 financial statements and the management representation letter – Review of risk register – Review of community support donations
May (scheduled)	– 2015 year end-review (including review of external audit process and Ernst & Young management letter) – Annual assessment of performance of auditors – Review of procedure and timetable for audit tender – Review of risk register – Review of community support donations – Internal audit update, including review of performance against plan

Date	Matters discussed
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 – Review of community support donations – Regulatory developments (including consideration of requirements for viability statement and reporting on payments to governments)
November (scheduled)	– 2016 year-end planning – Review of Ernst & Young planning report – Consideration of process to support Viability Statement – Internal audit update – Progress against internal audit plan for 2016, and approval of 2017 internal audit plan – Report on whistleblowing cases during 2016 – Review of risk register – Review of community support donations – Audit Committee performance evaluation: as a result of this a need for more frequent training and briefing on developments in regulation and practice was identified, and this will be addressed in 2017. – Recommendation to Board of amendments to Audit Committee terms of reference and procedures in the light of new EU rules on non-audit services
December (ad hoc)	Audit tender interviews

The significant issues and judgements considered by the Committee in respect of the 2016 Annual Report are set out below. These include the matters relating to risks disclosed in the external auditors' report.

Issues	Judgements/actions taken
Impact on the Going Concern Assessment and Viability Statement of changes in the iron ore price	Going Concern was reviewed formally several times during the period. The Viability Statement covers a 5-year period; 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 36).
The insolvency of Bank F&C, its accounting treatment and disclosure	The Committee has carefully monitored the situation regarding the legal claims of Group subsidiaries as described in Note 35 to the Financial Statements.
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 scrutiny by the Board. The donations policy is stated in broad terms in the Code of Conduct (available on the Ferrexpo web site).

Internal Control and Risk Management

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

The day-to-day responsibility for managing risk and the maintenance of the Group's system of internal control is collectively assumed by the Executive Committee. Key risk and control issues are reviewed regularly by the Executive Committee, Finance & Risk Management Committee ("FRMC"), CSR Committee and Audit Committee. On behalf of the Board, the Executive Committee and FRMC have established a process for identifying, evaluating and managing the significant risks faced by the Group. This process was followed throughout 2016 and up to the date of approval of this Annual Report. The Group has also adopted a risk-based approach in establishing the Group's system of internal control and in reviewing its effectiveness. To assist in managing key internal risks, it has established a number of Group-wide procedures, policies and standards and has set up a framework for reporting matters of significance.

Controls over Community Support Donations

In 2016 Ferrexpo continued to support communities on a local, regional and national basis (see "A Responsible Business" section of the Strategic Report on page 43 and Note 11 to the financial statements on page 107). Community support activities take place exclusively in Ukraine, and donations are made within a Board-approved framework agreed annually at the time of setting the budget; they are subject to the internal control and approval limits applicable within the individual subsidiaries of the Group, which are set by the Board.

CORPORATE GOVERNANCE REPORT CONTINUED

Controls include:
- Annual expenditure approved at the time of the budget based on recommendations from the Executive Committee
- Subsequent approval of expenditure on a monthly basis by the Board prior to disbursement
- Approval at local level via the relevant management board
- Confirmation of application of funds for relevant community support purposes for each payment, typically US$500,000
- Confirmation of compliance with relevant local and UK legislation
- Receipt and consideration of agreed-upon procedure reports in respect of the activities of the relevant community support funds by an independent firm of Ukrainian auditors

The Group's compliance committee is tasked with ensuring compliance with relevant local and UK legislation and carries out third-party checks on the fund's directors and, as far as possible, individual project managers.

During 2016 the Board received reports from the executive management and the funds concerning their activity, and two of the Directors attended an event taking place at the time of the annual Board site visit.

During 2016 the Board has exercised close oversight to ensure that community support funds are applied as directed. The controls in place have developed following the increase in the need for community support donations due to the political upheaval of three years ago, and the Board is confident that the controls in place are sufficient.

The Board will continue to exercise close oversight of all community support donations and will, if necessary, further enhance controls during 2017.

Key elements of the internal control and risk management system include:
- Regular review of risk and identification of key risks at the Executive Committee which are reviewed by the Audit Committee and by the Board.
- The Executive Compliance Committee ("ECC"), an executive sub-committee which meets regularly (five times in 2016) 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 as required in order to consider and approve capital expenditures within limits delegated, by the Executive Committee and the Board.
- A budgetary process and authorisation levels to regulate capital expenditure. For expenditure beyond specified levels, detailed written proposals are submitted to the Investment and Executive Committees and then if necessary to the Board for approval.
- The Finance & Risk Management Committee ("FRMC") (an executive sub-committee) reviews financial information and management accounts, and meets regularly.
- Clearly defined treasury policy (details of which are given in Note 31 to the financial statements on pages 130-138) 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 continued to keep the situation under 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 130-138. See also the Principal Risks section of the Strategic Report on pages 28 to 35.

Internal Audit

There is an internal audit function with a Group-wide remit, and the Head of Internal Audit, who has mining and international experience, reports directly to the Chairman of the Audit Committee and the CFO.

An internal audit programme for 2016, approved by the Audit Committee, focused on staff recruitment and promotion; the investment process at FPM; inventory management at FYM; and fuel and inventory management, and repair and maintenance, at DDSG; these 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 almost every 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 2016 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 2017 was approved by the Audit Committee in November 2016.

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 2015 year end, the Committee also took note of the information regarding quality assurance processes contained in Ernst & Young's 2016 report to the Committee on independence, and the outcome of the FRC's Audit Quality Inspection of the firm, published in May 2016. 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

In the light of recent developments in EU regulation, in November 2016 the Audit Committee approved amended policies in respect of the provision of non-audit services and the employment of former employees of the auditors. These policies ensure that the external auditors are restricted to providing only those services which do not compromise their independence under the new guidance. The policy on the provision of non-audit services prohibits the use of the auditors for the provision of transaction or payroll accounting, outsourcing of internal audit and valuation of material financial statement amounts. Any assignment that is proposed to be given to the auditors above a value of US$20,000 must first be approved by the Audit Committee or its Chairman (who are routinely notified of all non-audit services).

Fees for audit-related and non-audit-related services performed by the external auditors during 2016 are shown in Note 9 to the financial statements on page 107.

Audit Tender

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 entered force in 2016, the Company was required to put the external audit contract out to competitive tender for the audit of the 2017 accounts. In the second half of 2016 six firms that appeared to have appropriate mining industry experience and familiarity with the region were invited to tender for the audit, of which three, including the incumbent auditors, were subsequently interviewed by the Committee. Deloitte LLP were ultimately recommended for appointment.

Financial Reporting

The Board has asked the Committee to advise whether it considers the 2016 Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. In providing its advice, the Committee noted that the factual content of the Annual Report and Accounts has been carefully checked internally, and that the document has been reviewed by senior management in order to ensure consistency and overall balance. The Committee has also conducted its own detailed review of the disclosures in the Annual Report and Accounts taking into account its own knowledge of Ferrexpo's strategy and performance, the consistency between different sections of the report, the accessibility of the structure and narrative of the report, and the use of key-performance indicators. The Committee is satisfied that, taken as a whole, the Annual Report and Accounts is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy and has advised the Board accordingly.

The Committee has also advised the Board on the process which has been undertaken in the year to support the longer-term viability statement required under the Governance Code. The viability statement is set out in the Strategic Report on page 36 and a statement setting out the Board's assessment of the Company as a going concern is contained in the Directors' Report on page 81.

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.

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 Sir Malcolm Field and Steve Lucas met representatives of CERCL Holdings Limited (which was at the time a significant shareholder) following their appointment as Non-executive Directors during 2016. 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 21 March 2017.

STEVE LUCAS
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 2016, and the first following my appointment as Remuneration Committee Chairman following Mike Salamon's retirement from the Board in May 2016. I would like to thank Mike 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 last approved by shareholders at the 2014 AGM and is accordingly subject to shareholder approval again at the 2017 AGM. The changes to the policy that we are proposing this year are set out on the next page and are relatively minor, reflecting changes to the UK Corporate Governance Code (the introduction of malus and clawback provisions) and developments in market best practice. We have consulted our largest institutional shareholders over these proposals, and their responses give us confidence that the amended policy will meet with the approval of the great majority of shareholders.

The second part of the report (Part B) reviews how the Company's remuneration policy was implemented in 2016, and will be subject to an advisory vote at the forthcoming AGM. The sections subject to audit are highlighted throughout.

During 2016, the benchmark price of iron ore increased substantially (from a low base), although circumstances in Ukraine continued to be challenging. The Company remained focused on its core strengths and repeated its strong operational performance of 2015, increasing the volume and quality of production to record levels, reducing costs and increasing sales volumes. 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.

Considering the challenging business operating conditions in 2016, a decision was taken to reduce Non-executive Directors' fees by 10% to US$135,000 p.a. from 1 September 2016 and Committee Chairmen's fees to US$35,000 p.a. from 1 January 2017.

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 2017. No significant changes were made to the implementation of the remuneration policy during the year. As stated above, it is in the interests of shareholders to align the incentives of the executives and the shareholders, and the Board keeps under review the structure and level of remuneration afforded through share-based incentives and ownership in relation to variable and fixed pay.

BERT NACKEN
CHAIRMAN OF THE REMUNERATION COMMITTEE

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[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.

REMUNERATION REPORT CONTINUED

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 incorporates minor changes to the policy that shareholders approved at the 2014 AGM, which principally aim to provide us with additional flexibility to respond to changes in the business environment over the life of the next policy, including:

- the ability to offer cash in lieu of pension up to 15% of salary;
- introduction of malus and clawback provisions on Executive Director STIP and LTIP awards. Clawback will apply for two years after the payment of an STIP or vesting of an LTIP award;
- the ability to defer a portion of any earned STIP award in cash or shares; currently, Executive Directors are encouraged to build up a shareholding of equivalent value to a year's base salary;
- the ability to include a holding period on vested LTIP awards for Executive Directors in the future. We intend to introduce a two-year holding period on vested LTIP shares from awards granted in 2018 onwards;
- the ability for LTIP awards to be denominated in cash or shares.

Executive Director Policy Table

This section of our report summarises the policy for each component of Executive Director remuneration, which will apply from the date of the 2017 AGM 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 inflation rate) on an annualised basis over the period over which this policy applies. Increases above this level may be applied where appropriate to reflect changes in the scale, scope and responsibility attaching to the role and market comparability.	Business and, where relevant for current Executive Directors, individual performance are considerations in setting base salary.
Pension To provide retirement benefits.	Executive Directors will, as appropriate, be offered membership of a scheme which complies with relevant legislation (where necessary, additional pension entitlements will be provided) or cash in lieu of pension.	The employer contribution will be a percentage of pensionable salary and associated benefits (excluding variable pay). The employer contribution will normally be up to 15% of salary subject to compliance with local statutory requirements.	Not performance related.
Benefits Competitive in the market in which the individual is employed.	Benefits are paid to comply with local statutory requirements and as applicable to attract or retain executives of a suitable calibre. They include life insurance and medical insurance. Where appropriate, additional benefits may be offered including, but not limited to, allowances for accommodation, relocation, tax advice and legal advice.	Benefits values vary by role and eligibility and 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. Payments are typically made in cash, however, the Committee may determine that a portion of the bonus be deferred and be in the form of cash or shares. Malus and clawback provisions will apply in the event of a material misstatement of results, material calculation error or gross misconduct.	Maximum opportunity of 150% of salary. The target opportunity is up to two-thirds of maximum and the threshold opportunity is up to one-third of maximum.	Performance related. Performance measures can include financial, non-financial and personal achievement criteria measured over one financial year. Details of the performance measures and weightings for the STIP in 2016 are set out in Part B under "STIP framework for 2017", which is consistent with the 2016 framework. 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 Remuneration Committee has discretion to introduce a two-year holding period to Executive Directors' vested LTIP shares for future awards. Malus and clawback provisions will apply in the event of a material misstatement of results, material calculation error or gross misconduct.	The LTIP provides for annual awards of performance shares, options or cash up to an aggregate limit of 200% of salary in normal circumstances. This limit may be exceeded in exceptional circumstances but will not exceed 300% of salary. The threshold opportunity is 20% of maximum.	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 2016". These targets remain consistent with 2017. The Committee reviews the LTIP performance conditions, in advance of granting each LTIP cycle. Over the life of this policy relative TSR will be retained as the primary performance measure.

REMUNERATION REPORT 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.

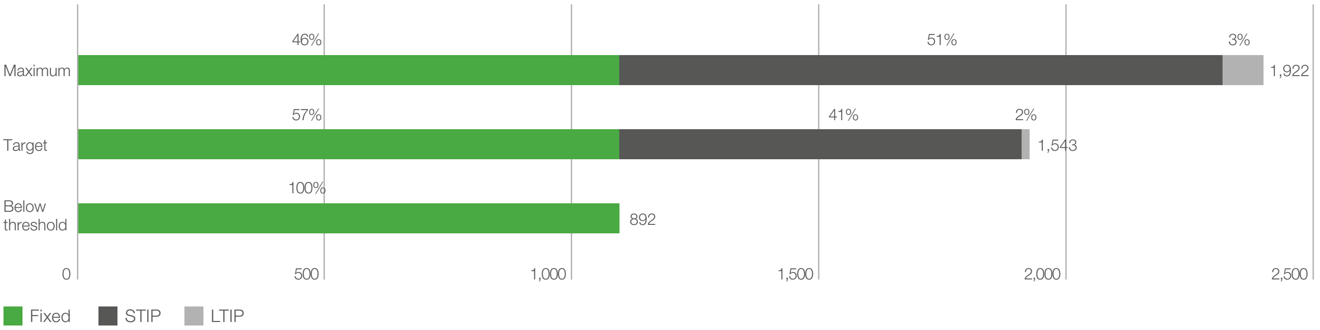
Purpose and link to strategy	Operation	Opportunity	Performance metrics
Fees			
To attract and retain talent by ensuring fees are market competitive and reflect the time commitment required of Non-executive Directors in different roles.	Annual fee for the Chairman. Annual base fee for Non-executive Directors. Additional fees are paid for additional responsibilities, for example, for acting as the Senior Independent Director and the Chairmen of the Committees as well as for representation on subsidiary Boards. Fees are reviewed from time to time, taking into account the time commitment, responsibilities, and fees paid by comparable companies, and also taking into consideration geography and risk profile.	Changes to Non-executive Director fees are applied in line with the outcome of the review. 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
(CHF ('000s)



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 2017
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 2017. For the STIP, the amounts illustrated for the CFO are those potentially receivable in respect of performance for 2017. 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 2016. 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 2017.

Remuneration Policy for New Appointments

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

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

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

REMUNERATION REPORT 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 12 months' notice to be given by the employer or not less than six months' notice to be given by Mr Mawe.

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

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

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

Policy for Loss of Office Payments

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

The employer will take account of all relevant circumstances on a case by case basis including (but not limited to): the sums stipulated in the service contract (including base salary during his or her notice period, accrued but untaken holiday, and allowances/benefits but excluding STIP, (save in the case of Mr Mawe); whether the Executive Director has presided over an orderly handover; the contribution of the Executive Director to the success of the Company during his or her tenure; and the need to compromise any claims that the Executive Director may have. The Company may, for example, if the Committee considers it to be necessary:
- enter into agreements with Executive Directors which may include the provision of legal fees or the settlement of liabilities in return for a single one-off payment or subsequent payments subject to appropriate conditions;
- terminate employment other than in accordance with the terms of the contract (bearing in mind the potential consequences of doing so); or
- enter into new arrangements with the departing Executive Director (for example, consultancy arrangements).

If the individual is considered a "good" leaver (e.g. for reasons of death, ill-health, injury or disability; his or her employing company ceasing to be a member of the Group; the business (or part) of the business in which he or she 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. The key terms of current letters of appointment are as follows:

Non-executive Director	Position	Date of appointment	Date of re-election
S Lucas	Chairman	19 May 2016	Annual re-election
O Baring	Non-executive Director	1 December 2007	Annual re-election
M Field	Non-executive Director	10 March 2016	Annual re-election
B Nacken	Non-executive Director	1 August 2014	Annual re-election
V Lisovenko	Non-executive Director	28 November 2016	Annual re-election
M Reilly	Non-executive Director	27 May 2015	Annual re-election

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

REMUNERATION REPORT CONTINUED

PART B: REMUNERATION IN 2016

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

Committee Membership in 2016

The Committee comprises four independent Non-executive Directors. Miklos Salamon was the Chairman of the Committee until he retired from the Board in May 2016 when he was succeeded by Bert Nacken. The other members are Oliver Baring, Mary Reilly (since July 2016) and Vitalii Lisovenko (since November 2016). Wolfram Kuoni stepped down from the Committee at the beginning of June 2016. Steve Lucas served on the Committee from his joining the Board in May until his appointment as Chairman of the Board in November 2016. The Committee met five times during the year. Attendance at meetings by individual members is detailed in the Corporate Governance Report on page 52. A summary of the topics discussed at meetings in 2016 is detailed below:

- Review of Remuneration Policy for Executive Directors and remuneration of members of the Executive Committee, including salaries, STIP and LTIP policy
- Review of recovery provisions in relation to incentive arrangements, including practical implications of applying them to executives employed in various jurisdictions in which the Group operates
- Review of incentive outcomes
- Review of feedback from 2016 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 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 2016 totalled £49,500 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 2016 and the prior year.

	K Zhevago (CEO)		C Mawe (CFO)	
All figures shown in currency of payment	**2016**	2015	**2016**	2015
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	**–**	–	**CHF726,621**	CHF 713,202
4 LTIP	**–**	–	**£41,964**	£nil
5 Pension	**CHF 3,110**	CHF 3,816	**CHF 59,023**	CHF 72,689
Total	**US$ 240,000 plus CHF 3,110**	US$ 240,000 plus CHF 3,816	**CHF1,604,959 plus £41,964**	CHF 1,605,206 –
6 Total (single currency)	**US$ 243,157**	US$ 243,964	**CHF1,657,579**	CHF 1,605,206

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 63, 65, 70 and 71.
4 LTIP: the market value of shares that vested on performance to 31 December of the relevant year (2016: 24% vested on performance; 2015: nil vested on performance). The market value is based on the share price on the date of vesting: 31 December 2016 of 134.50 pence. Further details are provided on pages 63, 65, 72 and 73.
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: 2016 – US$1 = CHF0.9850, CHF1 = £0.7512; 2015 – US$1 = CHF0.963, CHF1 = £0.680.

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 2016 and the prior year.

	All figures shown in currency of payment, US$000			
	2016		2015	
	Fees	**Total**	Fees	Total
Non-executive Directors[1]				
S Lucas[2]	**137**	**137**	–	–
O Baring[3]	**198**	**198**	243	243
M Field[4]	**223**	**223**	–	–
M Reilly[5]	**185**	**185**	100	100
B Nacken[6]	**170**	**170**	150	150
V Lisovenko[7]	**12**	**12**	–	–
Former Non-executive Directors				
M Abrahams[8]	**459**	**459**	500	500
W Kuoni[9]	**208**	**208**	258	258
I Mitiukov	**134**	**134**	150	150
M Salamon[10]	**80**	**80**	157	157
D Frauman[11]	**42**	**42**	136	136

[1] The Non-executive Director base fee was reduced from US$150,000 p.a. to US$135,000 p.a. effective 1 September 2016.

[2] Steve Lucas joined the Board on 19 May 2016 and was appointed Chairman on 28 November 2016. He received a time pro-rated Non-executive Director base fee plus (in recognition of his additional work as Chairman designate) a pro-rated additional fee of US$40,000 p.a. from 19 May to 27 November 2016, and the Chairman fee of US$440,000 p.a. from 28 November 2016.

[3] Oliver Baring receives an additional fee of US$60,000 p.a. in total for his roles as Senior Independent Director, Chairman of the Nominations Committee (until June 2016) and Chairman of the Committee of Independent Directors.

[4] Sir Malcolm Field joined the Board on 10 March 2016 and received a time pro-rated additional fee of US$40,000 p.a. for his role as Chairman of the Bank F&C Review Committee since appointment on 10 March 2016. He also received a fee of US$74,865, calculated on a time spent basis, in respect of work carried out on the Bank F&C review.

[5] 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.

[6] Bert Nacken 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 19 May 2016.

[7] Vitalii Lisovenko joined the Board on 28 November 2016.

[8] Michael Abrahams stepped down from the Board on 28 November 2016 . He received payment of US$18,333 under a consultancy agreement with the Company to cover work relating to the handover of his responsibilities as Chairman of the Board, which ran from his retirement from the Board until 31 December 2016.

[9] Wolfram Kuoni received, in addition to the Non-executive Director's base fee until his retirement from the Board on 28 November 2016, 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.

[10] Miklos Salamon stepped down from the Board on 19 May 2016, and received a time pro-rated additional fee of US$40,000 p.a. for his role as Chairman of the Remuneration Committee from appointment on 1 November 2015 to 19 May 2016.

[11] David Frauman joined the Board on 26 October 2015 and stepped down from the Board on 10 March 2016; he also provided consultancy services to the Company, and received fees in relation to this of £105,768 in 2016.

REMUNERATION REPORT CONTINUED

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 for 2017. Mr Zhevago's salary, which he donates to Ukrainian charities, also remained unchanged at US$240,000.

		Base salary at:		
Executive Director	Position	**1 January 2017**	1 January 2016	Increase
K Zhevago	CEO	**US$240,000**	US$240,000	0%
C Mawe	CFO	**CHF 651,525**	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 2016 less Director's contribution (CHF000)	**Total cash value at end of 2016 (CHF000)**
K Zhevago	7.1.39	3	**51**
C Mawe	31.1.27	59	**692**

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

Mr Zhevago is entitled to, but in 2016 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.

2016 STIP Outcome – Audited

The STIP framework for 2016 was in line with the principles of the existing Remuneration Policy approved by shareholders at the 2014 AGM.

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 2016 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 prospectively as they were considered to be commercially sensitive at that time. We indicated that retrospective disclosure of these targets would be given in this year's report where this is no longer the case, and this is included in the table below. Financial and operational targets were normalised, as in previous years, to take account of market and raw material cost price developments and mining plans as appropriate, to the extent that these were not under the direct control of management. The level of achievement against each of the targets for 2016 as determined by the Committee for the CFO is summarised below.

KPI	Measures/target	Weighting for CFO %	Threshold 50%	Target 100%	Stretch 150%	Scorecard outcome	Assessment	Max as a % of salary	Bonus awarded as a % of salary
Financial	EBITDA (before special items) (US$)	12.5%	291	341	391	375	Above target	18.8%	16.7%
	NOPAT (US$)	5.0%	109	128	146	198	Above stretch	7.5%	7.5%
Operational	Production volume (Mt)	2.5%	11.3	11.8	12.0	11.1	Below threshold	3.8%	0.0%
	Processed volume Fe65%+ (%/t)	2.5%	85	90	95	96	Above stretch	3.8%	3.8%
	Total movement cost US$/t)	7.5%	1.43	1.40	1.30	1.39	Above target	11.3%	10.1%
Sales and Marketing	Seaborne Freight per wmt compared to C3 (US$/t)	5.0%	5.0	3.5	2.0	3.3	Above target	7.5%	5.4%
	Realised DAP/FOB Price (US$)	2.5%	0.0	0.5	1.0	0.0	Threshold	3.8%	1.0%
	Sales volume (Mt)	5.0%	11.4	11.9	12.1	12.1	Stretch	7.5%	7.5%
CSR and safety	Safety standards/CSR programme implementation (%)	5.0%	75	100	125	100	Target	7.5%	5.0%
	Zero fatalities/LTIFR[1]	5.0%	0.5	1.1	1.4	0	Below threshold	7.5%	0.0%
Operational improvement projects	Concentrator utilisation (%)	2.5%	1	2	5	1	Threshold	3.8%	1.3%
	Reduced blasting unit cost (UAH/t)	2.5%	1.5	3	6	3	Target	3.8%	2.5%
	Effective Organisation Design	2.5%	600	800	1000	600	Threshold	3.8%	1.3%
Personal objectives	Deleverage & maintain liquidity	15.0%	Judgment against quantitative and qualitative personal objectives set by the Committee				Stretch	22.5%	22.5%
	Reduce working capital	15.0%					Between target and stretch	22.5%	17.1%
	Enhance credit rating & banking relationships	10.0%					Target	15.0%	10.0%
Total		**100.0%**						**150%**	**112%**

[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 Operational improvement targets during 2016. Taking into account his overall performance and achievement of specific personal targets relating to deleveraging the group's balance sheet and reducing working capital as well as steps taken to improve the company's credit rating and relationships with banking partners, the Committee awarded a bonus of 112% of salary to the CFO.

REMUNERATION REPORT CONTINUED

STIP Framework for 2017

The STIP framework for 2017 is in line with the principles of the existing Remuneration Policy approved by shareholders at the 2014 AGM and 2016 framework. Financial and Operational targets, including cost reduction measures and personal KPIs continue to be set as in previous years. Mr Mawe's 2017 STIP opportunity is 150% for maximum performance, and 100% of salary for target performance. The measures and weightings for the STIP in 2017 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)	20.0%
Operational (Production, sales volume)	22.5%
Safety and LTIFR	10.0%
Cost reduction and improvement initiatives	7.5%
Personal	40.0%
Total	**100%**

2014 LTIP Award Vesting – Audited

The performance period for the 2014 LTIP awards ended on 31 December 2016. The 2014 LTIP rewarded TSR outperformance of a tailored comparator group, with 20% of maximum vesting for TSR performance in line with the index and with full vesting for TSR outperformance of 8% p.a. The constituents of the comparator group are set out on page 73. Alcoa underwent a demerger during the performance period and was dropped from the single commodity miners. Ferrexpo's TSR performance relative to weighted index was assessed by Kepler. From 1 January 2014 to 31 December 2016, Ferrexpo's TSR outperformed Index TSR by 0.4% p.a. resulting in 24% of the 2014 LTIP awards vesting.

The Committee has considered the Company's overall performance and determined that the recorded TSR outperformance was a fair reflection of Ferrexpo's underlying performance over the performance period and has therefore determined in accordance with the rules of the plan that 24% of the 2014 LTIP awards vested.

LTIP Granted in 2016 – Audited

The 2016 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	20.04.16	150,000	£44,700[1]	10%[1]	20%	31.12.18

[1] Based on average share price for the last three months of 2015, 29.8 pence and average exchange rate of CHF1 = £0.680.

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

		2014	2015[1]	2016
Focused iron ore miners	Weighting	50%	60%	**60%**
African Minerals		✓		
Assore		✓	✓	✓
Atlas Iron		✓	✓	✓
Cliffs		✓	✓	✓
Fortescue Metals		✓	✓	✓
Kumba Iron Ore		✓	✓	✓
Mount Gibson		✓	✓	✓
Global diversified miners	Weighting	40%	40%	**40%**
Anglo American		✓	✓	✓
BHP Billiton		✓	✓	✓
Rio Tinto		✓	✓	✓
Vale		✓	✓	✓
Xstrata/Glencore		✓	✓	✓
Single commodity/emerging market miners[2]	Weighting	10%	0%	**0%**

[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] Single commodity/emerging market miners include: African Rainbow Minerals, Alcoa, Alumina, Aluminium Corp of China, Antofagasta, Boliden, Eramet, First Quantum Minerals, Freeport McMoRan, Industrias Penoles, Katanga Mining, KAZ Minerals PLC, 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 2017

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 2017 will be set out in next year's Annual Report on remuneration.

REMUNERATION REPORT CONTINUED

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 were reviewed in 2016 and reduced, effective 1 September 2016, as follows:

Role	From 1 September 2016 Annual fee	Before 1 September 2016 Annual fee
Chairman fee	**US$440,000**	US$500,000
Non-executive Director base fee	**US$135,000**	US$150,000
Committee Chairman fee	**US$40,000**[1]	US$40,000
Senior Independent Director fee	**US$60,000**	US$60,000

[1] With effect from 1 January 2017 the Committee Chairman fee has been reduced to US$35,000 p.a.

Directors' Shareholdings – Audited

Total interests of the Directors in office (and connected persons) as at 31 December 2016:

	At 31 December 2016	At 31 December 2015
K Zhevago[1]	**296,077,944**	296,077,944
C Mawe	**238,217**	238,217
S Lucas	**0**	–
O Baring	**20,130**	20,130
I Mitiukov[2]	**37,679**	37,679
B Nacken	**20,000**	20,000
M Reilly	**0**	0
V Lisovenko	**0**	–
M Field	**0**	–
M Abrahams[2]	**57,417**	57,417
W Kuoni[2]	**34,026**	34,026
M Salamon[2]	**100,000**	100,000
D Frauman[2]	**0**	0

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

[2] As at date of retirement from the Board.

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 21 March 2017, 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	285,000	62%	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 2016 and share price of 134.50 pence.

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

	At 1 January 2016	Granted (2016 award)	Exercised	Lapsed	**Total at 31 December 2016**	Price on date of award (pence)	Date from which exercisable	Expiry date
C Mawe	130,000[1]			130,000	**0**	169	01.01.16	22.04.23
	130,000[2]				**130,000**	155	01.01.17	22.04.24
	135,000				**135,000**	67	01.01.18	21.04.25
		150,000			**150,000**	37	01.01.19	25.04.26
Total					**415,000**			

[1] This award has lapsed under the TSR performance condition described above.
[2] This award has vested 24% under the TSR performance condition descibed above. At the date of vesting (31 December 2016) the market price of a share was 134.5 pence.

There have been no changes in the interests of the Directors from the end of the period under review to 21 March 2017. Total outstanding (i.e. awarded but not yet vested) awards granted under the LTIP as at the end of 2016 are equivalent to 0.23% of issued share capital.

Exit Payments Made in Year – Audited

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

Payments to past Directors – Audited

Lucio Genovese and Wolfram Kuoni retired from the Board on 1 August 2014 and 28 November 2016 respectively. They remain respectively a Non-executive Director and the Chairman of Ferrexpo AG for which they respectively receive fees of US$40,000 p.a. and US$75,000 p.a.

As disclosed above, Michael Abrahams received payment of US$18,333 under a consultancy agreement with the Company to cover work relating to the handover of his responsibilities as Chairman of the Board, which ran from 28 November until 31 December 2016.

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 2015 and 2016 compared to that for other employees.

	CEO	Other employees[1]
Salary	0%	0%
Taxable benefits	0%	0%
Annual bonus	n/a	2.1%

[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 2015 and 31 December 2016, and the percentage change.

US$ million	**2016**	2015	Year-on-year change
All-employee remuneration	**46**	49	-6%
Distributions to shareholders[1]	**40**	19	111%

[1] Includes dividends and share buybacks.

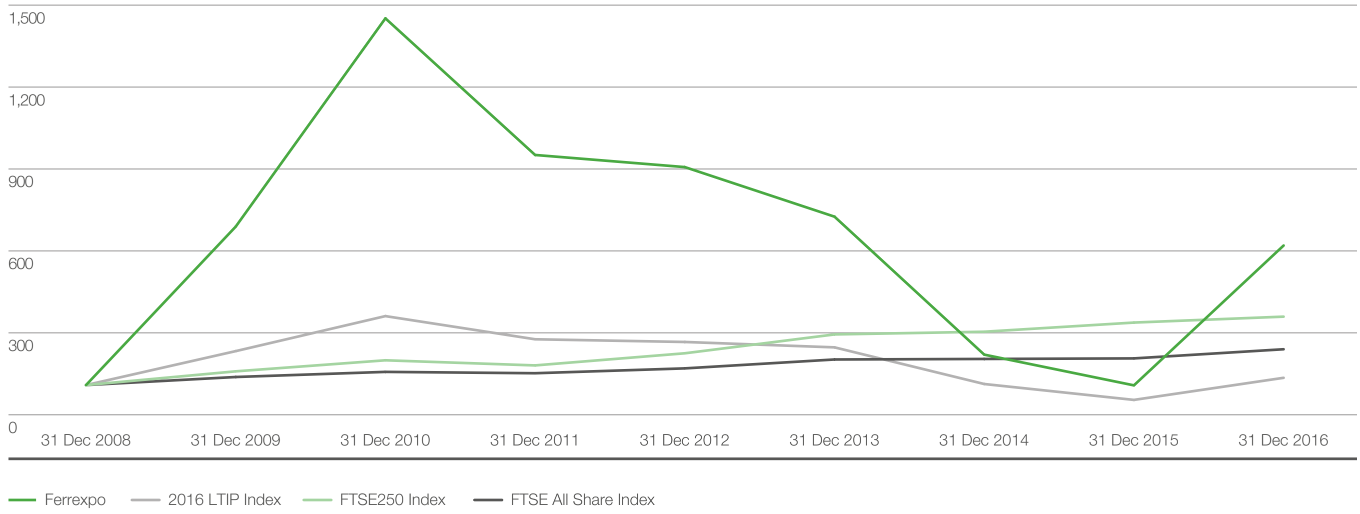
REMUNERATION REPORT CONTINUED

Comparison of Company Performance and Executive Director Pay

The graph below shows the value, at 31 December 2016, of £100 invested in Ferrexpo's shares on 31 December 2008 compared with the current value of the same amount invested in the FTSE 250 and All-share indices or in the shares of the LTIP comparator group. The FTSE 250 and All-share indices are chosen because Ferrexpo was a constituent member of the FTSE 250 for most of the period.

HISTORICAL TSR PERFORMANCE

Growth in the value of a hypothetical £100 holding over the 8 years to 31 December 2016



Chief Executive Officer's Pay

US$000	2009	2010	2011	2012	2013	2014	2015	**2016**
K Zhevago								
Single figure total remuneration	322	341	348	291	243	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 2015 Annual Report on Remuneration at the 2016 AGM.

	For		Against		Withheld
	No.	%	No.	%	No.
Remuneration Policy (at 2014 AGM)	530m	99.8%	1.2m	0.2%	2.9m
2015 Annual Report on Remuneration (at 2016 AGM)	341m	70.8%	141m	29.2%	1.6m

The Committee notes that the vote on the Remuneration Report mirrored the voting on the Report and Accounts and therefore does not believe that it gave specific evidence of dissatisfaction with the Remuneration Report that would require changes in policy or execution. As stated below the Committee had consulted with shareholders about the changes to policy proposed at the 2017 AGM.

Shareholder Consultation

The Remuneration Committee wrote to the Company's largest shareholders in December 2016 outlining the proposed minor changes to the remuneration policy, as outlined earlier in this report. The feedback we received was broadly in favour of the changes.

Other transactions involving Directors are set out in Note 39 (related parties) to the financial statements. This report was approved by the Board on 21 March 2017.

Signed on behalf of the Board

BERT NACKEN
CHAIRMAN OF THE REMUNERATION COMMITTEE

DIRECTORS' REPORT

The Directors present their report to shareholders for the financial year ended 31 December 2016, 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 2016 is set out on pages 77 to 81. 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.	114
Details of long-term incentive schemes (LR 9.8.4R (4))	Remuneration Report	61-76
Contracts of significance (LR 9.8.4R (10))	See financial statements Note 39. Transactions with FC Vorskla are considered to be contracts of significance under the Listing Rules.	147
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	50
Disclosures concerning greenhouse gas emissions	Strategic Report	41
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.	130
Events since the Balance Sheet date	See Financial Statements Note 40.	149
Statement of Directors' responsibilities in respect of the Annual Report and Accounts		82
Information that fulfils the requirements of DTR 7.2 (other than DTR 7.2.6)	Corporate Governance Report	47

Dividends

Results for the year are set out in the Consolidated Income Statement on page 94.

The Directors recommend a final dividend of 3.3 US cents per Ordinary Share. Subject to shareholders approving this recommendation at the Annual General Meeting ("AGM"), the dividend will be paid in UK Pounds Sterling on 31 May 2017 to shareholders on the register at the close of business on 5 May 2017. Shareholders may receive UK Pounds Sterling dividends by direct bank transfer, provided that they have notified the Company's registrars in advance. Shareholders may also elect to receive dividends in US Dollars (the procedure for this is set out in the Notice of the AGM).

In recognition of the progress made by the business in 2016, the Directors have also announced a special dividend of 3.3 US cents per share, amounting to US$19 million, for payment on 11 April 2017 to shareholders on the register at the close of business on 31 March 2017. The dividend will similarly be paid in UK Pounds Sterling with an election to receive US Dollars.

DIRECTORS' REPORT CONTINUED

Directors

The Directors of the Company who served during the year were:

- Michael Abrahams (retired 28 November 2016)
- Oliver Baring
- Sir Malcolm Field (appointed 10 March 2016)
- David Frauman (retired 10 March 2016)
- Wolfram Kuoni (retired 28 November 2016)
- Vitalii Lisovenko (appointed 28 November 2016)
- Steve Lucas (appointed 19 May 2016)
- Chris Mawe
- Ihor Mitiukov (retired 28 November 2016)
- Bert Nacken
- Mary Reilly
- Mike Salamon (retired 19 May 2016)
- Kostyantin Zhevago

All of the Directors will retire at the forthcoming AGM. All except Sr Malcolm Field, who is standing down at the AGM, are eligible, and will offer themselves for re-election.

Further details about the Directors and their roles within the Group are given in the Directors' biographies on pages 44 and 45. 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 61 to 76.

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 page 40. 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 19 May 2016. This authority will expire at the conclusion of the Company's 2017 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 2016.

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.

DIRECTORS' REPORT CONTINUED

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 2016, 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]	77,556,035	77,556,035	13.18%

[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 was the ultimate parent undertaking and indirect controller of Wigmore Street Investments No. 3 Ltd, which held 77,556,035 shares.

As at 5 March 2017, the latest practicable date prior to publication of the Annual Report, the following changes in these interests in voting rights had been notified to the Company:
- Wigmore Street Investments No. 3 Ltd: zero shares, zero voting rights
- BlackRock, Inc: 29,059,143 Ordinary Shares; 29,059,143 (4.93%) of the Company's total voting rights

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$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 50). 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 11 to 36. The Viability Statement is set out in the Strategic Report on page 36. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Performance Review on pages 11 to 21. In addition, Note 31 of the Notes to the Consolidated Financial Statements on pages 130 to 138 sets out the Group's objectives, policies and processes for managing its capital; its financial risk management objectives and details of its financial instruments; its exposure to credit risk, liquidity risk as well as currency risk and interest rate risk.

The Directors have reviewed the Group's cash flow projections, liquidity and debt maturity profile for the period from the approval of the accounts to the end of March 2018 and also considered events and conditions beyond the period of management's going concern assessment, in particular the debt repayments totalling US$221,186 thousand in April and May 2018. The Group's realised prices for pellet sales have improved significantly over the last four months, and actual and forecasted cash flow generation has also strengthened such that the level of uncertainty regarding the ability of the Group to meet its debt amortisation obligations has reduced. 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.

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 25 May 2017 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 placed the audit out to tender in accordance with regulations, the Audit Committee has recommended to the Board that Deloitte LLP be appointed as auditors. Deloitte LLP have indicated their willingness to be appointed, and an ordinary resolution appointing them as auditors and authorising the Audit Committee to set their remuneration will be proposed at the 2017 AGM.

The Strategic Report on pages 1 to 43 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 21 March 2017.

For and on behalf of the Board

STEVE LUCAS
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, prepared in accordance with IFRS as adopted in the European Union, 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

STEVE LUCAS
CHAIRMAN

CHRISTOPHER MAWE
CHIEF FINANCIAL OFFICER
21 March 2017

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 94 to 149 and the Company primary statements and related notes set out on pages 150 to 161.

Our opinion on the financial statements

In our opinion:

- Ferrexpo plc's Group financial statements and Parent Company 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 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with 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; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

The Group and Parent Company financial statements of Ferrexpo plc for the year ended 31 December 2016 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 13 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

Areas of focus	– Community support donations – Going Concern – Impact of Bank F&C liquidation – Completeness of related party transactions
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 95% of the Group's adjusted profit before tax and 94% of the Group's revenue. – For the remaining 23 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.
Materiality	– Overall Group materiality of US$12.0 million which represents approximately 5% of adjusted profit before tax. – Profit before tax, adjusted for the allowance on the remaining Bank Finance & Credit restricted cash and write-offs and impairment losses, provides us with a consistent year on year basis for determining materiality and the most relevant performance measure to the stakeholders of the entity.

Our assessment of focus areas

We identified the risk and focus areas described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Community support donations **Refer to the Group Audit Committee report on page 57, the Strategic Report on page 43, 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$27.5 million for the year ended 31 December 2016 (31 December 2015 US$25.8 million). Of the 2016 amount, 90% was donations to the Blooming Land Charitable Foundation ("Blooming Land"), a local charity based in Ukraine. These amounts 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. These three separate funds provide amounts to private individuals acting as project managers who are responsible for organising specific events during the year on behalf of the funds. The risk to the financial statements is in respect of the appropriate classification and disclosure of the expenditure. Given the significant amount of donations, the specific nature of the funds receiving the 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 community support expenditure has 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 subsequently paid on to the specific 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 held a meeting with a representative of Blooming Land to discuss its community support activities. We have obtained the financial statements of Blooming Land for the year ended 31 December 2016 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. The Compliance forms confirmed that the activities of the charities and use of the funds would not violate any anti-corruption laws applicable to the respective charity or Ferrexpo including the UK Bribery Act. We obtained a list of the private individuals that receive donations from the funds for the purpose of organising community support events and the amounts provided to each individual. We undertook a search of publicly available information in respect of these individuals. We met with three of these private individuals responsible for organising events on behalf of the funds during the year. We attended one event organised by the Healthy Sight Fund in relation to community education on sight related issues including the provision of an on-site ocular assessment and obtained invoices/contracts for the expenditure in relation to this event.	Based on our procedures undertaken we are satisfied that the expense is appropriately classified in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FERREXPO PLC CONTINUED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Going concern **Refer to the Group Audit Committee report on page 57 and the Directors' Report on page 81**		**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. In the prior year the Company recognised a material uncertainty in respect of going concern. The Group's realised prices for pellet sales have improved since November, and actual and forecasted cash flow generation has also strengthened. We therefore consider the level of risk in relation to Going Concern to have decreased.	Since management's going concern model and analysis are prepared centrally, audit procedures on this area were performed directly by the Group team. We challenged the appropriateness of the assumptions in the going concern model, 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 and we considered the mitigating actions available to management under these scenarios. We have tested the quality of management forecasting by comparing EBITDA forecasts for prior periods to actual outcomes; We considered the appropriateness of the disclosures made in the Group financial statements in respect of going concern.	Based on our work on the going concern analysis prepared by management, we agree that no material uncertainty in relation to the going concern assumption for the preparation of the financial statements is required and management's disclosure in the Directors' Report is appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impact of Bank F&C liquidation **Refer to the Group Audit Committee report on page 57 and the disclosures of in Notes 29, 35 and 39 of the Group Financial Statements**		**Risk direction** ↓
Bank Finance & Credit (Bank F&C) entered administration in 2015 with a total exposure at 31 December 2016 exchange rates of US$156.9 million. The three areas of focus relevant for the year were as follows: A. An additional allowance for US$8.5m was recorded in the current year in respect of amounts which are being pursued through the court system. B. Management continue to recognise the deferred tax asset on the Bank F&C allowance for the future tax impact of the Bank F&C being formally liquidated on the basis of their judgement on the deductibility of the amount for tax purposes and the likelihood of the subsequent utilisation of the deduction. Should these judgements be incorrect there is a risk of misstatement of assets included in the Group financial statements. C. In April 2016, the Ukrainian subsidiaries of the Group received certificates issued by the liquidator of Bank F&C recognising only UAH540 million of their claims totalling UAH4,262 million. Only claims made by FBM have gone through court proceedings and court records relating to the proceedings allege that guarantees were made by the Group to the Bank F&C in respect of other creditors. Had such guarantees been issued there would be accounting or disclosure implications.	A. We have made enquiries of the Group's external legal counsel and obtained a legal letter to confirm the status of the Group's legal disputes. We have discussed with management their view at the balance sheet date of the recoverability of this amount given the outcome of legal proceedings during the year. B. We considered management's judgement in respect of the deferred tax on the Bank F&C losses, and the clarification of changes in Ukrainian tax legislation. We have discussed this judgement with management and the Audit Committee to understand their conclusions. We have performed audit procedures on management's taxation workings and validated their key assumptions. Utilising our local tax experts, 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. C. We have made enquiries of management and reviewed board minutes at both operating company and group level for any indication of guarantees being issued in the period. We have confirmed the terms of the required authority for the issuance of guarantees and obtained representation from management that no valid guarantees were issued.	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 provision for the US$8.5 million claim and the recognition of a deferred tax asset relating to the allowance for the entire balance held by Bank F&C. Based on the procedures performed no evidence came to our attention that valid guarantees had been issued by the company of the manner alleged in the court proceedings and therefore we are satisfied that no accounting consequences should have been reflected in the financial statements and the disclosures are appropriate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FERREXPO PLC CONTINUED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Completeness of related party transactions **Refer to the Group Audit Committee report on page 57 and the disclosures of related party transactions 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 arm's 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 have reviewed significant agreements during the year, including agreements with related parties, and through corroboration of our review of the minutes of meeting of the Board of Directors, we have confirmed that there are no transactions/arrangements outside the normal course of business. 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.

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. The areas of audit focus remain consistent with the 2015 audit but our procedures have changed as these risks have evolved:

- During 2015 the going concern area of focus included a reference to the compliance with covenant terms, specifically Net Debt to EBITDA ratios. The Group repaid US$196 million of debt and increased its cash balance by US$110 million in 2016, thereby reducing the gearing of the Group's balance sheet and reduced the risk that covenants will be breached.
- The accounting treatment and disclosure of the impact of the liquidation of Bank F&C continues to be relevant to our audit approach but the focus has evolved to consider the impact of the creditor claims process and the existence of any guarantees granted by the Group.

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$12.0m	US$6.0m	US$0.6m

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.

We determined materiality for the Group to be US$12.0 million (2015: US$8.0 million), which is approximately 5% (2015: 5%) of adjusted profit before tax. We believe that adjusted profit before tax provides us with a consistent year on year basis for determining materiality and the most relevant performance measure to the stakeholders of the entity. There were no changes to our basis of materiality during the year.

How we determined materiality:

STARTING BASIS	– Profit before tax of US$231.4 million
ADJUSTMENTS	– Add back the following non-recurring items: – US$8.5 million allowance for restricted cash in Bank F&C – US$2.5 million of impairments and write offs
MATERIALITY	– US$242.4 million of adjusted profit before tax – Materiality of US$12.0 milion (5% of adjusted profit before tax)

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 assessments, together with our assessment of the Group’s overall control environment, our judgement was that performance materiality should be 50% (2015: 50%) of our planning materiality, namely US$6.0 million (2015: US$4.0 million). We have set performance materiality at this percentage due to the fact that the engagement has been designated as subject to higher risk by our internal risk criteria given the issues surrounding the Directors’ assessment of going concern brought forward from the prior year.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FERREXPO PLC
CONTINUED

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component 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$0.6 million to US$6.0 million (2015: US$0.4 million to US$4.0 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 them all uncorrected audit differences in excess of US$0.6 million (2015: US$0.4 million), which is set at 5% of materiality, 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.

The scope of our audit

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's and the 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

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. 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, 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.

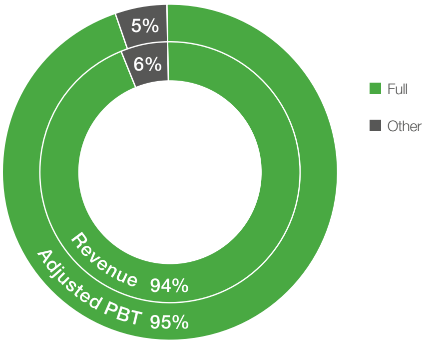
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts, we selected seven out of 30 components covering entities within Ukraine, Switzerland and the UK, which represent the principal business units 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 that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 95% (2015: 92%) of the Group's adjusted profit before tax, and 94% (2015: 94%) of the Group's revenue. Only balance sheet items were subject to specific scope procedures for the specific scope component and therefore this component does not contribute to the coverage of adjusted profit before tax or revenue. The audit scope of this component may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining 23 components that together represent 5% of the Group's adjusted profit before tax, none are individually greater than 5% of the Group's adjusted profit before tax. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

The chart below illustrates the coverage obtained during the year from the work performed by our audit teams.



Changes from the prior year

Our scoping allocation in the current year is broadly consistent with 2015 in terms of overall coverage of the Group and the number of in scope entities.

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 primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 7 full and specific scope components, audit procedures were performed on 2 of these directly by the primary audit team, and for the remaining 5 entities were performed by our component teams in Kiev and Zurich. Where the work was performed by the component auditor, 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 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 82, 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 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.

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
- based on the work undertaken in the course of the audit:
  - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
  - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FERREXPO PLC
CONTINUED

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.
Companies Act 2006 reporting	In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report. 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 81, and longer-term viability, set out on page 36; 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.	We have nothing material to add or to draw attention to.

KEN WILLIAMSON (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF ERNST & YOUNG LLP, STATUTORY AUDITOR
London
21 March 2017

Notes:
1. The maintenance and integrity of the Ferrexpo plc web site 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 web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED INCOME STATEMENT

US$000	Notes	Before special items	Special items	Year ended 31.12.16	Before special items	Special items	Year ended 31.12.15
Revenue	6	986,325	–	986,325	961,003	–	961,003
Cost of sales	5/7	(400,333)	–	(400,333)	(446,756)	–	(446,756)
Gross profit		585,992	–	585,992	514,247	–	514,247
Selling and distribution expenses	8	(209,529)	–	(209,529)	(226,222)	–	(226,222)
General and administrative expenses	9	(38,645)	–	(38,645)	(37,103)	–	(37,103)
Other income	10	2,914	–	2,914	6,852	–	6,852
Other expenses	11	(34,107)	–	(34,107)	(32,726)	–	(32,726)
Operating foreign exchange gains	12	13,832	–	13,832	26,025	–	26,025
Operating profit from continuing operations before adjusted items		320,457	–	320,457	251,073	–	251,073
Allowance for restricted cash and deposits	29	–	(8,525)	(8,525)	–	(174,579)	(174,579)
Write-offs and impairment losses	13	–	(2,501)	(2,501)	–	(5,555)	(5,555)
Gain on disposal of available-for-sale investment	31	–	–	–	–	41,385	41,385
Share of profit from associates	38	3,726	–	3,726	4,620	–	4,620
Losses on disposal of property, plant and equipment		(4,446)	–	(4,446)	(4,541)	–	(4,541)
Profit/(loss) before tax and finance from continuing operations		319,737	(11,026)	308,711	251,152	(138,749)	112,403
Finance income	14	175	–	175	2,494	–	2,494
Finance expense	14	(67,177)	–	(67,177)	(71,797)	–	(71,797)
Non-operating foreign exchange losses	12	(10,311)	–	(10,311)	(17,750)	–	(17,750)
Profit/(loss) before tax		242,424	(11,026)	231,398	164,099	(138,749)	25,350
Income tax (expense)/credit	15	(43,733)	1,535	(42,198)	(22,312)	28,420	6,108
Profit/(loss) for the year from continuing operations		198,691	(9,491)	189,200	141,787	(110,329)	31,458
Profit/(loss) attributable to:							
Equity shareholders of Ferrexpo plc		196,770	(9,416)	187,354	140,030	(106,993)	33,037
Non-controlling interests		1,921	(75)	1,846	1,757	(3,336)	(1,579)
Profit/(loss) for the year from continuing operations		198,691	(9,491)	189,200	141,787	(110,329)	31,458
Earnings/(loss) per share:							
Basic (US cents)	16	33.60	(1.60)	32.00	23.92	(18.27)	5.65
Diluted (US cents)	16	33.51	(1.60)	31.91	23.86	(18.23)	5.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US$000	Notes	Year ended 31.12.16	Year ended 31.12.15
Profit for the year		**189,200**	31,458
Items that may subsequently be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(126,365)**	(472,492)
Current income tax effect	15	**26,966**	28,811
Deferred income tax effect	15	**(10,359)**	12,167
Net gains on available-for-sale investments	31	**–**	41,767
Net other comprehensive loss before reclassification of items to profit and loss		**(109,758)**	(389,747)
Reclassification to profit or loss relating to available-for-sale investments sold or impaired	31	**–**	(41,767)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(109,758)**	(431,514)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement gains on defined benefit pension liability		**1,075**	3,878
Income tax effect	15	**(246)**	(722)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**829**	3,156
Other comprehensive loss for the year, net of tax		**(108,929)**	(428,358)
Total comprehensive income/(loss) for the year, net of tax		**80,271**	(396,900)

Total comprehensive income/(loss) attributable to:		
Equity shareholders of Ferrexpo plc	**79,650**	(387,958)
Non-controlling interests	**621**	(8,942)
	80,271	(396,900)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$000	Notes	As at 31.12.16	As at 31.12.15
Assets			
Property, plant and equipment	17	**574,839**	654,392
Goodwill and other intangible assets	18	**35,220**	40,024
Investments in associates	38	**2,165**	5,801
Inventories	20	**130,357**	98,802
Other non-current assets	19	**2,984**	4,661
Income taxes recoverable and prepaid	15	**5,630**	54,482
Deferred tax assets	15	**52,818**	71,096
Total non-current assets		**804,013**	929,258
Inventories	20	**78,935**	96,021
Trade and other receivables	21	**81,745**	83,379
Prepayments and other current assets	22	**21,387**	18,970
Income taxes recoverable and prepaid	15	**10,757**	2,829
Other taxes recoverable and prepaid	23	**21,389**	50,482
Cash and cash equivalents	28	**144,751**	35,330
Restricted cash and deposits	29	**–**	9,308
Total current assets		**358,964**	296,319
Total assets		**1,162,977**	1,225,577
Equity and liabilities			
Issued capital	36	**121,628**	121,628
Share premium		**185,112**	185,112
Other reserves	36	**(1,984,758)**	(1,876,624)
Retained earnings		**2,002,153**	1,814,598
Equity attributable to equity shareholders of Ferrexpo plc		**324,135**	244,714
Non-controlling interests		**(847)**	(783)
Total equity		**323,288**	243,931
Interest-bearing loans and borrowings	5/30	**505,641**	700,351
Defined benefit pension liability	25	**15,489**	17,034
Provision for site restoration	26	**1,071**	975
Deferred tax liabilities	15	**586**	382
Total non-current liabilities		**522,787**	718,742
Interest-bearing loans and borrowings	5/30	**228,061**	203,299
Trade and other payables	24	**28,807**	27,566
Accrued liabilities and deferred income	27	**42,584**	16,188
Income taxes payable	15	**11,780**	8,161
Other taxes payable	23	**5,670**	7,690
Total current liabilities		**316,902**	262,904
Total liabilities		**839,689**	981,646
Total equity and liabilities		**1,162,977**	1,225,577

The financial statements were approved by the Board of Directors on 21 March 2017.

KOSTYANTIN ZHEVAGO
CHIEF EXECUTIVE OFFICER

CHRISTOPHER MAWE
CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CASH FLOWS

US$000	Notes	**Year ended 31.12.16**	Year ended 31.12.15
Profit before tax		**231,398**	25,350
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		**50,671**	56,596
Interest expense	14	**64,975**	68,917
Interest income	14	**(175)**	(2,494)
Share of profit from associates	38	**(3,726)**	(4,620)
Movement in allowance for doubtful receivables	11	**252**	114
Allowance for restricted cash and deposits	29	**8,525**	174,579
Loss on disposal of property, plant and equipment		**4,446**	4,541
Gain on disposal of available-for-sale investment	13/31	**–**	(41,385)
Write-offs and impairment losses	13	**2,501**	5,555
Site restoration provision	26	**(308)**	(634)
Employee benefits	25	**3,192**	3,543
Share-based payments	32	**389**	515
Operating foreign exchange gains	12	**(13,832)**	(26,025)
Non-operating foreign exchange losses	12	**10,311**	17,750
Operating cash flow before working capital changes		**358,619**	282,302
Changes in working capital:			
(Increase)/decrease in trade and other receivables		**(3,578)**	2,341
Increase in inventories		**(41,540)**	(63,965)
Increase/(decrease) in trade and other accounts payable		**30,066**	(14,787)
Decrease/(increase) in other taxes recoverable and payable (including VAT)	23	**24,345**	(113)
Cash generated from operating activities		**367,912**	205,778
Interest paid		**(58,793)**	(65,080)
Income tax refunds/(paid)	15	**24,438**	(11,054)
Post-employment benefits paid		**(1,466)**	(1,778)
Net cash flows from operating activities		**332,091**	127,866
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	17	**(48,176)**	(65,384)
Proceeds from sale of property, plant and equipment and intangible assets		**47**	242
Proceeds from sale of available-for-sale investment	13/31	**–**	41,767
Reclassification to restricted cash and deposits	29	**–**	(184,523)
Interest received		**168**	2,056
Dividends from associates		**4,203**	1,716
Net cash flows used in investing activities		**(43,758)**	(204,126)
Cash flows from financing activities			
Proceeds from borrowings and finance	30	**19,115**	–
Repayment of borrowings and finance	30	**(195,918)**	(393,876)
Arrangement fees paid		**–**	(15,308)
Dividends paid to equity shareholders of Ferrexpo plc		**–**	(77,548)
Net cash flows from financing activities		**(176,803)**	(486,732)
Net increase/(decrease) in cash and cash equivalents		**111,530**	(562,992)
Cash and cash equivalents at the beginning of the year		**35,330**	626,509
Currency translation differences		**(2,109)**	(28,187)
Cash and cash equivalents at the end of the year	28	**144,751**	35,330

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity shareholders of Ferrexpo plc								
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)	Translation reserve (Note 36)	Retained earnings	Total capital and reserves	Non-controlling interests (Note 37)	Total equity
At 1 January 2015	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)/income	–	–	–	–	–	(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**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**187,354**	**187,354**	**1,846**	**189,200**
Other comprehensive (loss)/income	**–**	**–**	**–**	**–**	**–**	**(108,523)**	**819**	**(107,704)**	**(1,225)**	**(108,929)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(108,523)**	**188,173**	**79,650**	**621**	**80,271**
Effect from increase of shareholding in subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(618)**	**(618)**	**(685)**	**(1,303)**
Share-based payments (Note 32)	**–**	**–**	**–**	**–**	**389**	**–**	**–**	**389**	**–**	**389**
At 31 December 2016	**121,628**	**185,112**	**31,780**	**(77,260)**	**(5,108)**	**(1,934,170)**	**2,002,153**	**324,135**	**(847)**	**323,288**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Corporate information

Ferrexpo plc (the "Company") is incorporated and registered in England, which is considered to be the country of domicile, with its registered office at 55 St James's Street, London SW1A 1LA, UK. Ferrexpo plc and its subsidiaries (the "Group") operate two mines and a processing plant near Kremenchug in Ukraine, an interest in a port in Odessa and sales and marketing activities around the world including offices in Switzerland, Dubai, Japan, China, Singapore and Ukraine. The Group also owns logistics assets in Austria which operate a fleet of vessels operating on the Rhine and Danube waterways and an ocean going vessel which provides top off services and operates on international sea routes. The Group's operations are vertically integrated from iron ore mining through to iron ore concentrate and pellet production and subsequent logistics. The Group's mineral properties lie within the Kremenchug Magnetic Anomaly and are currently being extracted at the Gorishne-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% (2015: 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.

Basis of consolidation

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

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

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

Business combinations

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

Functional and presentational currencies

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

Foreign currency translation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 2: Basis of preparation continued

During the financial year 2016, the Ukrainian Hryvnia has devalued by approximately 13% (2015: 52%) compared to the US Dollar from 24.001 as at 31 December 2015 to 27.191 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). These effects are reflected in the translation reserve included in shareholder's equity. See also Note 36.

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 2015 except for the adoption of new amendments and improvements to IFRSs effective as of 1 January 2016. These new standards and interpretations had no effect on reported results, financial position or disclosure in the financial statements:

- IAS 1 *Presentation of Financial Statements – disclosure initiative*
- Amendments to IFRS 11: *Joint arrangements: Accounting for acquisitions of interests*
- Amendments to IAS 16 and IAS 38: *Clarification of acceptable methods of depreciation and amortisation*
- Annual Improvements to IFRSs – 2012-2014 Cycle

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 has begun the impact assessment on the new standard and expects that the classification and measurement of its financial instruments under the new standard will remain largely unchanged. The Group does not intend to early adopt this standard.

IFRS 15 Revenue from contracts with customers

The new standard was issued in May 2014 and outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance. The new standard also establishes the principles for the disclosure of relevant information in the financial statements about the nature, amount, timing and uncertainties of revenue and cash flows arising from contracts with customers. The new standard becomes mandatory for financial years beginning on or after 1 January 2018. The Group expects that there will be an impact in terms of the recognition of transport related revenue. The Group has begun the impact assessment on this new standard and does not intend to early adopt this standard.

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 expects that the new standard will result in the recognition of right-of-use assets and lease liabilities in respect of some of the Group's contractual lease arrangements in place that are currently accounted for as operating lease. The Company does not intend to early adopt this standard.

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

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 2016, the carrying amount of defined benefit pension liability was US$15,489 thousand (2015: US$17,034 thousand). Detailed disclosure is made in Note 25.

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$580,398 thousand as of 31 December 2016 (2015: US$654,392 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 non-current assets tested. The carrying amount of the goodwill amounted to US$29,033 thousand as of 31 December 2016 (2015: US$32,938 thousand). Related disclosures are also made in Note 18.

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 licence 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 is still uncertain as at 31 December 2016. A full allowance of the balance not available to the Group was recorded as at the end of the comparative period ended of 31 December 2015, except for an amount of US$9,308 thousand claimed by the Group in the court. As a result of the outcome of the court proceedings during the financial year 2016, the Group decided to increase the allowance for the amount being still heard in the court, resulting in a charge of US$8,525 thousand (at the average exchange rate for December 2016) recognised in the income statement. See Note 35 for further information.

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 2016, the carrying amount of capitalised pre-production stripping costs included in assets under construction amounted to US$70,663 thousand (2015: US$70,530 thousand). No production stripping costs are capitalised as at 31 December 2016 (2015: nil). See also Note 17 for further information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 4: Use of estimates and critical judgements continued

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 last four financial years, including the financial year 2016, 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 2016, the Group had stock of lean and weathered ore extracted by PJSC Ferrexpo Poltava Mining ("FPM") and LLC Ferrexpo Yeristovo Mining GOK ("FYM") totalling US$132,822 thousand (2015: US$98,802 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, however, not expected that the volume of lean and weathered ore stockpiled will be processed within the next year. It is expected that it will take more than one year to process this stockpile, depending on the Group's future mining activities, processing capabilities and anticipated market conditions. 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 2016.

As at 31 December 2016, 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. 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

During the financial years 2013, 2014 and 2015 current VAT was only refunded against corporate profit tax prepayments. As a consequence, the balance of prepaid corporate profit tax in Ukraine significantly increased during these years and was subject to considerable translation adjustments during the financial years 2014 and 2015, when the Ukrainian Hryvnia devalued by 97% and 52%. As at 31 December 2016, the balance amounted to US$16,246 thousand (2015: US$54,482 thousand) after utilisation of US$6,335 thousand for the financial year 2016 and refunds received in cash totalling US$26,926 thousand during the financial year 2016. Management is of the view that the remaining balance of prepaid corporate profit tax will be offset with future profits or will be refunded in cash during the next 12 months. See also Note 15 for further details.

Deferred income tax

Deferred taxes are recognised on temporary differences and available tax loss carry forwards when it is more likely than not that they will be recovered in a future period. 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, which 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. Judgement is also required about the application of income tax legislation in the different jurisdictions, mainly in Ukraine.

At 31 December 2016, the Group's consolidated financial statements showed deferred tax assets of US$52,818 thousand (2015: US$71,096 thousand) and deferred tax liabilities of US$586 thousand (2015: US$382 thousand). The balance of deferred tax assets includes the effect of US$25,938 thousand from the recognition of a temporary difference in respect of the allowance recorded for restricted cash and deposit 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 the charge will be tax deductible in future periods based on the current legislation and that it will be used to offset future profits generated in Ukraine. See also Note 15 for details on the recognised deferred taxes and Note 35 in respect of an ongoing legal case for the full recognition of the cash and deposit balances held at the transactional bank by its Liquidator.

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 qualifies as net investment in its foreign operations and the translation losses totalling US$121,261 thousand for the financial year 2016 (2015: US$472,492 thousand) are consequently recognised in other comprehensive income. The translation losses are a result of the continued devaluation of the Ukrainian Hryvnia compared to the US Dollar. During the financial year 2016, the Ukrainian Hryvnia has devalued by approximately 13% (2015: 52%) compared to the US Dollar from 24.001 as at 31 December 2015 to 27.191 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 165.

US$000	Notes	**Year ended 31.12.16**	Year ended 31.12.15
Profit before tax and finance		**308,711**	112,403
Allowance for restricted cash and deposits	28	**8,525**	174,579
Write-offs and impairment losses	13	**2,501**	5,555
Gain on disposal of available-for-sale investment	13/31	**–**	(41,385)
Share-based payments	32	**389**	515
Losses on disposal of property, plant and equipment		**4,446**	4,541
Depreciation and amortisation		**50,671**	56,596
EBITDA		**375,243**	312,804

C1 cash cost

C1 cash cost represents the cash costs of production of iron pellets from own ore divided by production volume of own ore. Non-C1 cost components include non-cash costs such as depreciation, inventory movements and costs of purchased ore and concentrate.

US$000	Notes	**Year ended 31.12.16**	Year ended 31.12.15
Cost of sales – pellet production	7	**360,495**	405,863
Non-C1 cost components		**(53,884)**	(46,268)
C1 cash cost		**306,611**	359,595
Own ore produced (tonnes)		**11,071,404**	11,258,446
C1 cash cost per tonne (US$)		**27.7**	31.9

Net financial indebtedness

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

US$000	Notes	**As at 31.12.16**	As at 31.12.15
Cash and cash equivalents	28	**144,751**	35,330
Current borrowings	30	**(228,061)**	(203,299)
Non-current borrowings	30	**(505,641)**	(700,351)
Net financial indebtedness		**(588,951)**	(868,320)

The Group made debt repayments of US$195,918 thousand during the year ended 31 December 2016 (2015: US$393,876 thousand).

The Group's net financial indebtedness was increased in the second half of the financial year 2015 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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 pass 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.

Revenue for the year ended 31 December 2016 consisted of the following:

US$000	**Year ended 31.12.16**	Year ended 31.12.15
Revenue from sales of iron ore pellets and concentrate:		
Export	**921,861**	895,520
Total revenue from sale of iron ore pellets and concentrate	**921,861**	895,520
Revenue from logistics and bunker business	**61,207**	61,247
Revenue from other sales and services provided	**3,257**	4,236
Total revenue	**986,325**	961,003

Note 6: Revenue continued

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 31.12.16**	Year ended 31.12.15
Central Europe	**425,079**	431,429
Austria	***215,479***	*188,284*
Slovakia	***48,397***	*96,211*
Others	***161,203***	*146,934*
Western Europe	**153,932**	105,858
Germany	***143,281***	*102,985*
Others	***10,651***	*2,873*
North East Asia	**155,443**	119,170
Japan	***96,257***	*86,343*
Others	***59,186***	*32,827*
China and South East Asia	**129,391**	193,566
China	***125,788***	*193,566*
Others	***3,603***	–
Turkey, Middle East and India	**58,016**	45,497
Turkey	***58,016***	*45,497*
Total exports	**921,861**	895,520

The Group markets its products across various regions. The sales segmentation data was previously disclosed by Traditional Markets, Natural Markets and Growth Markets and the disclosure of this segmentation has been changed during the financial year 2016 to better reflect how the Group now makes its business decisions and monitors its sales. Information about the composition of the regions is provided in the Glossary.

During the year ended 31 December 2016 sales made to three customers accounted for 40.0% of the revenues from export sales of ore pellets and concentrate (2015: 41.7%).

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 31.12.16**	Year ended 31.12.15
Customer A	**215,479**	188,284
Customer B	**48,397**	96,211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 7: Cost of sales

Cost of sales for the year ended 31 December 2016 consisted of the following:

US$000	**Year ended 31.12.16**	Year ended 31.12.15
Energy	**155,831**	186,312
Personnel	**21,934**	28,773
Materials	**63,911**	72,653
Repairs and maintenance	**35,357**	37,388
Depreciation and amortisation	**36,151**	42,750
Royalties and levies	**15,294**	19,653
Purchased concentrate and other items for resale	**6,384**	21,142
Inventory movements	**11,311**	(20,163)
Logistics and bunker business	**39,838**	40,893
Other	**14,322**	17,355
Total cost of sales	**400,333**	446,756
Thereof for pellet production	***360,495***	*405,863*
Thereof for logistics and bunker business	***39,838***	*40,893*

Note 8: Selling and distribution expenses

Selling and distribution expenses for the year ended 31 December 2016 consisted of the following:

US$000	**Year ended 31.12.16**	Year ended 31.12.15
Pellet transportation	**165,897**	178,902
Personnel	**4,104**	4,472
Logistics business	**15,525**	18,793
Advertising	**11,176**	11,269
Depreciation	**9,849**	10,352
Other	**2,978**	2,434
Total selling and distribution expenses	**209,529**	226,222

Note 9: General and administrative expenses

General and administrative expenses for the year ended 31 December 2016 consisted of the following:

US$000	**Year ended 31.12.16**	Year ended 31.12.15
Personnel	**21,246**	22,123
Office, maintenance and security	**4,881**	4,788
Professional fees	**8,596**	5,697
Audit and non-audit fees	**1,651**	1,587
Depreciation and amortisation	**1,506**	1,540
Other	**765**	1,368
Total general and administrative expenses	**38,677**	37,103

Note 9: General and administrative expenses continued

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 31.12.16	Year ended 31.12.15
Audit services		
Ferrexpo plc Annual Report	**1,048**	1,106
Subsidiary entities	**379**	302
Total audit services	**1,427**	1,408
Audit-related assurance services	**154**	156
Total audit and audit-related assurance services	**1,581**	1,564
Non-audit services		
Tax advisory	**60**	22
Tax compliance	**5**	–
Other services	**5**	1
Total non-audit services	**70**	23
Total auditor remuneration	**1,651**	1,587

During the financial year 2016, non-audit services totalling US$32 thousand provided for debt management activities of the Group are included in other finance costs and not included in the table above.

During the comparative period ended 31 December 2015, non-audit services totalling US$681 thousand have been capitalised as prepaid arrangement fees and are not included in the table above.

Note 10: Other income

Accounting policy

Other income mainly includes lease income generated from 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 2016 consisted of the following:

US$000	Year ended 31.12.16	Year ended 31.12.15
Lease income	**369**	421
Other income	**2,545**	6,431
Total other income	**2,914**	6,852

Note 11: Other expenses

Other expenses for the year ended 31 December 2016 consisted of the following:

US$000	Year ended 31.12.16	Year ended 31.12.15
Community support donations	**27,519**	25,820
Movements in allowance for doubtful receivables and prepayments made	**252**	114
Other personnel costs	**847**	1,261
Other	**5,489**	5,531
Total other expenses	**34,107**	32,726

Information on the Group’s community support donations is provided in the social responsibility paragraph in the Chairman’s Statement on page 4 and the Responsible Business Report on page 43.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 from the respective functional currencies and transactional gains and losses from the conversion of cash balances in currencies different from the local functional currencies at exchange rates different from those at the initial recognition date.

Foreign exchange gains and losses for the year ended 31 December 2016 consisted of the following:

US$000	Year ended 31.12.16	Year ended 31.12.15
Operating foreign exchange gains/(losses)		
Revaluation of trade receivables	14,240	25,943
Revaluation of trade payables	(388)	118
Other	(20)	(36)
Total operating foreign exchange gains	13,832	26,025
Non-operating foreign exchange (losses)/gains		
Revaluation of interest-bearing loans	(11,577)	(39,858)
Conversion of cash and cash equivalents	(578)	26,368
Other	1,844	(4,260)
Total non-operating foreign exchange (losses)/gains	(10,311)	(17,750)
Total foreign exchange gains	3,521	8,275

During the financial year 2016, the Ukrainian Hryvnia has devalued by approximately 13% (2015: 52%) compared to the US Dollar from 24.001 as at 31 December 2015 to 27.191 as at the end of this reporting period.

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 2016 consisted of the following:

US$000	Notes	Year ended 31.12.16	Year ended 31.12.15
Write-off of receivables and prepayments		634	4,598
Write-off/(write-back) of inventories	20	33	(59)
Write-off of property, plant and equipment	17	1,822	992
Impairment of available-for-sale investments	31	12	24
Total write-offs and impairment losses		2,501	5,555

The write-off of receivables and prepayments during the comparative period ended 31 December 2015 is predominantly related to the cancellation of a contract for equipment ordered and partially prepaid in line with the terms of the contract.

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 2016 consisted of the following:

US$000	**Year ended 31.12.16**	Year ended 31.12.15
Finance income		
Interest income	**175**	1,268
Other finance income	**–**	1,226
Total finance income	**175**	2,494
Finance expense		
Interest expense on financial liabilities measured at amortised cost	**(54,255)**	(61,505)
Effect from capitalised borrowing costs	**5,269**	5,440
Interest on defined benefit plans	**(2,197)**	(2,880)
Bank charges	**(11,372)**	(12,282)
Other finance costs	**(4,622)**	(570)
Total finance expense	**(67,177)**	(71,797)
Net finance expense	**(67,002)**	(69,303)

Fees for liability management activities of the Group for the amount of US$4,554 thousand (2015: nil) are included in other finance costs.

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.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 15: Taxation continued

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

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

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

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

The income tax expense for the year ended 31 December 2016 consisted of the following:

US$000	Year ended 31.12.16	Year ended 31.12.15
Current income tax		
Current income tax charge	**40,542**	34,180
Amounts related to previous years	**1,440**	(189)
Total current income tax	**41,982**	33,991
Deferred income tax		
Origination and reversal of temporary differences	**216**	(40,099)
Effect from changes in tax laws and rates	**–**	–
Total deferred income tax	**216**	(40,099)
Total income tax expense/(credit)	**42,198**	(6,108)

The amounts related to prior year are predominantly in relation to an allowance on an income tax receivable balance totalling US$2,115 thousand that was recognised during the comparative period ended 31 December 2015. As a result of the assessment made by the relevant tax authorities during the financial year 2016, an allowance for the full amount was recorded as at 31 December 2016.

Other comprehensive income contained taxes on the following items charged or credited to it for the year ended 31 December 2016:

US$000	Year ended 31.12.16	Year ended 31.12.15
Tax effect of exchange differences arising on translating foreign operations	**16,607**	40,978
Tax effect of remeasurement gains on defined pension liability	**(246)**	(722)
Total income taxes charged to other comprehensive income	**16,361**	40,256

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 8.9% for the financial year 2016 (2015: 12.4%). The rate for the comparative period ended 31 December 2015 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 comparative period ended 31 December 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 2016 is as follows:

US$000	Year ended 31.12.16	Year ended 31.12.15
Profit before tax	231,398	25,350
Notional tax charge computed at the weighted average statutory tax rate of 8.9% (2015: 12.4%)	20,594	3,142
Effect of higher local tax rate on special items	(1,003)	(11,987)
Reassessment of prior year temporary differences	1,148	(657)
Effect from utilisation of non-recognised deferred tax assets	–	(2,165)
Expenses not deductible for local tax purposes[1]	7,828	7,383
Income exempted for local tax purposes	(1,588)	(5,168)
Income for local tax purposes[2]	7,767	–
Non-recognition of deferred taxes on current year losses[3]	4,552	3,634
Tax related to prior years[4]	1,440	(189)
Other (including translation differences)[5]	1,460	(101)
Total income tax expense/(credit)	**42,198**	(6,108)
Reconciliation of tax effect on special items:		
Loss before tax on special items	(11,026)	(138,749)
Notional tax credit computed at the weighted average statutory tax rate of 8.9% (2015: 12.4%)	(981)	(17,197)
Effect of higher local tax rate on special items	(1,003)	(11,987)
Effect from utilisation of non-recognised deferred tax assets	–	(2,165)
Effect from change in permanent differences	449	688
Non-recognition of deferred tax asset	–	2,241
Tax credit on special items	(1,535)	(28,420)

1 Predominantly related to Ukraine where certain operating expenses are historically not deductible for tax purposes according to the enacted local tax legislation.
2 Reconciling item relates to an adjustment made in Ukraine in respect of sales of pellets to subsidiaries of the Group abroad in order to address the changes in the local transfer pricing law.
3 Non-recognition of deferred taxes on current year losses due to the uncertainty in respect of the timing of the subsidiaries becoming profitable for local tax purposes.
4 Predominantly in relation to an allowance on an income tax receivable balance of US$2,115 thousand that was recognised during the comparative period ended 31 December 2015 and fully provided for following the assessment made by the relevant tax authorities.
5 Increase during the financial year 2016 related to an increase of the tax expense in Ukraine.

The net balance of income tax receivable changed as follows during the financial year 2016:

US$000	Notes	Year ended 31.12.16	Year ended 31.12.15
Opening balance		49,150	67,884
Income statement charge		(41,982)	(33,991)
Charge through other comprehensive income		26,966	28,811
Tax (refund)/paid		(24,438)	11,054
Translation differences	2	(5,089)	(24,608)
Closing balance		**4,607**	49,150

During the financial years 2013, 2014 and 2015, current VAT receivable balances in Ukraine were mainly recovered in exchange for prepayments of corporate profit tax. As at 31 December 2016, these prepayments totalled US$16,246 thousand (2015: US$54,482 thousand) and it is management's view that this balance will be offset with future profits or will be refunded in cash. The Group received refunds of prepaid corporate profit tax totalling US$26,926 thousand in July and December 2016 in respect of Ferrexpo Poltava Mining ("FPM"). As a result, the remaining balance of FPM of US$10,616 thousand as at 31 December 2016 is classified as current whereas US$5,630 thousand related to two other Ukrainian subsidiaries are classified as non-current due to the uncertainty in respect of the timing of the recovery.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 15: Taxation continued

US$000	As at 31.12.16	As at 31.12.15
Income tax receivable balance – current	**10,757**	2,829
Income tax receivable balance – non-current	**5,630**	54,482
Income tax payable balance	**(11,780)**	(8,161)
Net income tax receivable	**4,607**	49,150

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 2016:

		Consolidated statement of financial position		Consolidated income statement	
US$000	Notes	As at 31.12.16	As at 31.12.15	Year ended 31.12.16	Year ended 31.12.15
Allowance for restricted cash and deposits	4	**25,938**	27,722	**(1,265)**	28,420
Property, plant and equipment		**13,080**	14,001	**2,245**	2,281
Tax losses recognised		**388**	12,659	**(108)**	(1,222)
Accrued expenses		**10,780**	12,607	**(359)**	8,776
Defined benefit pension liability		**2,287**	2,911	**6**	(386)
Other		**1,380**	1,920	**(169)**	306
Total deferred tax assets/change		**53,853**	71,820	**350**	38,175
Thereof netted against deferred tax liabilities		**(1,035)**	(724)		
Total deferred tax assets as per the statement of financial position		**52,818**	71,096		
Property, plant and equipment		**(525)**	(487)	**(62)**	1,008
Trade and other receivables		**(555)**	(343)	**(187)**	295
Other		**(541)**	(276)	**(317)**	621
Total deferred tax liabilities/change		**(1,621)**	(1,106)	**(566)**	1,924
Thereof netted against deferred tax assets		**1,035**	724		
Total deferred tax liabilities as per the statement of financial position		**(586)**	(382)		
Net deferred tax assets/net change		**52,232**	70,714	**(216)**	40,099

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

US$000	Notes	Year ended 31.12.16	Year ended 31.12.15
Opening balance		**70,714**	31,517
Income statement credit		**(216)**	40,099
Booked through other comprehensive income		**(10,359)**	12,167
Translation differences	2	**(7,907)**	(13,069)
Closing balance		**52,232**	70,714

As at 31 December 2016, the Group had deductible temporary differences on available tax loss carry forwards in the amount of US$241,070 thousand (2015: US$233,088 thousand) for which no deferred tax assets were recognised. US$217,560 thousand are related to losses incurred in Ukraine and Austria and those losses do not expire. The remaining balance of available tax loss carry forwards totalling US$23,510 thousand relates to losses incurred in Hungary of which US$20,564 thousand expire after more than ten years.

Temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised amount to US$491,963 thousand (2015: US$370,886 thousand). Other temporary differences of US$9,720 thousand have not been recognised as of 31 December 2016, of which the vast majority relates to temporary differences on property, plant and equipment in Ukraine.

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 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 31.12.16**	Before special items	Special items	Year ended 31.12.15
Earnings/(loss) for the year attributable to equity shareholders per share						
Basic (US cents)	**33.60**	**(1.60)**	**32.00**	23.92	(18.27)	5.65
Diluted (US cents)	**33.51**	**(1.60)**	**31.91**	23.86	(18.23)	5.63

The calculation of the basic and diluted earnings per share is based on the following data:

Thousand	**Year ended 31.12.16**	Year ended 31.12.15
Weighted average number of shares		
Basic number of Ordinary Shares outstanding	**585,503**	585,462
Effect of dilutive potential Ordinary Shares	**1,713**	1,422
Diluted number of Ordinary Shares outstanding	**587,216**	586,884

Dividends paid and proposed

US$000	**Year ended 31.12.16**
Dividends proposed	
Final dividend for 2016: 3.3 US cents per Ordinary Share	**19,325**
Special dividend for 2016: 3.3 US cents per Ordinary Share	**19,325**
Total dividends proposed	**38,650**

No final dividend was proposed for the financial year 2015 and no dividends were paid during the financial year 2016.

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 during the year	77,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 2016 (2015: nil).

The cost of removal of the waste material during a mine's production phase is expensed as incurred.

Note 17: Property, plant and equipment continued

Exploration and evaluation assets

Costs incurred in relation to the exploration and evaluation of potential iron ore deposits are capitalised and classified as tangible or intangible assets depending on the nature of the expenditures. Costs associated with exploratory drilling, researching and analysing of exploration data and costs of pre-feasibility studies are included in tangible assets whereas those associated with the acquisition of licences are included in intangible assets.

Capitalised exploration and evaluation expenditures are carried forward as an asset as long as these costs are expected to be recouped in full through successful development and exploration in a future period.

Exploration and evaluation assets are measured at cost and are neither amortised nor depreciated, but monitored for indications of impairment. To the extent that the capitalised expenditures are not expected to be recouped the excess is fully provided for in the financial year in which this is determined.

Upon reaching the development stage, exploration and evaluation assets are either transferred to assets under construction or other intangible assets, if those costs were associated with the acquisition of licences.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (qualifying asset) are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 17: Property, plant and equipment continued

As at 31 December 2016, 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 2015	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**
Additions	**20**	**116**	**6,380**	**1,370**	**277**	**353**	**–**	**117**	**56,066**	**64,699**
Transfers	**–**	**2**	**(2,120)**	**9,924**	**2,966**	**21,783**	**5,260**	**281**	**(38,096)**	**–**
Disposals	**–**	**–**	**–**	**(965)**	**–**	**(9,406)**	**(941)**	**(78)**	**(2,537)**	**(13,927)**
Translation differences	**(200)**	**(369)**	**(19,683)**	**(18,110)**	**(3,252)**	**(23,594)**	**(17,214)**	**(485)**	**(19,103)**	**(102,010)**
At 31 December 2016	**1,519**	**2,838**	**108,230**	**142,883**	**103,383**	**184,221**	**131,471**	**5,453**	**160,001**	**839,999**
Depreciation:										
At 1 January 2015	–	–	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)
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**
Depreciation charge	**–**	**2**	**12,661**	**7,994**	**7,172**	**17,547**	**13,022**	**515**	**–**	**58,913**
Disposals	**–**	**–**	**–**	**(434)**	**10**	**(2,944)**	**(565)**	**(74)**	**–**	**(4,007)**
Impairment	**–**	**–**	**–**	**114**	**–**	**–**	**1**	**–**	**1,707**	**1,822**
Translation differences	**–**	**–**	**(5,150)**	**(4,404)**	**(1,139)**	**(9,984)**	**(7,343)**	**(277)**	**(116)**	**(28,413)**
At 31 December 2016	**–**	**2**	**44,811**	**37,263**	**33,985**	**81,625**	**61,116**	**3,772**	**2,586**	**265,160**
Net book value at:										
31 December 2015	1,699	3,089	86,353	116,671	75,450	118,079	88,365	2,010	162,676	654,392
31 December 2016	**1,519**	**2,836**	**63,419**	**105,620**	**69,398**	**102,596**	**70,355**	**1,681**	**157,415**	**574,839**

Note 17: Property, plant and equipment continued

Assets under construction consist of ongoing capital projects amounting to US$82,746 thousand (2015: US$92,146 thousand) and capitalised pre-production stripping costs of US$70,663 thousand (2015: US$70,530 thousand). Once production commences, stripping costs are transferred to mining assets.

Property, plant and equipment includes capitalised borrowing costs on qualifying assets of US$15,454 thousand (2015: US$13,021 thousand). The capitalised borrowing costs on general borrowings were determined based on the capitalisation rate of 7.8% (2015: 6.3%), 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 2016 was US$2,746 thousand (2015: US$4,396 thousand). Leased assets and assets under hire purchase contracts are pledged as security for the related finance leases and hire purchase liabilities. US$47,236 thousand of property, plant and equipment have been pledged as security for liabilities (2015: US$69,340 thousand).

The gross value of fully depreciated property, plant and equipment that is still in use is US$20,553 thousand (2015: US$20,461 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 licences are amortised on a unit of production basis.

The cost of other intangible assets acquired in a business combination is its fair value as at the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 18: Goodwill and other intangible assets continued

As at 31 December 2016, goodwill and other intangible assets comprised:

US$000	Goodwill	Exploration and evaluation	Other intangible assets	Total
Cost:				
At 1 January 2015	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**
Additions	**–**	**–**	**378**	**378**
Disposals	**–**	**–**	**(87)**	**(87)**
Translation differences	**(3,905)**	**(359)**	**(726)**	**(4,990)**
At 31 December 2016	**29,033**	**2,705**	**6,315**	**38,053**
Accumulated amortisation and impairment:				
At 1 January 2015	–	–	3,066	3,066
Amortisation charge	–	–	494	494
Disposals	–	–	(50)	(50)
Translation differences	–	–	(782)	(782)
At 31 December 2015	**–**	**–**	**2,728**	**2,728**
Amortisation charge	**–**	**–**	**438**	**438**
Disposals	**–**	**–**	**(74)**	**(74)**
Translation differences	**–**	**–**	**(259)**	**(259)**
At 31 December 2016	**–**	**–**	**2,833**	**2,833**
Net book value at:				
31 December 2015	32,938	3,064	4,022	40,024
31 December 2016	**29,033**	**2,705**	**3,482**	**35,220**

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 2016 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$55 per tonne to US$62 per tonne of 62% Fe fines CFR North China (2015: US$48 per tonne to US$65 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 14.0% (2015: 14.0%) per annum. These rates reflect the time value of money and risk associated with the asset, and are in line with the rates used by competitors with a similar background.

Sensitivity to changes in assumptions

Management believes that due to the available headroom resulting from the Group's impairment testing of its operating assets no reasonable change in the above key assumptions would cause the carrying value of these operating assets to materially exceed its value-in-use.

Note 19: Other non-current assets

As at 31 December 2016, other non-current assets comprised:

US$000	Notes	As at 31.12.16	As at 31.12.15
Prepayments for property, plant and equipment		**2,450**	2,430
Prepaid bank arrangement fees		**278**	1,739
Other non-current assets		**256**	483
Available-for-sale investments	31	**–**	9
Total other non-current assets		**2,984**	4,661

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 20: Inventories continued

At 31 December 2016, inventories comprised:

US$000	As at 31.12.16	As at 31.12.15
Raw materials and consumables	**62,450**	65,883
Finished ore pellets	**12,408**	25,112
Work in progress	**2,522**	3,468
Other	**1,555**	1,558
Total inventories – current	**78,935**	96,021
Raw materials and consumables	**130,357**	98,802
Total inventories – non-current	**130,357**	98,802
Total inventories	**209,292**	194,823

Inventory is held at the lower of cost or net recoverable amount.

Inventories classified as non-current comprise lean and weathered ore stockpiles that are, based on the Group's current processing plans, not planned to be processed within the next year. It is the Group's intention to process this ore at a later point of time and it is expected that it will take more than one year to process this stockpile, depending on the Group's future mining activities, processing capabilities and anticipated market conditions. See Note 4 for further information.

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 2016, trade and other receivables comprised:

US$000	As at 31.12.16	As at 31.12.15
Trade receivables	**76,607**	80,450
Other receivables	**6,064**	4,384
Allowance for doubtful receivables	**(926)**	(1,455)
Total trade and other receivables	**81,745**	83,379

Trade receivables at 31 December 2016 includes US$4,881 thousand (2015: US$2,969 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 31.12.16	Year ended 31.12.15
Opening balance	**1,455**	1,729
Recognition	**92**	718
Reversal	**(447)**	(605)
Translation differences	**(174)**	(387)
Closing balance	**926**	1,455

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 31.12.16 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**	**Receivables past due but not impaired** **45 to 90 days**	**Receivables past due but not impaired** **Over 90 days**
Trade receivables	**76,607**	**721**	**71,958**	**3,295**	**107**	**526**
Other receivables	**6,064**	**206**	**5,473**	**169**	**12**	**204**

As at 31.12.15 US$000	Gross amount	Receivables past due and impaired	Receivables neither past due nor	Receivables past due but not impaired Less than 45 days	Receivables past due but not impaired 45 to 90 days	Receivables past due but not impaired 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

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 2016, prepayments and other current assets comprised:

US$000	**As at 31.12.16**	As at 31.12.15
Prepayments to suppliers:		
Electricity and gas	**832**	1,297
Materials and spare parts	**3,030**	639
Services	**2,393**	1,778
Other prepayments	**362**	596
Prepaid bank arrangement fees	**1,357**	5,709
Accrued income	**13,410**	8,933
Assets classified as held for sale	**3**	18
Total prepayments and other current assets	**21,387**	18,970

Prepayments at 31 December 2016 include US$483 thousand (2015: US$877 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 23: Other taxes recoverable and payable continued

As at 31 December 2016, other taxes recoverable comprised:

US$000	As at 31.12.16	As at 31.12.15
VAT receivable	21,303	50,395
Other taxes prepaid	86	87
Total other taxes recoverable and prepaid	**21,389**	**50,482**

As at 31 December 2016, US$20,565 thousand of the VAT receivable before allowance relates to the Group's Ukrainian business operations (2015: US$49,339 thousand).

As at 31 December 2016, US$427 thousand (2015: US$30,613 thousand) was overdue and US$595 thousand is in the process of being considered by the Ukrainian court system as at 31 December 2016 (2015: US$1,147 thousand). Management is of the opinion that the overdue balances and those in the court system will be recovered during the next 12 months in full.

The total VAT receivable balance shown in the table above is net of an allowance of US$891 thousand (2015: US$1,059 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 31.12.16	Year ended 31.12.15
Opening balance, gross		49,339	72,837
Net VAT incurred		84,555	91,149
VAT refunds received in cash		(109,756)	(89,034)
Translation differences	2	(3,573)	(25,613)
Closing balance, gross		**20,565**	**49,339**
Allowance		(891)	(1,059)
Closing balance, net		**19,674**	**48,280**

Further information on VAT is provided in the Principal Risks section on page 31.

As at 31 December 2016, other taxes payable comprised:

US$000	As at 31.12.16	As at 31.12.15
Environmental tax	571	583
Royalties	2,309	4,189
VAT payable	173	157
Other taxes	2,617	2,761
Total other taxes payable	**5,670**	**7,690**

See Note 35 for information in respect of a withholding tax claim in Ukraine.

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 2016, trade and other payables comprised:

US$000	As at 31.12.16	As at 31.12.15
Materials and services	**27,268**	23,423
Payables for equipment	**1,221**	1,778
Dividends payable	**25**	29
Other	**293**	2,336
Total current trade and other payables	**28,807**	27,566

Trade and other payables at 31 December 2016 includes US$1,554 thousand (2015: US$3,618 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 management and the defined benefit pension liability is calculated by independent actuaries at the end of each annual reporting period.

Remeasurements, comprising actuarial gains and losses, are immediately reflected in the statement of financial position. The corresponding charge or credit is recognised in the other comprehensive income of the period in which it occurred and immediately reflected in retained earnings as not reclassified to the income statement in subsequent periods.

The costs of managing plan assets are deducted from the return on plan assets reflected in other comprehensive income. All other scheme administration costs are charged to the income statement. The net interest is calculated by applying the discount rate to the net defined benefit pension liability or plan assets. Any past service costs are recognised in the income statement at the earlier of when the plan amendment occurs or when related restructuring costs are recognised.

The service costs (including current and past) are included in cost of sales, selling and distribution expenses and general and administrative expenses in the consolidated income statement whereas the net finance expenses are included in finance expenses. The effects from remeasurements are recognised in other comprehensive income.

The defined benefit pension liability is the aggregate of the defined benefit obligation less plan assets of funded schemes. The Group operates funded and unfunded schemes.

The Group's expenses in relation to defined contribution plans are charged directly to the income statement.

The Group mainly operates defined benefit plans for qualifying employees of its subsidiaries in Ukraine and Switzerland. All local defined benefit pension liabilities are calculated by independent actuaries applying accepted actuarial techniques. In addition to the afore mentioned schemes, the Group operates a defined benefit scheme in Austria and contribution plans for qualifying employees in the United Kingdom and in Singapore.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 25: Pension and post-employment obligations continued

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 PJSC Ferrexpo Poltava Mining and LLC Ferrexpo Yeristovo Mining 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 2016, the pension schemes in Ukraine covered 8,735 current employees (2015: 8,862 people). There are 1,026 former employees currently in receipt of pensions (2015: 1,102 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 2016, the Swiss pension scheme covered 20 people (2015: 19 people).

The principal assumptions used in determining the defined benefit obligation are shown below:

	Year ended 31.12.16		Year ended 31.12.15	
	Ukrainian schemes	**Swiss scheme**	Ukrainian schemes	Swiss scheme
Discount rate	**16.00%**	**0.95%**	16.00%	0.95%
Retail price inflation	**6.92%**	**1.0%**	5.81%	1.00%
Expected future salary increase	**7.54%**	**1.25%**	8.84%	1.25%
Expected future benefit increase	**6.92%**	**0.00%**	5.81%	0.00%
Female life expectancy (years)	**76.1**	**86.0**	76.1	86.0
Male life expectancy (years)	**66.5**	**82.9**	66.5	82.9

US$000	**As at 31.12.16**	As at 31.12.15
Present value of funded defined benefit obligation	**4,714**	4,391
Fair value of plan assets	**(2,835)**	(2,767)
Funded status	**1,879**	1,624
Present value of unfunded defined benefit obligation	**13,610**	15,410
Defined benefit pension liability	**15,489**	17,034
Thereof for Ukrainian schemes	***13,531***	*15,337*
Thereof for Swiss scheme	***1,879***	*1,624*
Thereof for schemes in other jurisdictions	***79***	*73*

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 31.12.16**	Year ended 31.12.15
Defined benefit cost charged in the income statement:		
Current service cost	**1,119**	643
Past service cost	**(158)**	–
Interest cost on defined benefit obligation	**2,230**	2,922
Interest income on plan assets	**(27)**	(42)
Administration cost	**21**	20
Total defined benefit cost charged in the income statement	**3,185**	3,543
Remeasurement (gains)/losses in other comprehensive income:		
Remeasurement from demographic assumptions	**(64)**	(6)
Remeasurement from financial assumptions	**(429)**	1,014
Experience adjustment	**(597)**	(4,911)
Return on plan assets	**15**	25
Total remeasurement gains in other comprehensive income	**(1,075)**	(3,878)
Total defined benefit cost	**2,110**	(335)
Thereof for Ukrainian schemes	***1,458***	*(881)*
Thereof for Swiss scheme	***643***	*549*
Thereof for schemes in other jurisdictions	***9***	*(3)*

Changes in the present value of the defined benefit obligation are as follows:

US$000	**Year ended 31.12.16**	Year ended 31.12.15
Opening defined benefit obligation	**19,801**	31,338
Current service cost	**1,119**	1,307
Interest cost on defined benefit obligation	**2,230**	2,922
Remeasurement gains	**(1,088)**	(3,903)
Translation differences	**(1,969)**	(9,053)
Contributions paid by employer	**(1,466)**	(1,778)
Contributions paid by employees	**112**	134
Benefits paid through pension assets	**(257)**	(502)
Plan amendments	**(158)**	(664)
Closing defined benefit obligation	**18,324**	19,801
Thereof for Ukrainian schemes	***13,531***	*15,337*
Thereof for Swiss scheme	***4,714***	*4,391*
Thereof for schemes in other jurisdictions	***79***	*73*
Thereof for active employees	***11,650***	*12,678*
Thereof for vested terminations	***2,494***	*2,532*
Thereof for pensioners	***4,179***	*4,591*

The durations of the defined benefit obligation for the different schemes as at 31 December 2016 are 7.6 years (Ukraine) and 21.4 years (Switzerland).

Contributions to the defined benefit plans, including benefits paid by employer and employer contributions, are expected to be US$1,420 thousand for the schemes in Ukraine and US$589 thousand in Switzerland in the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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$67 thousand (2015: US$61 thousand).

Changes in the fair values of the plan assets are as follows:

US$000	**Year ended 31.12.16**	Year ended 31.12.15
Opening fair value of plan assets	**2,767**	2,781
Interest income	**27**	42
Contributions paid by employer	**320**	361
Contributions paid by employees	**112**	134
Benefits paid through pension assets	**(257)**	(502)
Return on plan assets	**(15)**	(25)
Administration cost	**(20)**	(20)
Translation differences	**(99)**	(4)
Closing fair value of plan assets	**2,835**	2,767
Thereof for Swiss scheme	***2,835***	*2,767*

The asset allocation of the plan assets of the Swiss scheme is as follows:

%/US$000	**As at 31.12.16**	**As at 31.12.16**	As at 31.12.15	As at 31.12.15
Scheme assets at fair value				
Equities	**25.8**	**731**	26.7	738
Bonds	**35.4**	**1,003**	34.0	939
Properties	**10.9**	**309**	10.9	301
Other	**27.9**	**792**	28.4	789
Fair value of scheme assets	**100.0**	**2,835**	100.0	2,767

Reasonable changes of the significant assumptions would have the following effects on the defined benefit obligation:

	Year ended 31.12.16					
US$000	**Ukrainian schemes**	**Swiss scheme**	**Austrian scheme**	**Ukrainian schemes**	**Swiss scheme**	**Austrian scheme**
	Increase by			**Decrease by**		
Change	***1.0% or 1 year***	***1.0% or 1 year***	***1.0% or 1 year***	***1.0% or 1 year***	***1.0% or 1 year***	***1.0% or 1 year***
Discount rate (%)	**(945)**	**(811)**	**(8)**	**1,073**	**1,138**	**8**
Future salary increases (%)	**588**	**162**	**7**	**(532)**	**(145)**	**(7)**
Indexation of pension (%)	**379**	**526**	**n/a**	**(366)**	**n/a**	**n/a**
Life expectancy (years)	**174**	**99**	**n/a**	**(204)**	**(99)**	**n/a**

	Year ended 31.12.15					
US$000	Ukrainian schemes	Swiss scheme	Austrian scheme	Ukrainian schemes	Swiss scheme	Austrian scheme
	Increase by			Decrease by		
Change	*1.0% or 1 year*	*1.0% or 1 year*	*1.0% or 1 year*	*1.0% or 1 year*	*1.0% or 1 year*	*1.0% or 1 year*
Discount rate (%)	(1,113)	(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 (years)	200	80	n/a	(223)	(80)	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 2016. 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 2016:

US$000	Year ended 31.12.16	Year ended 31.12.15
Opening balance	975	2,345
Unwind of the discount	141	253
Arising during the year	76	–
Released	–	(834)
Translation differences	(121)	(789)
Closing balance	1,071	975

The costs of restoration of the different deposits in the Group's open pit mines are based on amounts determined by an independent and credited institute taking into account the codes of practice and laws applicable in Ukraine. The useful lives of the different pits and mines are determined by the same institute based on expected annual stripping and production volumes having taken into account the expected timing and effect of future mine-life extension programmes. It is expected that the restoration works of the GPL mine will start after the years 2038, 2041 and 2061 depending on the different areas within the mine. The first restoration work of the Yeristovskoye mine is expected to start after 2032.

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% (2015: 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 2016, accrued liabilities and deferred income comprised:

US$000	As at 31.12.16	As at 31.12.15
Accrued expenses	3,223	4,907
Accrued employee costs	9,317	9,316
Advances from customers	29,027	612
Deferred income	1,012	1,353
Total accrued liabilities and deferred income	42,579	16,188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 28: Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash at bank and on hand and short-term deposits with original maturity of 90 days or less. Cash at bank and on hand and short-term deposits are recorded at their nominal amount as these present an insignificant risk of changes in value.

As at 31 December 2016, cash and cash equivalents comprised:

US$000	As at 31.12.16	As at 31.12.15
Cash at bank and on hand	**144,751**	35,330
Short-term deposit	**–**	–
Total cash and cash equivalents	**144,751**	35,330

The available cash and cash equivalents balance was reduced during the second half of the financial year 2015 by the insolvency of the Group's transactional bank in Ukraine (see Note 29 below). The debt repayments during the financial year ended 31 December 2016 totalled US$195,918 thousand (2015: US$393,876 thousand) affecting the balance of cash and cash equivalents. Further information on the Group's gross debt is provided in Note 29.

The balance of cash and cash equivalents held in Ukraine amounts to US$40,787 thousand as at 31 December 2016 (2015: US$13,896 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.

On 17 September of the comparative period ended 31 December 2015, the National Bank of Ukraine ("NBU") announced that it had adopted a decision to declare Bank F&C, the Group's transactional banking in Ukraine, insolvent and the bank was put into temporary administration by the Deposit Guarantee Fund ("DGF") on the following day. 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).

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 is still uncertain as at 31 December 2016.

As at 31 December 2016, restricted funds held at Bank F&C are shown in the table below:

US$000	Notes	As at 31.12.16	As at 31.12.15
Cash and deposits with Bank F&C subject to liquidation process		**148,650**	168,575
Cash balance subject to ongoing court proceedings	35	**8,216**	9,308
Allowance on cash and deposits currently not available		**(156,866)**	(168,575)
Total restricted cash and deposits		**–**	9,308

An allowance of the balance not available to the Group was recorded as at the end of the comparative period ended of 31 December 2015, excluding an amount of US$9,308 thousand claimed by the Group in the court. As a result of the court proceedings during the financial year 2016, the Group decided to increase the allowance for the amount being still heard in the court, resulting in a charge of US$8,525 thousand (at the average exchange rate for December 2016) recognised in the income statement as at 31 December 2016 (2015: US$174,579 thousand). See Note 35 for further information.

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 the Group's major finance facilities.

US$000	Notes	As at 31.12.16	As at 31.12.15
Current			
Syndicated bank loans – secured	31	**175,000**	166,250
Other bank loans – secured	31	**18,309**	21,504
Other bank loans – unsecured	31	**1,495**	1,431
Obligations under finance leases	31	**3,684**	3,444
Trade finance facilities		**19,025**	–
Interest accrued	31	**10,548**	10,670
Total current interest-bearing loans and borrowings		**228,061**	203,299
Non-current			
Eurobond issued	31	**337,685**	333,536
Syndicated bank loans – secured	31	**131,250**	306,250
Other bank loans – secured	31	**25,434**	43,867
Other bank loans – unsecured	31	**5,246**	6,939
Obligations under finance leases	31	**6,026**	9,759
Total non-current interest-bearing loans and borrowings		**505,641**	700,351
Total interest-bearing loans and borrowings		**733,702**	903,650

As at 31 December 2016, the Group has a revolving syndicated US$350 million pre-export finance facility, which is fully drawn. The amortisation of the US$350 million facility commenced in November 2016 with eight quarterly instalments of US$43,750 thousand to the final maturity date of 8 August 2018.

In July 2016, the Group made the final payment of its syndicated US$420 million revolving pre-export finance facility. As at the end of the comparative period ended 31 December 2015, US$123 million was drawn by the Group.

As at 31 December 2016, the major bank debt facilities were guaranteed and secured as follows:

- Ferrexpo AG assigned the rights to revenue from certain sales contracts;
- PJSC Ferrexpo Poltava Mining assigned all of its rights of certain export contracts for the sale of pellets to Ferrexpo AG; and
- 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.

As at 31 December 2016, the Group has open trade finance facilities in the amount of US$19,025 thousand (31 December 2015: nil), which are secured against receivables related to these specific trades.

Further information on the Group's exposure to interest rate, foreign currency and liquidity risk is provided in Note 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 investments

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 investments

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 31.12.16			
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	144,751	–	–	144,751
Restricted cash and deposits	29	–	–	–	–
Trade and other receivables	21	81,745	–	–	81,745
Other financial assets		9,700	–	–	9,700
Total financial assets		236,196	–	–	236,196
Financial liabilities					
Trade and other payables	24	–	–	28,807	28,807
Accrued liabilities	27	–	–	12,540	12,540
Interest-bearing loans and borrowings	30	–	–	733,702	733,702
Total financial liabilities		–	–	775,049	775,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 31: Financial instruments continued

US$000	Notes	As at 31.12.15 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
Other financial assets		5,757	9	–	5,766
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

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 creditworthiness would achieve, and compared with other financing available to the Group.

Credit risk is the risk associated with the possibility that a buyer will default, by failing to make required payments in a timely manner or to comply with other conditions of an obligation or agreement. Where appropriate, the Group uses letters of credit to assist in mitigating such risks.

Counterparty risk crystallises when a party to an agreement defaults. Where letters of credit are used to minimise this risk, the Group uses a confirming bank with a similar or higher credit rating to mitigate country and/or credit risk of the issuing bank.

Country risk is the potential volatility of foreign assets, whether receivables or investments, that is due to political and/or financial events in a given country.

Group Treasury monitors the concentration of all outstanding risks associated with any entity or country, and reports to the Group CFO on a timely basis.

Investment securities

Outside Ukraine the Group limits its cash exposure to credit, counterparty and country risk by only investing in liquid securities and with counterparties that are incorporated in an A+ or better "S&P" rated OECD country. A ratings approach is used to determine maximum exposure to each counterparty. Cash not required within three months for production, distribution and capital expenditures is invested with counterparties rated by S&P or Moody's at a level of long-term BBB "S&P" or short-term A3 "S&P" or better.

Recognising that the principal activities of the Group are predominantly in Ukraine, special consideration is given to Ukrainian transactional banking counterparties where the sector is small and constrained by the sovereign credit rating. Exceptions may be made under the following conditions:

- the counterparty is resident in Ukraine; and
- the counterparty is included in the top 15 financial institutions in Ukraine based on the Group's assessment of the financial institution.

Subsequent to the declaration of insolvency of Bank F&C (see Note 29 and Note 35), the Group changed its transactional banking arrangements that had previously been with Bank F&C to third party banks in Ukraine. The Group is currently working with five banks in Ukraine, all of them being subsidiaries of Western banks, and is still exposed to Ukraine country and banking sector risk in this respect.

Guarantees

The Group's policy is to provide financial guarantees under limited circumstances only for the benefit of wholly owned or substantially wholly owned subsidiaries. At 31 December 2016, 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 2016.

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$63,465 thousand (2015: US$87,904 thousand), Ferrexpo Middle East FZE amounting to US$25,108 thousand (2015: US$34,365 thousand) and Ferrexpo plc amounting to US$13,307 thousand (2015: US$18,629 thousand).

The total remaining contractual maturities of the guarantees provided under the facilities listed above is US$736,265 thousand (2015: US$913,215 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 31: Financial instruments continued

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 31.12.16	As at 31.12.15
Cash and cash equivalents	144,751	35,330
Restricted cash and deposits	–	9,308
Trade and other receivables	81,745	83,379
Other financial assets	9,700	5,757
Total maximum exposure to credit risk	**236,196**	133,774

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$47,025 thousand (2015: US$36,611 thousand) related to Ukraine.

The total receivables balance relating to the Group's top three customers was US$21,766 thousand (2015: US$18,588 thousand) making up 30.8% of the total amounts receivable (2015: 41.7%).

Impairment profile

The Group's exposure to credit risk relating to trade and other receivables is disclosed in Note 21.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation by holding surplus cash or undrawn committed credit facilities.

The Group prepares detailed rolling cash flow forecasts, which assist it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group intends to ensure that it has sufficient cash on demand and/or lines of credit to meet expected operational expenses, including the servicing of financial obligations; this may be impacted by extreme circumstances that cannot reasonably be predicted.

The following are the contractual maturities of financial liabilities:

	As at 31.12.16				
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	–	168,842	168,842	–	337,684
Syndicated loans – secured	175,000	131,250	–	–	306,250
Other banks – secured	18,310	16,160	9,274	–	43,744
Other banks – unsecured	1,495	1,495	3,752	–	6,742
Obligation under finance lease	3,684	3,956	2,069	–	9,709
Interest accrued	10,548	–	–	–	10,548
Trade finance facilities	19,025	–	–	–	19,025
Future interest payable	47,380	30,489	9,308	–	87,177
Total interest-bearing	275,442	352,192	193,245	–	820,879
Non-interest-bearing					
Trade and other payables	28,807	–	–	–	28,807
Accrued liabilities	12,540	–	–	–	12,540
Total non-interest-bearing	41,347	–	–	–	41,347
Total financial liabilities	316,789	352,192	193,245	–	862,226

Note 31: Financial instruments continued

US$000	As at 31.12.15 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

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$20,565 thousand (UAH559,175 million) and prepaid corporate profit tax of US$16,246 thousand (UAH441,745 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 UAH devaluation during the financial year 2016, the recoverable gross VAT balance and prepaid corporate profit tax decreased by US$3,573 thousand (2015: US$25,613 thousand) and US$5,059 thousand (2015: US$24,608 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 31: Financial instruments continued

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	As at 31.12.16					
US$000	Ukrainian Hryvnia	US Dollars	Euro	Swiss Franc	Other currencies	Total
Financial assets	–	1,172	207	768	2,226	4,373
Financial liabilities						
Other banks – secured	–	(24,789)	(37)	–	–	(24,826)
Other banks – unsecured	–	(6,904)	–	–	–	(6,904)
Obligation under finance lease	–	(357)	–	–	–	(357)
Interest accrued	–	(246)	–	–	–	(246)
Total borrowings	–	(32,296)	(37)	–	–	(32,333)
Trade and other payables	–	(1,488)	(1,332)	(238)	(569)	(3,627)
Accrued liabilities	–	(2)	–	(20)	(982)	(1,004)
Total financial liabilities	–	(33,786)	(1,369)	(258)	(1,551)	(36,964)
Net financial assets/(liabilities)	–	(32,614)	(1,162)	510	675	(32,591)

	As at 31.12.15					
US$000	Ukrainian Hryvnia	US Dollars	Euro	Swiss Franc	Other currencies	Total
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)

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 31.12.16 Income statement/ equity**	Year ended 31.12.15 Income statement/ equity
Ukrainian Hryvnia	**(5,436)**	(6,746)
Euro	**(194)**	794
Swiss Franc	**85**	(16)
Total	**(5,545)**	(5,968)

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 31.12.16**	Year ended 31.12.15
Net finance charge	**1,868**	4,768

A decrease of 100bps would increase equity and profit by US$1,014 thousand for the year ended 31 December 2016 (2015: increase of US$1,730 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 of the Group can be adversely affected by falls in the price of iron ore reducing reported revenues and profitability. The price that the industry earns for iron ore products is cyclical in nature and the Board of Directors continues to review its capital base in line with industry trends. In prior years the Board approved investments in growth projects as part of its policy to support a strong capital base. During the financial years 2015 and 2016, in recognition of the industry trend and to further support the Group’s capital base, the Board slowed down investments in major growth projects. Under consideration of increased iron ore prices and more positive industry trends, suspended investments in major growth projects are accelerating again in 2017.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and advantages and security afforded by a sound capital position. The Board continues to support maintaining a sound capital base balanced against these market constraints.

The Board maintains a dividend policy consistent with the Group’s profile, reflecting the investment activities the Group has made supporting current and future production growth and the cash generated by existing operations, while maintaining a prudent level of dividend cover supported by an appropriate level of liquidity.

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements other than a bank covenant requirement to maintain consolidated equity of the Group of US$500,000 thousand including non-controlling interests and excluding the translation reserve. Compliance is ensured by balancing dividend payments against the earnings of the Group.

For more information about the Group’s interest-bearing loans and borrowings see Note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 31.12.16**	As at 31.12.15	**As at 31.12.16**	As at 31.12.15
Financial assets				
Cash and cash equivalents	**144,751**	35,330	**144,751**	35,330
Restricted cash and deposits	**–**	9,308	**–**	9,308
Trade and other receivables	**81,745**	83,379	**81,745**	83,379
Other financial assets	**9,700**	5,766	**9,700**	5,766
Total financial assets	**236,196**	133,783	**236,196**	133,783
Financial liabilities				
Trade and other payables	**28,807**	27,566	**28,807**	27,566
Accrued liabilities	**12,540**	14,223	**12,540**	14,223
Interest-bearing loans and borrowings	**733,702**	903,650	**743,888**	766,526
Total financial liabilities	**775,049**	945,439	**785,235**	808,315

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

All investments of the Group are listed on page 162 and relate to companies incorporated in Ukraine. As at 31 December 2016, all investments are fully impaired.

As at the end of the comparative period ended 31 December 2015, the available-for-sale equity investment in PJSC Stakhanov Railcar Company was valued at US$9 thousand based on the quoted market price for its shares on the Ukrainian Stock Exchange. During the financial year 2016, the investment was fully impaired.

Fair value measurements recognised in the statement of financial position

Except for the afore mentioned available-for-sale investments the Group did not have any financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 3 based on the degree to which the fair value is observable. There were no transfers between Level 1 and Level 2 in these periods.

As at 9 June 2015, the Group disposed its 15.5% available-for-sale equity investment (Level 3) in Ferrous Resources Limited for a total cash consideration of US$41,767 thousand, resulting in a gain in this amount realised in the comparative period ended 31 December 2015 after having been reclassified from other comprehensive income.

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 LTIP is a share-based scheme whereby certain senior management and executives receive rewards based on the relative TSR. The LTIP is subject to a performance condition based on the TSR compared to a comparator group, which operate in a similar environment, measured over the vesting period. Further description is provided in the Remuneration Report. The cost of equity-settled awards is measured as described above together with an estimate of future social security contributions payable in respect of this value.

The following number of share awards were granted under the LTIP in the previous financial years. The LTIP vesting period is three years.

Thousand	**2016 LTIP**	2015 LTIP	2014 LTIP	Total
Year ended 31.12.16	**765**	**–**	**–**	**765**
Year ended 31.12.15	–	617	–	617
Year ended 31.12.14	–	–	480	480

The following expenses have been recognised in 2016 and 2015 in respect of the LTIP:

US$000	**2016 LTIP**	2015 LTIP	2014 LTIP	2013 LTIP	Total
Year ended 31.12.16	**59**	**126**	**204**	**–**	**389**
Year ended 31.12.15	–	125	203	187	515

	Year ended 31.12.16 WAFV (US$)	Year ended 31.12.15 WAFV (US$)	**Year ended 31.12.16 No. ('000)**	Year ended 31.12.15 No. ('000)
LTIP				
Beginning of the year	**1.03**	1.62	**1,497**	1,250
Awards granted during the year	**0.23**	0.61	**765**	617
Lapsed during the year	**1.40**	2.32	**(400)**	(370)
Outstanding at 31 December	**0.63**	1.03	**1,862**	1,497

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 33: Employees

Employee benefits expenses for the year ended 31 December 2016 consisted of the following:

US$000	Year ended 31.12.16	Year ended 31.12.15
Wages and salaries	40,632	43,960
Social security costs	7,425	12,550
Post-employment benefits	1,078	999
Other employee costs	3,448	3,704
Share-based payments	389	515
Total employee benefits expenses	52,972	61,728

Average number of employees	Year ended 31.12.16	Year ended 31.12.15
Production	7,194	7,591
Marketing and distribution	183	187
Administration	1,003	1,012
Other	724	835
Total average number of employees	9,104	9,625

The balances included in the table below show compensation for Non-executive Directors, Executive Directors and other key management personnel:

US$000	Year ended 31.12.16	Year ended 31.12.15
Wages and salaries	6,106	6,357
Social security costs	352	468
Other employee costs	258	263
Total compensation for key management	6,716	7,088

Share-based payments amounting to US$389 thousand (2015: US$515 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 31.12.16	Year ended 31.12.15
Salary and fees	2,681	2,543
Bonus	661	846
Benefits	170	174
Pension	60	80
Total compensation to Non-executive and Executive Directors	3,572	3,643

Note 34: Operating profit by function

US$000	Notes	Before adjusting items	Adjusted items	Year ended 31.12.16	Before adjusting items	Adjusted items	Year ended 31.12.15
Revenue	6	**986,325**	**–**	**986,325**	961,003	–	961,003
Cost of sales	7	**(400,333)**	**–**	**(400,333)**	(446,756)	–	(446,756)
Gross profit		**585,992**	**–**	**585,992**	514,247	–	514,247
Selling and distribution expenses	8	**(209,529)**	**–**	**(209,529)**	(226,222)	–	(226,222)
General and administrative expenses	9	**(38,677)**	**–**	**(38,677)**	(37,103)	–	(37,103)
Other income	10	**2,914**	**–**	**2,914**	6,852	–	6,852
Other expenses	11	**(34,107)**	**(15,472)**	**(49,579)**	(32,726)	(143,290)	(176,016)
Operating foreign exchange gains	12	**13,832**	**–**	**13,832**	26,025	–	26,025
Operating profit		**320,425**	**(15,472)**	**304,953**	251,073	(143,290)	107,783
Share of profit of associates	38	**3,726**	**–**	**3,726**	4,620	–	4,620
Total profit from operations and associates		**324,151**	**(15,472)**	**308,679**	255,693	(143,290)	112,403

Summary of adjusted items:

US$000	Notes	Year ended 31.12.16	Year ended 31.12.15
Operating adjusting items			
Allowance for restricted cash	28	**(8,525)**	(174,579)
Gain on disposal of available-for-sale investment	13/31	**–**	41,385
Write-offs and impairment losses	13	**(2,501)**	(5,555)
Losses on disposal of property, plant and equipment		**(4,446)**	(4,541)
Total operating adjusting items		**(15,472)**	(143,290)

Management is of the view that the separate presentation of adjusted items better reflects the Group's operating profit from continuing operations.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 35: Commitments, contingencies and legal disputes continued

Operating lease commitments – Group as lessee

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2016 are as follows:

US$000	**As at 31.12.16**	As at 31.12.15
Less than one year	**2,441**	1,757
Between one and five years	**7,202**	4,586
More than five years	**37,136**	33,209
Total minimum rentals payable	**46,779**	39,552

During the year ended 31 December 2016, US$2,152 thousand was recognised as an expense in the income statement in respect of operating leases (2015: US$1,814 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 31.12.16	
US$000	**Minimum payments**	**Present value of payments**
Less than one year	**4,289**	**3,684**
Between one and five years	**6,562**	**6,026**
Total minimum lease payments	**10,851**	**9,710**
Less: amounts representing finance charges	**(1,141)**	**–**
Present value of minimum lease payments	**9,710**	**9,710**

	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

Other

US$000	**As at 31.12.16**	As at 31.12.15
Capital commitments on purchase of property, plant and equipment	**24,665**	32,591

Note 35: Commitments, contingencies and legal disputes continued

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 recorded a full allowance for the cash balance held in Bank F&C ("BFC") in September 2015 following which it was declared insolvent and put under temporary administration (see also Note 29). It is expected that the liquidation of the bank, which commenced in December 2015, will take several years and the level of potential recoverability of the remaining balance of restricted cash and deposits is still uncertain as at 31 December 2016. As at 31 December 2016, the balance of restricted cash and deposits which is denominated in Ukrainian Hryvnia with a full allowance amounting to US$156,866 thousand (2015: US$168,575 thousand).

The Group's principal subsidiary, PJSC Ferrexpo Poltava Mining ("FPM"), received a credit of US$9,984 thousand to its account with BFC following the introduction of the temporary administration on 18 September 2015. FPM filed a claim against BFC under the management of the Administrator, as appointed by the Deposit Guarantee Fund ("DGF"), on 30 October 2015 in the Kyiv City Commercial Court for the release of this amount in accordance with applicable legislation. Following the hearing held on 4 December 2015, the Kyiv City Commercial Court ruled in favour of FPM. This court ruling was subsequently appealed. During the hearing on 25 May 2016, the initial decision in favour of FPM was upheld by the Kyiv Appellate Commercial Court and, on 10 June 2016, the decision was further appealed by BFC under the management of the Liquidator. On 5 September 2016, the Highest Commercial Court of Ukraine cancelled both previous judgements of the lower court instances and returned the case to the Kyiv City Commercial Court. FPM subsequently appealed the decision of the Highest Commercial Court of Ukraine to the Supreme Court of Ukraine. On 17 October 2016, the highest court instance in Ukraine, the Supreme Court of Ukraine, rejected FPM's application to review the decision of the Highest Commercial Court of Ukraine.

On 31 January 2017, FPM brought the new application to the Supreme Court of Ukraine against the decision of the Highest Commercial Court of Ukraine. On 6 February 2017, the Supreme Court of Ukraine refused to commence the review proceedings in respect of this decision. As a consequence, the case was heard again by the Kyiv City Commercial Court on 14 March 2017 and this court instance dismissed FPM's claim in full. Taking into account the latest court decision, the allowance recorded in respect of the restricted cash and deposits was increased by US$ 8,525 thousand (at the average rate for December 2016), although FPM is going to appeal against this court decision.

Following commencement of the liquidation of BFC and in accordance with the applicable legislation, FPM, LLC Ferrexpo Yeristovo Mining GOK ("FYM") and LLC Ferrexpo Belanovo Mining GOK ("FBM"), collectively referred to as "Ukrainian subsidiaries", submitted on 21 January 2016 their claims for UAH4,262 million. This represents the total amount of cash held with the bank on the date of introduction of temporary administration after translating in accordance with applicable law all foreign currency amounts into local currency equivalents. On 22 April 2016, the Liquidator of BFC issued certificates recognising UAH540 million of these claims. These recognised claims had been included in the ninth rank on the basis that subsidiaries were considered as related parties. The Ukrainian subsidiaries are currently engaged in court proceedings challenging both the under-recognition of claims and the ranking of the appropriate claims in the local courts.

On 26 October 2016, FPM brought the lawsuit before the Kyiv Commercial Court against the Liquidator of BFC and the DGF challenging under-recognition and ranking of the claims in the liquidation of BFC. On 26 December 2016, the court stayed the proceedings in the FPM litigation and ordered expert examination of the banking records and other documents in the case file by an accounting expert. This order on stay of the proceedings has been appealed by PJSC Ukrainian International Airlines, which seeks to join the proceedings as an interested party. On 1 February 2017, the Kyiv Appellate Commercial Court has dismissed the appeal of PJSC Ukrainian International Airlines.

On 13 October 2016, FYM brought the lawsuit before the Kyiv Commercial Court against the Liquidator and the DGF challenging under-recognition and ranking of the claims in the liquidation of BFC. On 17 October 2016, the Kyiv Commercial Court terminated the proceeding. On 20 December 2016, the Kyiv Appellate Commercial Court returned the case for consideration to the local court. The next hearing before the Kyiv Commercial Court has been scheduled for 15 March 2017.

On 26 October 2016, FBM brought the lawsuit before the Kyiv Commercial Court against the Liquidator and the DGF challenging under-recognition and ranking of the claims in the liquidation of BFC. On 27 December 2016, the Kyiv Commercial Court rejected the claims of FBM in full. FBM filed an appeal on 26 January 2017. The hearing before the Kyiv Appellate Commercial Court has been scheduled for 1 March 2017.

An allowance has been recorded in the comparative period ended 31 December 2015 in respect of cash and deposits held at BFC at the time of temporary administration. It is not expected that the successful determination of these cases results in either a full or partial release of the allowance for restricted cash and deposits at this point of time. See also Note 29 for further information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 35: Commitments, contingencies and legal disputes continued

Salvage of grounded vessel

The Group was involved in arbitration proceedings in respect of the costs incurred for the salvage of a grounded vessel off the coast of Singapore carrying the Group's iron ore pellets to China. Although the Group's customer was at risk in respect of the insurance cover for the pellets shipped, the Group received a claim from the salvage operator as the Group still had the title to the goods during the vessel's period of salvage. The final award from the Arbitrator was received in August 2016. The decision was in favour of the opposing party, however, no payment was due from the Group as the liability was settled by the Group's insurance company under the existing insurance cover.

Share dispute

The Group was involved in a share dispute which commenced in 2005 and has been disclosed in its various public documents since IPO in 2007. On 20 October 2014, the Kyiv City Commercial Court dismissed the claim of the opposing party in full. This judgment was confirmed by the Kyiv Appeal Commercial Court and the Higher Commercial Court of Ukraine on 28 January 2015 and 14 April 2015, respectively. No further court proceedings have been initiated by the opposing party.

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 the transfer pricing law, which continues to evolve to increase 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.

Ukrainian VAT

Recoverable VAT amounting to US$595 thousand outstanding at 31 December 2016 (2015: US$4,549 thousand) is currently in the process of being considered by the Ukrainian court system. As the VAT is fully recoverable under the relevant Ukrainian legislation, the Group expects to receive positive court decisions for these cases and that the amount is recovered in full. Consequently, no provision has been made for the VAT in dispute and associated fines and penalties.

Ukrainian withholding tax claims

Following a tax audit at PJSC Ferrexpo Poltava Mining ("FPM") claims were made by the Ukrainian tax authorities in relation to allegedly unpaid withholding tax totalling US$6,296 thousand (UAH170 million) and associated fines and penalties of US$1,555 thousand (UAH42 million) in respect of interest paid to a subsidiary of the Group in the United Kingdom in 2013 and 2014.

The management of the Group is of the opinion that the arguments of the tax office in respect of the current claim or any future withholding tax claims that may arise in respect of more recent periods are not well founded and applicable relevant tax treaties between the United Kingdom and Ukraine are applicable which would mitigate any claim.

After having taken legal advice, the management of the Group expects to successfully defend any claims made by the tax authorities in the Ukrainian courts. Consequently, no provision has been made for the withholding tax and associated fines and penalties.

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 the sale and the original cost to be recorded in reserves. No gain or loss is recognised in the income statement on the purchase, issue or cancellation of equity shares.

Treasury shares

Own equity instruments, which are re-acquired (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.

Note 36: Share capital and reserves continued

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 2016 was 613,967,956 Ordinary Shares (2015: 613,967,956) at a par value of £0.10 paid for in cash, resulting in share capital of US$121,628 thousand (2015: US$121,628 thousand) per the statement of financial position.

As at 31 December 2016, other reserves attributable to equity shareholders of Ferrexpo plc comprised:

US$000	Uniting of interest reserve	Treasury share reserve	Employee benefit trust reserve	Translation reserve	Total other reserves
At 1 January 2015	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)**
Foreign currency translation differences	**–**	**–**	**–**	**(125,130)**	**(125,130)**
Tax effect	**–**	**–**	**–**	**16,607**	**16,607**
Total comprehensive loss for the period	**–**	**–**	**–**	**(108,523)**	**(108,523)**
Share-based payments	**–**	**–**	**389**	**–**	**389**
At 31 December 2016	**31,780**	**(77,260)**	**(5,108)**	**(1,934,170)**	**(1,984,758)**

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 (2015: 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 2016, the employee benefit trust reserve includes 3,024,899 shares (2015: 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 2016, the Ukrainian Hryvnia devalued from 24.001 as at the beginning of the year to 27.191 as at 31 December 2016 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 95 of these financial statements for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 an entity is lost. Control is obtained when the Group is exposed, or has the rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity that gives the current ability to direct the relevant activities. Control can be obtained through voting rights, but also through agreements, statutes, contracts, trust deeds or other schemes.

Non-controlling interests in the net assets of consolidated subsidiaries are shown separately in the Group's consolidated statement of financial position and consolidated statement of changes in equity. The share of the profit attributable to non-controlling interests is shown in the consolidated income statement and the consolidated statement of comprehensive income.

The Group comprises Ferrexpo plc and its consolidated subsidiaries. The Group's interests in the entities are held indirectly by the Company, with the exception of Ferrexpo AG which is directly held. The Group's equity interests are 100% for all its major consolidated subsidiaries, except for FPM. The interest that non-controlling interests have in the Group's operations are not material and predominantly related to FPM. No significant judgements and assumptions were required to determine that the Group has control over these entities. The Group's consolidated subsidiaries are listed on page 162.

The Group does not have any other interests of 20% or more in undertakings that are not disclosed on page 162, except for the investment in the associate mentioned 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.

The Group also holds an interest of 49.4% (2015: 48.6%) in TIS Ruda LLC operating a port on the Black Sea which the Group uses as part of its distribution channel. The interest in the associate increased as a result of the increase of the Group's shareholding in FPM in November 2016.

US$000	Year ended 31.12.16	Year ended 31.12.15
Opening balance	5,801	8,569
Share of profit[1]	3,726	4,620
Dividends declared	(6,870)	(4,076)
Translation adjustments	(492)	(3,312)
Closing balance	**2,165**	**5,801**

The share of profit from the associate of the comparative period ended 31 December 2015 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 2016 the summarised financial information for the associate was as follows:

	Total assets		Total liabilities		Revenue		Net profit	
US$000	As at 31.12.16	As at 31.12.15	As at 31.12.16	As at 31.12.15	Year ended 31.12.16	Year ended 31.12.15	Year ended 31.12.16	Year ended 31.12.15
TIS Ruda LLC[1]	9,858	11,896	5,519	2,891	22,911	24,174	7,467	9,259

[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 49.4%. 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 pages 68 and 69.

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 31.12.16			Year ended 31.12.15		
US$000	**Entities under common control**	**Associated companies**	**Other related parties**	Entities under common control	Associated companies	Other related parties
Sales of pellets [a]	**1,975**	**–**	**–**	2,871	–	–
Other sales [b]	**234**	**–**	**143**	334	–	496
Total related party transactions within revenue	**2,209**	**–**	**143**	3,205	–	496
Materials [c]	**6,954**	**–**	**8**	6,909	–	12
Purchased concentrate and other items for resale [d]	**–**	**–**	**–**	277	–	–
Spare parts and consumables [e]	**1,251**	**–**	**–**	1,298	–	2
Gas [f]	**4,297**	**–**	**–**	45,869	–	–
Total related party transactions within cost of sales	**12,502**	**–**	**8**	54,353	–	14
Selling and distribution expenses [g]	**10,766**	**19,803**	**1,507**	10,896	22,248	5,023
General and administration expenses [h]	**673**	**–**	**92**	849	–	382
Allowance for restricted cash and deposits [i]	**8,524**	**–**	**–**	174,579	–	–
Total related party transactions within expenses	**32,465**	**19,803**	**1,607**	240,677	22,248	5,419
Finance income [i]	**–**	**–**	**–**	2,039	–	–
Finance expense [i]	**(38)**	**–**	**–**	(58)	–	–
Net related party finance income	**(38)**	**–**	**–**	1,981	–	–

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

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

a Spot sales of pellets in the amount of US$1,975 thousand (2015: US$2,871 thousand) to VA Intertrading AG.

b Sales of power, steam and water and other materials for US$37 thousand (2015: US$78 thousand) and income from premises leased to Kislorod PCC of US$135 thousand (2015: US$147 thousand).

c Purchases of compressed air and oxygen and metal scrap from Kislorod PCC for US$3,587 thousand (2015: US$3,918 thousand);

c Purchases of cast iron balls from AutoKraZ Holding Co. for US$1,269 thousand (2015: US$1,063 thousand); and

c Purchases of cast iron balls from OJSC Uzhgorodsky Turbogas for US$2,063 thousand (2015: US$1,787 thousand).

d Purchases of concentrate and other items for resale from Vostok Ruda Ltd. amounting to US$277 thousand during the comparative period. No such purchases during the period ended 31 December 2016.

e Purchases of spare parts from CJSC Kyiv Shipbuilding and Ship Repair Plant ("KSRSSZ") in the amount of US$410 thousand (2015: US$338 thousand);

e Purchases of spare parts from Valsa GTV of US$486 thousand (2015: US$273 thousand); and

e Purchases of ferromanganese from Raw and Refined Commodities AG for US$102 thousand (2015: US$484 thousand).

f Procurement of gas for US$4,297 thousand (2015: US$45,869 thousand) from OJSC Ukrzakordongeologia.

g Purchases of advertisement, marketing and general public relations services from FC Vorskla of US$10,766 thousand (2015: US$10,855 thousand).

h Insurance premiums of US$385 thousand (2015: US$429 thousand) paid to ASK Omega for workmen's insurance and other insurances; and

h Fees of US$273 thousand paid to Bank F&C for bank services during the comparative period. No such fees paid during the period ended 31 December 2016.

i The Group recorded during the financial year 2016 an additional allowance for its cash and deposits held at Bank F&C resulting in a charge of US$8,525 thousand (2015: US$174,579 thousand) as a result of the latest developments of the ongoing court case. See Note 35 for further information. Finance income and expense in the comparative period ended 31 December 2015 related to transactional banking services provided by this bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 39: Related party disclosure continued

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).

g Purchases of logistics services in the amount of US$19,803 thousand (2015: US$22,248 thousand) relating to port operations, including port charges, handling costs, agent commissions and storage costs.

Other related parties

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

b Sales of material and services to Slavutich Ruda Ltd. for US$131 thousand (2015: US$481 thousand).

g Purchases of logistics management services from Slavutich Ruda Ltd. relating to customs clearance services and the coordination of rail transit totalling US$1,502 thousand (2015: US$5,023 thousand).

h Consulting fees paid to Nage Capital Management AG of US$92 thousand (2015: US$382 thousand) 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. The agreement has been terminated as of 30 September 2016.

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 31.12.16			Year ended 31.12.15		
US$000	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Purchases with shareholder approval	–	–	–	842	–	–
Purchases in the ordinary course of business	37	–	1	1,257	–	10
Total purchases of property, plant and equipment[k]	**37**	**–**	**1**	**2,099**	**–**	**10**

Individual transactions of a capital nature which exceeded US$200 thousand are described below.

Entities under common control

Current year

k During the financial year 2016, the Group entered in various transactions of a capital nature with related parties totalling US$38 thousand. These transactions were in the ordinary course of business.

Prior year

k During the financial year 2015, the Group entered into various transactions of a capital nature with related parties totalling to US$1,267 thousand, which were in the ordinary course of business:

- 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 PJSC Ferrexpo Poltava Mining; and the Group procured design documentation services from OJSC DIOS totalling US$288 thousand.

In April 2015 the Group received 27 rail cars totalling US$1,431 thousand (US$842 thousand at the prevailing exchange rate at delivery) in addition to 25 rail cars received in 2014. A total of 300 rail cars were ordered in February 2014 under the authority of a shareholder approval obtained on 24 May 2012. As a consequence of the conflict in the Eastern part of Ukraine, the producer of the rail cars was not in the position to produce and deliver all rail cars ordered and prepaid. The remaining balance of the prepayment was fully written off as of 31 December 2015, after having provided for it already as of 31 December 2014.

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 31.12.16			As at 31.12.15		
US$000	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Investments available-for-sale	–	–	–	9	–	–
Prepayments for property, plant and equipment	–	–	–	24	–	–
Total non-current assets	**–**	**–**	**–**	**33**	**–**	**–**
Trade and other receivables[l]	257	4,576	48	688	2,273	8
Prepayments and other current assets[m]	282	–	201	680	–	–
Total current assets	**539**	**4,576**	**249**	**1,368**	**2,273**	**8**
Trade and other payables[n]	456	1,331	267	902	2,625	91
Current liabilities	**456**	**1,331**	**267**	**902**	**2,625**	**91**

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

Entities under common control

l As of 31 December 2016, trade and other receivables included outstanding amounts due from Kislorod PCC of US$20 thousand (2015: US$404 thousand) for the sale of power, steam and water.

m The balances as at the end of the comparative period ended 31 December 2015 include prepayments of US$577 thousand made to Vostok Ruda Ltd. for purchases of concentrate. An allowance for the full amount prepaid was recorded during 2016 as a result of the bankruptcy filed by the related party.

n Trade and other payables include US$133 thousand for compressed air and oxygen purchased from Kislorod PCC (2015: US$475 thousand).

Note 39: Related party disclosure continued

Associated companies

l As at 31 December 2016, trade and other receivables included US$4,576 thousand (2015: US$2,273 thousand) related to dividends declared by TIS Ruda LLC.

n As at 31 December 2016, trade and other payables included US$1,331 thousand (2015: US$2,625 thousand) related to purchases of logistics services from TIS Ruda LLC.

Other related parties

m Prepayments and other current assets totalling US$201 thousand (2015: nil) relate to prepayments made to Slavutich Ruda Ltd. for distribution services.

n Trade and other payables of US$267 thousand (2015: US$38 thousand) were in respect of distribution services provided by Slavutich Ruda Ltd.

Transactional banking arrangements

Prior to 17 September 2015, the Group had transactional banking arrangements with Bank F&C in Ukraine which was under common control of Kostyantin Zhevago. See Note 29 and Note 35 for further information.

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 licence 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.

Note 40: Events after the reporting period

No material adjusting or non-adjusting events have occurred subsequent to the year end other than the proposed dividend disclosed in Note 16.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

US$000	Notes	As at 31.12.16	As at 31.12.15
ASSETS			
Non-current assets			
Investment in subsidiary undertakings	5	**147,496**	147,496
Other receivables due from subsidiary undertakings	6	**2,015**	4,458
Total non-current assets		**149,511**	151,954
Current assets			
Other receivables due from subsidiary undertakings	6	**869,867**	850,865
Accrued interest and prepaid expenses		**2,652**	2,262
Cash and cash equivalents		**47**	78
Total current assets		**872,566**	853,205
TOTAL ASSETS		**1,022,077**	1,005,159
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	**(5,108)**	(5,497)
Retained earnings		**788,410**	769,007
Total equity		**1,012,782**	992,990
Non-current liabilities			
Financial guarantees	7	**2,015**	4,458
Non-current liabilities		**2,015**	4,458
Current liabilities			
Financial guarantees	7	**3,959**	4,140
Other payables		**715**	575
Accrued liabilities		**911**	734
Income tax payable		**1,695**	2,262
Total current liabilities		**7,280**	7,711
TOTAL EQUITY AND LIABILITIES		**1,022,077**	1,005,159

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$19,403 thousand for the financial year ended 31 December 2016 (2015: US$26,615 thousand). There were no gains or losses in the current or preceding years recognised in other comprehensive income.

The financial statements were approved by the Board of Directors on 21 March 2017.

KOSTYANTIN ZHEVAGO
CHIEF EXECUTIVE OFFICER

CHRISTOPHER MAWE
CHIEF FINANCIAL OFFICER

PARENT COMPANY STATEMENT OF CASH FLOWS

US$000	Year ended 31.12.16	Year ended 31.12.15
Profit before income tax:	**21,054**	28,879
Adjustments for:		
Interest and guarantee fee income	**(31,357)**	(36,176)
Interest and finance expenses	**8**	6
Operating and non-operating forex gains	**15**	371
Operating cash flow before working capital changes	**(10,280)**	(6,920)
Changes in working capital:		
Increase in other receivables	**(91)**	(132)
(Decrease)/increase in other payables and accrued liabilities	**(89)**	6
Cash absorbed from operating activities	**(10,460)**	(7,046)
Interest and guarantee fee received	**28,024**	24,911
Income tax paid	**(2,263)**	(1,600)
Net cash flows from operating activities	**15,301**	16,265
Cash flows from investing activities		
Share-based payments	**–**	–
Payments to subsidiary undertakings	**(22,480)**	(14,504)
Repayments from subsidiary undertakings	**7,173**	75,634
Net cash flows used in investing activities	**(15,307)**	61,130
Cash flows from financing activities		
Dividends paid	**–**	(77,548)
Net cash flows used in financing activities	**–**	(77,548)
Net increase in cash and cash equivalents	**(6)**	(153)
Cash and cash equivalents at the beginning of the year	**78**	381
Currency translation differences	**(25)**	(150)
Cash and cash equivalents at the end of the year	**47**	78

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 2015	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**
Profit for the period	**–**	**–**	**–**	**–**	**19,403**	**19,403**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**19,403**	**19,403**
Equity dividends paid to shareholders	**–**	**–**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**389**	**–**	**389**
At 31 December 2016	**121,628**	**185,112**	**(77,260)**	**(5,108)**	**788,410**	**1,012,782**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Note 1: Corporate information

Ferrexpo plc (the "Company") is incorporated and registered in England, which is considered to be the country of domicile, with its registered office at 55 St James's Street, London SW1A 1LA, UK. The Company'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 2015: 50.3%) of the Company's issued share capital.

Note 2: Basis of preparation

The Parent Company financial statements are presented as required by the Companies Act 2006 and were approved for issue on 21 March 2017.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements are presented in US Dollars (US$), the Company's functional currency, and all values are rounded to the nearest thousand, except where otherwise indicated. The functional currency is determined as the currency of the primary economic environment in which the Company operates. The majority of the Company's operating activities are conducted in US Dollars.

The Company does not have any other employee than the Directors. The requirement to give employee numbers and costs information under Section 411 of the Companies Act is addressed in the Directors' Remuneration Report of the Group on page 69.

Note 3: 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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

Note 3: 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 re-acquired (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: 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 11 to the financial statements provides further information on 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 adopted

The accounting policies and method of computation adopted in the preparation of the financial statements are consistent with those of the previous year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2016. The new standards and interpretations had no effect on reported results, financial position or disclosure in the financial statements:

– IAS 1 *Presentation of Financial Statements – disclosure initiative*
– Annual Improvements to IFRSs – 2012-2014 Cycle

New standards and interpretations not yet adopted

The Company has elected not to early adopt the following revised and amended standard, which is 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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

Note 4: Dividend paid and proposed

US$000	Year ended 31.12.16
Dividends proposed	
Final dividend for 2016: 3.3 US cents per Ordinary Share	**19,325**
Special dividend for 2016: 3.3 US cents per Ordinary Share	**19,325**
Total dividends proposed	**38,650**

No final dividend was proposed for the financial year 2015 and no dividends were paid during the financial year 2016.

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 during the year	77,548

Note 5: Investment in subsidiary undertakings

Investment in subsidiary undertakings at 31 December 2016 relates to the Company’s investment in Ferrexpo AG, which is domiciled in Switzerland and wholly owned by the Company. The subsidiary’s registered office is at Bahnhofstrasse 13, 6340 Baar, Switzerland.

US$000	At 31.12.16	At 31.12.15
Investment in subsidiary undertakings	**147,496**	147,496
Total investment in subsidiary undertakings	**147,496**	147,496

See Note 37 and page 162 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 2016 relate to the following:

US$000	At 31.12.16	At 31.12.15
Non-current other receivables due from subsidiary undertakings		
Other receivables	**2,015**	4,458
Total non-current other receivables due from subsidiary undertakings	**2,015**	4,458
Current other receivables due from subsidiary undertakings		
Loans	**852,890**	837,584
Other receivables	**16,977**	13,281
Total current other receivables due from subsidiary undertakings	**869,867**	850,865
Total other receivables due from subsidiary undertakings	**871,882**	855,323

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 the financial guarantees were recognised as a liability.

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 2016, the Company was a guarantor to the Group's outstanding Eurobond totalling US$346,385 thousand issued by Ferrexpo Finance plc and to the new syndicated pre-export finance facility totalling US$350,000 thousand drawn by Ferrexpo Finance plc and Ferrexpo AG. The amortisation of this facility commenced in November 2016 with eight quarterly instalments of US$43,750 thousand to the final maturity date of 8 August 2018. 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.

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 2016.

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 31.12.16	At 31.12.15
Cash and cash equivalents	47	78
Accrued interest due from subsidiary undertakings	2,360	2,061
Accrued interest due from third parties	291	200
Loans due from subsidiary undertakings	852,890	837,584
Other current receivables due from subsidiary undertakings	16,977	13,281
Other non-current receivables due from subsidiary undertakings	2,015	4,458
Total maximum exposure to credit risk	**874,580**	857,662

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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

Note 8: Financial risk management objectives and policies continued

Liquidity risk

The following table shows the contractual maturities of non-interest-bearing financial liabilities:

US$000	Year end 31 December 2016 Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Total
Financial liabilities				
Non-interest bearing				
Financial guarantees	**3,959**	**1,673**	**342**	**5,974**
Other payables	**715**	**–**	**–**	**715**
Accrued liabilities	**911**	**–**	**–**	**911**
Total cash flow maturities	**5,585**	**1,673**	**342**	**7,600**

US$000	Year end 31 December 2015 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

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:

US$000	Year end 31 December 2016 Swiss Franc	Other currencies	Total
Cash and cash equivalents	**9**	**8**	**17**
Total financial assets			
Other payables	**(71)**	**(223)**	**(294)**
Accrued liabilities and deferred income	**(20)**	**(294)**	**(314)**
Total financial liabilities			
Net financial assets/(liabilities)	**(82)**	**(509)**	**(591)**

US$000	Year end 31 December 2015 Swiss Franc	Other currencies	Total
Cash and cash equivalents	–	9	9
Total financial assets	–	9	9
Other payables	(81)	(73)	(154)
Accrued liabilities and deferred income	–	(89)	(89)
Total financial liabilities	(81)	(162)	(243)
Net financial assets/(liabilities)	(81)	(153)	(234)

Note 8: Financial risk management objectives and policies continued

Sensitivity analysis

A 5% strengthening of the US Dollar against the Swiss Franc and other currencies 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 31.12.16**	Year ended 31.12.15
Swiss Franc	**(4)**	(4)
Other currencies	**(24)**	(7)
Total	**(28)**	(11)

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 2016.

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 31.12.16**	Year ended 31.12.15
Net finance charge	**8,529**	1

A decrease of 100 basis points would have a negative effect of US$4,201 thousand (2015: US$1 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 2016 was 613,967,956 Ordinary Shares (2015: 613,967,956) at a par value of £0.10 paid for in cash, resulting in share capital of US$121,628 thousand (2015: US$121,628 thousand) per the statement of financial position.

Treasury share reserve

In September 2008, the Company completed a buy-back of 25,343,814 shares for a total cost of US$77,260 thousand (2015: 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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

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 2016, the employee benefit trust reserve includes 3,024,899 shares (2015: 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 2015	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**
Profit for the period	**–**	**–**	**–**	**–**	**19,403**	**19,403**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**19,403**	**19,403**
Share-based payments	**–**	**–**	**–**	**389**	**–**	**389**
At 31 December 2016	**121,628**	**185,112**	**(77,260)**	**(5,108)**	**788,410**	**1,012,782**

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 31.12.16**	At 31.12.15
Transactions with related parties		
Interest income	**25,786**	23,532
Guarantee fee income	**5,571**	12,644
Management fees	**(3,896)**	(3,172)
Total transactions with related parties	**27,461**	33,004
Balances with related parties		
Other receivables – current	**16,977**	13,281
Accrued interest	**2,360**	2,061
Other receivables – non-current	**2,015**	4,458
Loans	**852,890**	837,584
Other payables	**(390)**	(422)
Total balances with related parties, net	**873,852**	856,962

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 2016 and 2015, 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 number of share awards were granted under the LTIP in the previous financial years. The LTIP vesting period is three years.

Thousand	2016 LTIP	2015 LTIP	2014 LTIP	Total
Year ended 31.12.16	**765**	**–**	**–**	**765**
Year ended 31.12.15	–	617	–	617
Year ended 31.12.14	–	–	480	480

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 Directors' Remuneration Report.

The following expenses have been recognised in 2016 and 2015 in respect of the LTIP:

US$000	2016 LTIP	2015 LTIP	2014 LTIP	2013 LTIP	Total
Year ended 31.12.16	**59**	**126**	**204**	**–**	**389**
Year ended 31.12.15	–	125	203	187	515

All costs related to the share-based payments of the Group are recorded in a subsidiary undertaking of the Company.

	Year ended 31.12.16 WAFV (US$)	Year ended 31.12.15 WAFV (US$)	At 31.12.16 No. ('000)	At 31.12.15 No. ('000)
LTIP				
Beginning of the year	**1.03**	1.62	**1,497**	1,250
Awards granted during the year	**0.23**	0.61	**765**	617
Lapsed during the year	**1.40**	2.32	**(400)**	(370)
Outstanding at 31 December	**0.63**	1.03	**1,862**	1,497

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 2016, the employee benefit trust reserve includes 3,024,899 shares (2015: 3,162,399 shares).

Note 12: 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 13: Events after the reporting period

No material adjusting or non-adjusting events have occurred subsequent to the year end.

ADDITIONAL DISCLOSURES

See Note 37 for further information on the Group.

Name	Address of consolidated subsidiaries' registered office	Principal activity	Equity interest owned	
			31.12.16 %	31.12.15 %
Consolidated subsidiaries				
Ferrexpo AG	Bahnhofstrasse 13, 6340 Baar, Switzerland	Holding company and sale of iron ore pellets	**100.0**	100.0
PJSC Ferrexpo Poltava Mining[1]	Budivelnykiv Street 16, 39802 Horishni Plavni, Poltava Region, Ukraine	Iron ore mining	**99.0**	97.3
LLC Ferrexpo Yeristovo Mining GOK	Budivelnykiv Street 15, 39802 Horishni Plavni, Poltava Region, Ukraine	Iron ore mining	**100.0**	100.0
LLC Ferrexpo Belanovo Mining GOK	Budivelnykiv Street 15, 39802 Horishni Plavni, Poltava Region, Ukraine	Iron ore mining	**100.0**	100.0
Ferrexpo Middle East FZE	P.O. Box 18341, The Galleries – 04 1203, Jebel Ali Down Town, Dubai, U.A.E.	Sale of iron ore pellets	**100.0**	100.0
Ferrexpo Finance plc	55 St James's Street, London SW1A 1LA, United Kingdom	Finance	**100.0**	100.0
Ferrexpo Services Limited	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Management services and procurement	**100.0**	100.0
Universal Services Group Ltd.	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Asset holding company	**100.0**	100.0
DP Ferrotrans	Portova Street 65, 39802 Horishni Plavni, Poltava Region, Ukraine	Trade, transportation services	**99.0**	97.3
United Energy Company LLC	Bydivelnykiv Street 16, 39802 Horishni Plavni, Poltava Region, Ukraine	Holding company	**99.0**	97.3
Nova Logistics Limited	Budivelnykiv Street 16, 39802 Horishni Plavni, Poltava Region, Ukraine	Service company	**51.0**	51.0
Ferrexpo Singapore PTE Ltd.	Marina Boulevard #05-02, Marina Bay Financial Centre, 018981 Singapore, Singapore	Marketing services	**100.0**	100.0
Ferrexpo Hong Kong Limited[2]	Wing on Centre 16/F, 111 Connaught Road Central, Hong Kong, HK	Marketing services	**100.0**	100.0
Ferrexpo Shipping International Ltd.	Ajeltake Road, MH-96960 Ajeltake Island- Majuro, Marshall Islands	Holding company	**100.0**	100.0
Iron Destiny Ltd.	Ajeltake Road, MH-96960 Ajeltake Island- Majuro, Marshall Islands	Shipping company	**100.0**	100.0
Arlington Ltd.[3]	PO Box 296, Sarnia House, Le Truchot, GY1 4NA St Peter Port, Guernsey, Guernsey	Holding company	**100.0**	100.0
First-DDSG Logistics Holding GmbH	Handelskai 348, 1020 Wien, Austria	Holding company	**100.0**	100.0
EDDSG GmbH	Handelskai 348, 1020 Wien, Austria	Barging company	**100.0**	100.0
DDSG Tankschiffahrt GmbH	Handelskai 348, 1020 Wien, Austria	Barging company	**100.0**	100.0
DDSG Services GmbH	Handelskai 348, 1020 Wien, Austria	Service company	**100.0**	100.0
DDSG Mahart Kft.	Sukorói út 1., 8097 Nadap, Hungary	Barging company	**100.0**	100.0
Pancar Kft.	Sukorói út 1., 8097 Nadap, Hungary	Barging company	**100.0**	100.0
Ferrexpo Port Services GmbH	Handelskai 348, 1020 Wien, Austria	Port services	**100.0**	100.0
Transcanal SRL	Ecluzei Street 1, Agigea, Constanta, Romania	Port services	**77.6**	77.6
Helogistics Asset Leasing Kft.	Sukorói út 1., 8097 Nadap, Hungary	Asset holding company	**100.0**	100.0
LLC DDSG Ukraine Holding	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Holding company	**100.0**	100.0
LLC DDSG Invest	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Asset holding company	**100.0**	100.0
LLC DDSG Ukraine Shipping Management	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Barging company	**100.0**	100.0
LLC DDSG Ukraine Shipping	Radhospna Street 18, 39763 Kamiani Potoky, Kremenchuk District, Poltava Region, Ukraine	Asset holding company	**100.0**	100.0
Associate				
TIS Ruda LLC	Chapaieva Street 50, 67543 Vizirka Village, Odesa Region, Ukraine	Port development	**49.4**	48.6
Available-for-sale investments				
PJSC Stakhanov Railcar Company		Railcar producer	**1.1**	1.1
Vostok Ruda LLC		Iron ore mining	**1.1**	1.1
LLC Atol		Gas	**9.9**	9.9
CJSC AMA		Gas	**9.0**	9.9
CJSC Amtek		Gas	**9.0**	9.9

1 In November 2016, the Group increased its shareholding by 1.68%.
2 The entity has been put into liquidation in March 2016 and is expected to be liquidated in 2016.
3 The entity was liquidated in December 2016.

ALTERNATIVE PERFORMANCE MEASURES

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

The APMs used by the Group fall into two categories:
Financial APMs: These financial measures are usually derived from the financial statements, prepared in accordance with IFRS.

Non-financial APMs: These measures incorporate certain non-financial information which management believes is useful when assessing the performance of the Group.

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

Non-financial:

Iron ore price	The PLATTS 62% Fe CFR China price for iron ore fines is an important industry indicator of the overall level of demand for iron ore.
Production of premium pellets	The Group reports production of its premium pellets which includes Ferrexpo Premium Pellets ("FPP"), containing 65% Fe, and Ferrexpo premium pellets plus "FPP+", containing 65% Fe with enhanced basicity and low temperature disintegration properties. Ferrexpo's strategy is to sell high quality pellets to its customer base. Thus the level of production of premium pellets is an important indicator of whether the Group is adhering to its strategy.
Sales volumes	Indicate the level of demand for the Group's products.
LTIFR	Lost time injuries frequency rate "LTIFR" per million man hours worked across the Company's mining and processing operations in Ukraine and its barging subsidiary on the Danube River. The Group presents LTIFR because it believes that it is an important indicator of how safe the work environment is.

Financial:

C1 cash cost of production	Represents the cash costs of production of iron pellets from own ore divided by production volume of own ore. Non-C1 cost components include non-cash costs such as depreciation, inventory movements and costs of purchased ore and concentrate. The Group presents the C1 cash cost of production because it believes it is a useful measure of its cost competitiveness compared to its peer group.
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. The Group presents EBITDA because it believes it is a useful measure for evaluating its ability to generate cash and its operating performance.
Net debt	Net financial indebtedness as defined by the Group comprises cash and cash equivalents less interest-bearing loans and borrowings. It provides an indication of the degree of indebtedness of the Group.
Net debt to EBITDA	Net financial indebtedness divided by EBITDA (both as described above). The ratio is a measurement of the Group's leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA.
Capital expenditure (capex)	Capital expenditure is defined as sustaining and development cash expenditure on property, plant and equipment as shown in the Group's statement of cash flows. It indicates the level of investment into the Group's asset base to maintain and develop its businesses.

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
Blast furnace pellets	Used in Basic Oxygen Furnace "BOF" steelmaking and constitute ~70% of the traded pellet market
Board	The Board of Directors of the Company
bt	Billion tonnes
C1 costs	Represents the cash costs of production of iron pellets from own ore, divided by production volume from own ore, and excludes non-cash costs such as depreciation, pension costs and inventory movements, costs of purchased ore, concentrate and production cost of gravel
Capesize	Capesize vessels are typically above 150,000 tonnes deadweight. Ships in this class include oil tankers, supertankers and bulk carriers transporting coal, ore and other commodity raw materials. Standard capesize vessels are able to transit through the Suez Canal
Capital employed	The aggregate of equity attributable to shareholders, non-controlling interests and borrowings
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

Direct reduction “DR” pellets	Used in Direct Reduction Iron “DRI” production. In regions where natural gas is cheap and plentiful, such as the Middle East, DR pellets are mixed with natural gas to produce DRI, an alternative source of metallic to scrap in Electric Arc Furnace “EAF” steelmaking. DR pellets are niche, higher quality product with Fe content greater than 67% and a combined level of silica and alumina of <2%
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 river corridor
FOB	Delivered free on board, which means that the seller’s obligation to deliver has been fulfilled when the goods have passed over the ship’s rail at the named port of shipment, and all future obligations in terms of costs and risks of loss or damage transfer to the buyer from that point onwards
FPM	Ferrexpo Poltava Mining, also known as Ferrexpo Poltava GOK Corporation or PGOK, a company incorporated under the laws of Ukraine
FRMC	Finance & 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

GLOSSARY CONTINUED

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 and 90,000 tonnes of cargo and can transit both the Panama and Suez canals
PPI	Ukrainian producer price index
Probable reserves	Those measured and/or indicated mineral resources which are not yet "proved", but of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination and under specific economic conditions
Proved reserves	Measured mineral resources of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination and under specific economic conditions
Rail car	Railway wagon used for the transport of iron ore concentrate or pellets
Relationship agreement	The relationship agreement entered into among Fevamotinico S.a.r.l., Kostyantin Zhevago, The Minco Trust and the Company

Remuneration Committee	The Remuneration Committee of the Company's Board
Reserves	Those parts of mineral resources for which sufficient information is available to enable detailed or conceptual mine planning and for which such planning has been undertaken. Reserves are classified as either proved or probable
Sinter	A porous aggregate charged directly to the blast furnace which is normally produced by firing fine iron ore and/or iron ore concentrate, other binding materials and coke breeze as the heat source
Spot price	The current price of a product for immediate delivery
Sterling/£	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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