

3 August 2017

COMPANY NUMBER 5432915

**Ferrexpo plc**
**("Ferrexpo", the "Group" or the "Company")**

THURSDAY


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COMPANIES HOUSE

## 2017 Half Year Results

Ferrexpo plc today announces its financial results for the six months ended 30 June 2017.

### Steve Lucas, Non-Executive Chairman, said:

"We are pleased to report another excellent set of results, which demonstrate that demand for Ferrexpo's high quality iron ore pellets from the world's leading steel manufacturers remains strong. The premium we achieved in sales of pellets was significantly higher than in 2016.

"The Group continues to manage costs, which has benefitted both operating margins and cash flow, while we have increased our levels of capital investment. We continue to lay the groundwork to grow output incrementally towards our target of 20 million tonnes a year.

At the same time we have substantially strengthened our balance sheet and have reduced net debt to less than one times last twelve months' EBITDA.

"While the outlook for the iron ore price remains uncertain, pellet premiums remain supported and we are confident of achieving a good result for the year."

### 1H 2017 Financial Summary:

US\$ million (unless otherwise stated)	6 months ended 30.06.17	6 months ended 30.06.16	Change	Year ended 31.12.16
Total pellet production (kt)	5,160	5,723	-10%	11,200
Pellet sales volumes <sup>A</sup> (kt)	5,065	6,017	-16%	11,697
Avg PLATTS CFR 62% iron ore fines price <sup>A</sup> (US\$/t)	74.4	51.7	44%	58.3
Revenue	591	458	29%	986
C1 cash cost <sup>A</sup> (per tonne)	31.7	25.7	23%	27.7
Underlying EBITDA <sup>A</sup>	287	160	79%	375
Underlying EBITDA margin <sup>A</sup>	48.5%	34.9%		38.0%
Profit for the period after special items	216	78	177%	189
Diluted EPS after special items (US cents)	36.60	13.14	179%	31.91
Dividend per share (US cents)	3.3	-	100%	6.6
Net cash flow from operating activities	194	142	37%	332
Capital investment <sup>A</sup>	45	24	88%	48
Net debt <sup>A</sup>	481	753	-36%	589
Liquidity (including undrawn facilities)	143	44	225%	145
Net debt to last twelve months' EBITDA <sup>A</sup>	0.96x	2.54x	62%	1.57x

### Health and Safety

- We regret to report one work related fatality (1H 2016: one)
- Group LTIFR<sup>A</sup> of 0.9 per million man hours (1H 2016: 0.89; 2H 2016: 1.44)

### Market Environment

- Strong market environment for high grade iron ore products including pellets
- Increase in pellet premiums reflected market conditions
- Average realised FOB price increased compared to 1H 2016
- Strong customer demand from the Group's long term target customers

### Operational

- 1H 2017 pellet production 5.2MT (1H 2016: 5.7MT) reflects planned pelletiser maintenance
- 2H 2017 production to be marginally ahead of 1H 2017
- C1 cash cost<sup>A</sup> US\$31.7 per tonne (1H 2016: US\$25.7 per tonne) reflects higher commodity priced inputs, local inflation, stable Hryvnia against the Dollar and lower production levels
- Ferrexpo remains one of the lowest cost pellet producers in the world
- Mining licence for Ferrexpo Poltava Mining (FPM) renewed in July 2017 for 20 years until 2037
- Higher capex<sup>A</sup> of US\$45 million (1H 2016: US\$24 million) reflects improved financial liquidity
- Full year 2017 capex<sup>A</sup> likely to be approximately US\$100 million

### Financial

- Revenue up 29% to US\$591 million (1H 2016: US\$458 million) on higher iron ore prices and pellet premiums
- Underlying EBITDA<sup>A</sup> up 79% to US\$287 million (1H 2016: US\$160 million) on higher revenue and tightly controlled costs
- 1H 2017 underlying EBITDA margin<sup>A</sup> 49% vs. 34% in 1H 2016
- Profit before tax up US\$149 million to US\$241 million (1H 2016: US\$92 million)
- Net cash flows from operating activities up 37% to US\$194 million (1H 2016: US\$142 million)
- US\$163 million of debt repaid in 1H 2017, including a US\$50 million prepayment of PXF debt
- Net debt<sup>A</sup> of US\$481 million at lowest level 2012 (31 December 2015: US\$589 million; 30 June 2016: US\$753 million)
- Net debt to last twelve months EBITDA<sup>A</sup> 0.96x (30 June 2016: 2.5x; 31 December 2016: 1.57 x)
- Available liquidity as of 30 June 2017 in line with 31 December 2016 at US\$143 million (31 December 2016: US\$145 million)
- Dividend of 3.3 US cents declared (1H 2016: nil)

### Outlook

- The Board expects demand for high quality iron ore, especially pellets, to remain strong through 2H 2017

## ALTERNATIVE PERFORMANCE MEASURES

Words with the symbol <sup>A</sup> are defined in the Alternative Performance Measures section on page 33.

There is an analyst and investor meeting at 09.00 GMT today at the offices of Deutsche Bank at Winchester House, 75 London Wall, London EC2N 2DB. A live video webcast and slide presentation of this event will be available on [www.ferrexpo.com](http://www.ferrexpo.com). It is recommended that participants register at 08.45. The presentation will be hosted by Steve Lucas (Chairman), Kostyantyn Zhevago (CEO) and Chris Mawe (CFO).

Webcast link: <http://edge.media-server.com/m/p/ni4krjca>

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**Notes to Editors:**

Ferrexpo is a Swiss headquartered iron ore company with assets in Ukraine. It has been mining, processing and selling high quality iron ore pellets to the global steel industry for 40 years. Ferrexpo's resource base is one of the largest iron ore deposits in the world. The Group is currently the 3rd largest exporter of pellets to the global steel industry and the largest exporter of pellets from the Former Soviet Union. In 2016, it produced 11.2 million tonnes of pellets reflecting a 2% increase in production of the Group's highest quality pellets<sup>A</sup> to a record 10.5 million tonnes. Ferrexpo has a diversified customer base supplying steel mills in Austria, Slovakia, the Czech Republic, Germany and other European states, as well as in China, India, Japan, Taiwan and South Korea. Ferrexpo is listed on the main market of the London Stock Exchange under the ticker FXPO. For further information, please visit [www.ferrexpo.com](http://www.ferrexpo.com)

### **Introduction**

Ferrexpo is pleased to report an excellent set of financial results underpinned by strong demand for its product. Improved levels of global steel output in 1H 2017 compared to 1H 2016 increased demand for higher grade ore, including pellets. The Group was able to capitalise on its marketing strategy of selling its pellets to the best steel mills around the world. As a result the price premium that Ferrexpo received over the benchmark iron ore fines price increased significantly compared to 2016.

In the first half of 2017, Group underlying EBITDA<sup>A</sup> increased by 79% to US\$287 million (1H 2016: US\$160 million) while net debt<sup>A</sup> reduced by US\$108 million to US\$481 million as of 30 June 2017 (31 December 2016: US\$589 million) and the ratio of net debt to the last twelve months' EBITDA<sup>A</sup> fell below 1 times.

Ferrexpo is pleased to declare an interim dividend of US3.3 cents per share (1H 2016: nil).

We deeply regret, however, to report a fatality during the period. Ferrexpo's goal remains firmly focused on achieving zero fatalities or injuries.

### **Outlook**

The Board of Ferrexpo expects demand for high quality iron ores, especially pellets, to remain strong in the second half of 2017, underpinned by continued improvement in global economic activity as well as long term growth drivers which require steel mills to reduce their emissions per tonne of steel, increase their efficiencies and improve the quality of their final product.

On the supply side, barriers to entry into the pellet market remain high, given that capital investment for new pelletising capacity alone can be in the region of US\$100 per tonne. Nevertheless, it is expected that additional capacity could come to the market in 2018 and 2019. Long term growth drivers and the marginal cost of pellet production, however, should ensure that pellet premiums remain well supported at or above the long-run average of approximately US\$30 per tonne.

While Ferrexpo's costs are influenced by commodity prices, the Hryvnia exchange rate, local inflation and production levels, the Group expects to retain its competitive cost position within the industry and to continue to benefit from its past investment and its high quality customer portfolio.

### **Dividends**

The Directors have declared an interim dividend of 3.3 US cents per Ordinary Share (1H 2016: nil) for payment on 8 September 2017 to shareholders on the register at the close of business on 11 August 2017. The ex-dividend date will be 10 August 2017. The dividend will be paid in UK Pounds Sterling, with an election to receive in 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.

The Board will assess the merits of additional returns to shareholders via special dividends, to be paid from cash flows in excess of the Group's needs when taking into account debt repayments and development capital expenditure<sup>A</sup>. 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 in growth opportunities and balance sheet strength.

### **Health and Safety**

Throughout Ferrexpo, safety is of paramount consideration. The Group's LTIFR<sup>A</sup> in 1H 2017 showed an improvement

compared to 2H 2016. It is distressing, however, to record a fatal injury in 1H 2017 (1H 2016: one). Any loss of life in the workplace is a tragic event and is quite unacceptable. The chief executive, Kostyantyn Zhevago, the Group Chief Operating Officer, Jim North, and the FPM management team are analysing work practices, procedures, standards and culture in order to drive further improvement.

The Group's LTIFR<sup>A</sup> in 1H 2017 was 0.9 per million man compared to 1.44 per million man hours in 2H 2016. The 1H 2017 result included an improvement at FPM, compared to 2H 2016, with a reduction in lost time injuries to 1.15 per million man hours. Compared to 1H 2016, however, FPM saw an increase in lost time injuries per million man hours.

It is pleasing to note that as of 30 June 2017 FYM had recorded 3.7 million man hours without a lost time injury, while the Group's barging operations have been free of lost time injury for nine months.

#### Lost Time Injury Frequency Rate<sup>A</sup>

LTIFR	1H 2017	1H 2016	2H 2016	2016
- FPM	1.15	0.56	1.68	1.14
- FYM	0.00	0.74	0.00	0.38
- FBM	0.00	0.00	0.00	0.00
Ukraine	0.96	0.58	1.42	1.01
Barging	0.00	5.83	1.76	3.70
Group	0.90	0.89	1.44	1.17

#### Financial Review

##### Revenue

Group revenue increased 29% to US\$591 million (1H 2016: US\$458 million). This was driven by a 58% increase in Ferrexpo's realised FOB price due to significantly higher pellet premiums of approximately US\$43 per tonne (compared to approximately US\$21 per tonne in 1H 2016). The Group's received price also benefited from a higher average 62% Fe iron ore fines price of US\$74 per tonne compared to US\$52 per tonne in 1H 2016, an increase of 43%.

C3 freight, which is the benchmark freight index from Tubarao, Brazil to Qingdao, China and used as reference in industry pricing contracts, increased to approximately US\$13 per tonne from approximately US\$7 per tonne in 1H 2016. This freight increase reduced the Group's overall realised price. *For further information see Market Review and Marketing on page 8 to 12.*

Sales volumes<sup>A</sup> of 5.1 million tonnes (1H 2016: 6.0 million tonnes) were just below production levels of 5.2 million tonnes due to timing of shipments at the half year end.

##### Costs

##### C1 Cost of Production

The Group's average C1 cash cost of production<sup>A</sup> was US\$31.7 per tonne in 1H 2017 compared to US\$25.7 per tonne in 1H 2016.

Of the US\$6.0 per tonne increase in the C1 cost, US\$2.2 per tonne related to commodity price inflation including diesel fuel, gas and steel price increases. This was in line with the higher iron ore price environment in the first half of 2017 compared to the same period in 2016 (the 62% Fe iron ore fines price increased by 44% period on period).

Ukrainian producer price inflation was approximately 14% on average compared to the first half of 2016. Local cost inflation, specifically related to higher electricity tariffs and wages increased the C1 cost by US\$1.3 per tonne. The Hryvnia was relatively stable against the US Dollar with an average of UAH26.76 per Dollar for 1H 2017 compared to UAH25.47 per Dollar for 1H 2016.

Lower production volumes of 5.2 million tonnes in the first half of the year (1H 2016: 5.7 million tonnes), which were principally due to required plant maintenance including a planned 55-day shut down for pellet line number 4, increased the C1 cash cost by approximately US\$1.3 per tonne, while additional maintenance costs added a further US\$1.2 per tonne.

*The Group's C1 cost represent 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.*

### **Selling and Distribution Costs**

Selling and distribution costs were in line with the prior period at US\$100 million (1H 2016: US\$101 million). Lower sales volumes were offset by higher international freight rates that were driven principally by a 34% increase in the oil price during the period.

*For further information see Marketing on page 10.*

### **Currency**

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

During the first half of 2017 the Hryvnia appreciated from UAH27.19 per US Dollar as of 1 January 2017 to UAH26.10 per US Dollar as of 30 June 2017. The average rate for the period was UAH26.76 per US Dollar compared to UAH25.47 per US Dollar in 1H 2016.

### **Ukrainian Hryvnia vs. US Dollar**

	Spot (1.8.17)	30.6.2017	1.1.2017	Average 1H 2017	Average 1H 2016	Average FY 2016
UAH . per US\$	25.86	26.10	27.19	26.76	25.47	25.55

Source: National Bank of Ukraine

### **Underlying EBITDA <sup>A</sup>**

Underlying EBITDA <sup>A</sup> for the period increased by 79%, or US\$127 million, to US\$287 million compared with US\$160 million in 1H 2016. This reflected higher revenue of US\$133 million due to increased iron ore prices and pellet premiums, while costs increased by US\$17 million principally due to higher commodity prices and local cost inflation.

### **Interest and Debt**

Net debt to EBITDA <sup>A</sup> for the last 12 months was 0.96x compared to 1.57x as of 31 December 2016.

Net debt declined by US\$108 million to US\$481 million as of 30 June 2017 compared to US\$589 million as of 31 December 2016. Compared to 30 June 2016, net debt declined 36% or by US\$272 million (30 June 2016 net debt: US\$753 million).

As of 30 June 2017, Ferrexpo's available liquidity was US\$143 million (31 December 2016: US\$145 million) composed of

US\$93 million cash and a US\$50 million undrawn amount within the existing pre-export finance facility. This was prepaid in the period and remains unutilised in order to optimise funding costs.

The Group has trade finance facilities of US\$80 million which can be used to finance certain shipments, of which US\$7 million was utilised at the end of June 2017.

Interest expense on financial liabilities declined by 11% to US\$25 million compared to US\$28 million for 1H 2016 due to a lower outstanding debt balance. The average cost of debt for the period ended 30 June 2017 was 7.7% (average 30 June 2016: 6.5%). The increased average rate reflected amortisation of the Group's pre-export finance facility which has a lower cost compared to the Group's outstanding US\$346 million Eurobond partly offset by lower average borrowings.

*Further details on finance expense are disclosed in Note 8 on page 25 of the accounts.*

#### **Tax**

The income tax expense for 1H 2017 was US\$27 million (1H 2016: US\$14 million) based on an expected weighted average tax rate before special items of 11.9% for the full year. The effective income tax expense for the period reflected a partial de-recognition of the deferred tax asset on restricted cash balances and the recognition of a deferred tax asset at FYM. The latter is related to losses incurred in prior periods which are expected to be offset against future taxable profits.

*Further details on taxation are disclosed in Note 9 on page 25 of the accounts.*

#### **Profit for the Period**

Profit for the period increased by US\$139 million to US\$216 million (2016: US\$78 million). This was driven by the strong EBITDA performance.

#### **Cash Flows**

Net cash flows from operating activities increased 37% to US\$194 million in 1H 2017 (1H 2016: US\$142 million). This included a US\$63 million working capital increase following a traditionally low working capital position at the end of 2016. Trade receivables also increased during the first half of the year given the higher iron ore price during the period.

#### **Capital Investment <sup>A</sup>**

Capital expenditure <sup>A</sup> in 1H 2017 was US\$45 million compared to US\$24 million in 1H 2016. The higher expenditure in 2017 reflected improved liquidity, with approximately US\$33 million spent on sustaining capital and the remainder on medium fine crushing lines as part of the expansion project to increase the Group's concentrate capacity by 1.5 million tonnes.

#### **Debt Maturity Profile**

As of 30 June 2017, Ferrexpo's net debt to EBITDA <sup>A</sup> ratio on a twelve month basis was 0.96 times.

Total gross debt as of the period end was US\$574 million, of which a principal amount of US\$340 million (including US\$7 million of trade finance) falls due in the next twelve months (US\$87 million in 2H 2017).

As of 30 June 2017, Ferrexpo had available liquidity of US\$143 million. Over the last twelve months the Group has generated US\$271 million of net cash, after capital investment of US\$70 million and US\$39 million of dividend distributions.

The Group's debt facilities consist of US\$169 million outstanding on an amortising US\$350 million Pre Export Finance Facility, US\$346 million of Eurobonds due for repayment in equal parts in April 2018 and April 2019, US\$51 million of

export credit agency funding amortising monthly over the next 48 months, and US\$7 million of trade finance facilities outstanding.

Ferrexpo will continue to assess new financing options as it sees appropriate while repaying its debt obligations as they fall due from its own cash generation and liquidity.

For information see Update on risks on page 13.

### Related Party Transactions

There were no significant related party transactions to report for the six months ended 30 June 2017. For full disclosure of related party transactions see Note 19 on the accounts on page 30.

### Market Review

#### Pellet Demand

Global steel production in 1H 2017 increased by 4.5% to 836 million tonnes (1H 2016: 800 million tonnes)<sup>1</sup>. This primarily reflected strong growth in crude steel output in China of 4.6% to 420 million tonnes in 1H 2017 (1H 2016: 402 million tonnes).

Crude steel output in the key pellet markets of Europe, South Korea and Taiwan was also strong increasing by 4.1%, 3.7% and 7.7% respectively. Europe, Japan, South Korea and Taiwan account for 28% of seaborne iron ore imports; however, in terms of pellet demand they account for approximately 50% of seaborne pellet consumption.

Increased steel demand and improving mill profitability, which during the period reached the highest level since the global financial crisis of 2008, led to an increase in utilisation rates which underpinned demand for higher grade iron ores, including pellet.

Of note in the first half of 2017 was the divergence in price for differing qualities and types of iron ore. For example, the average price difference between 65% Fe pellets FOB and 58% Fe iron ore fines CFR was US\$43 per tonne<sup>2</sup>. Ferrexpo, as a producer of 65% Fe pellets, is well placed to continue to benefit from this trend.

US\$ per tonne unless otherwise stated	PLATTS CFR 58% Fe fines	PLATTS CFR 62% Fe fines <sup>A</sup>	65% Fe pellets FOB Brazil	Difference 58% Fe fines vs. 65% Fe pellets	% difference 58% Fe fines vs. 65% Fe pellets
Avg price 1H 2017	65	74	108	43	66%

Source: Platts

Looking ahead to 2021, CRU expects consumption of pellets to outstrip demand for iron ore lump or fines. The table below shows that pellet consumption is forecast to grow by 4.4% on a compound annual growth basis while lump consumption is expected to grow by 2.8% and consumption of fines is expected to decline by 0.8%.

Consumption of iron ore (MT)	2016	2021	Change	CAGR
Pellets	417	517	100	4.4%
Lump	297	342	45	2.8%
Sinter Fines	1,350	1,297	-53	-0.8%
Total	2,064	2,156	92	0.9%

<sup>1</sup> Source: World Steel Association

<sup>2</sup> Source: Platts, Company



Source: CRU, Market Outlook July 2017

Factors driving the growth in consumption of pellets include:

- Rationalisation of Chinese steel capacity, which is likely to result in fewer but larger blast furnaces with higher capacity utilisation rates and more stringent environmental and quality controls. This should underpin demand for higher grade iron ore such as pellets.
- Steel mills in China (and the rest of the world) are under pressure to minimize their environmental impact, and increased use of pellets reduces steel emissions as pellets do not require sintering.
- As steel mills look to move further down the value chain and produce more sophisticated high-strength steels, they are required to use higher quality inputs.

China is the marginal buyer of pellets in the seaborne market, as historically it has used domestically produced pellets in its blast furnace burden mix. Ferrexpo believes that due to the above factors, especially environmental concerns, as well as a lack of domestic pellet feed in a low iron ore price <sup>A</sup> environment, seaborne pellets will become a larger proportion of the burden mix in future.

### Pellet Supply

The pellet market continues to have high barriers to entry with the table below showing that the most recent capacity additions to the seaborne market cost around US\$100 per tonne for pelletising capacity alone. When developing a pellet plant, however, it is usually also necessary to invest in mining, beneficiation and logistics capacity.

### Recent capacity additions to the pellet market

New pellet capacity	Duration	Tonnes	Cost	Cost / tonne	Description
Samarco	2011-2014	8.3MT	R\$6.459BN (US\$3.251BN equivalent)	US\$391 / tonne	Construction of 9.5MT concentrator Construction of slurry pipeline with 20MT capacity Construction of 8.3MT pelletiser 9MT increase in port capacity
Metalloinvest	2012-2015	5MT	RUB16BN (US\$460M equivalent)	US\$92 / tonne	Construction of pellet plant
NMLK	2011-2016	6MT	RUB41BN (US\$1.4BN equivalent)	US\$233 / tonne	Construction of pellet plant US\$680M or US\$113/tonne Expanded mining & beneficiation capacity

Source: Company announcements

High prices, if sustained, will attract new entrants to the market, and Ferrexpo estimates that besides Samarco, approximately 7 to 10 million tonnes of idled higher-cost capacity could return. Given the possibility of this supply entering the market in 2018/2019, CRU forecasts non-Chinese pellet premiums to normalise around their long-term price forecast of approximately US\$30 per tonne. This is set by the 90<sup>th</sup> percentile of the pellet cost curve and is required for the majority of current pellet plants to cover their full cost of converting pellet feed into pellet.



The table below shows the breakdown of sales by key market regions. Sales to North East Asia increased by 7 percentage points to 20% compared to 13% in the first half of 2016. This reflected an increase in sales volumes<sup>A</sup> to two customers of 50% and 29% respectively.

Of total sales volumes<sup>A</sup>, 94% represented Ferrexpo Premium Pellets of 65% Fe, an increase compared to 1H 2016 of 93%.

**Sales Volume<sup>A</sup> by Market Regions:**

	6 months ended 30.06.17	6 months ended 30.06.16
Central Europe	52%	46%
North East Asia	20%	13%
Western Europe	17%	17%
Turkey, Middle East, India	7%	6%
China and South East Asia	3%	18%
<b>Total sales volume<sup>A</sup> (million tonnes)</b>	<b>5,065</b>	<b>6,017</b>

Ferrexpo benefits from a diversified sales portfolio, while its logistics routes to customers provide a competitive advantage given Ukraine's central geographical location.

The Group's long-term volume contracts are all based on a spot index iron ore fines price using various reference periods, plus a negotiated pellet premium based on international pricing trends. The current average length of the Group's sales contracts is approximately three years. The table below shows the breakdown of sales by pricing terms. No volume during the period was sold, on spot given the strong demand from the Group's long-term target customers.

**Sales Volume<sup>A</sup> by Pricing Terms:**

	6 months ended 30.06.17	6 months ended 30.06.16
Monthly spot index	73%	79%
Current quarter spot index	14%	10%
Lagging 3 month spot index	14%	9%
Spot sales fixed on day	0%	3%
<b>Total sales volume<sup>A</sup> (million tonnes)</b>	<b>5,065</b>	<b>6,017</b>

Ferrexpo's realised price for its 65% Fe iron ore pellets is calculated by taking the average PLATTS CFR China iron ore fines index for an agreed time period (see sales volume by pricing terms), adjusting for quality and adding a pellet premium. For sales to the Far East, delivery is made on CFR terms with the resulting FOB netback determined by the actual cost of freight. For sales to European and regional markets, delivery is generally made on FOB/DAP terms which is determined by deducting a transparent freight market index such as C3.

**Key Price Data:**

US\$ per tonne	1H 2017	1H 2016	2H 2016
Avg PLATTS iron ore fines CFR China index	74	52	65
Avg PLATTS Atlantic pellet premium	45	29	34
C3 freight index	13	7	11

The above table represents average numbers for a six-month period and does not show actual price movements during the period which would affect final customer pricing. It also shows benchmark index pricing, which may differ from the final price received by Ferrexpo.

The C3 freight index, published by the Baltic Exchange, represents the industry benchmark price to transport goods by sea from Tubarao, Brazil to Qingdao, China. The C3 index increased by 88% during the period compared to 1H 2016 primarily due to a higher oil price, this resulted in a lower net back price for the Group in 1H 2017.

### Pellet Production

Pellet production of 5.2 million tonnes in 1H 2017 (1H 2016: 5.7 million tonnes) was impacted by a planned 55-day refurbishment of a pellet line (line number 4) in March and April. This is part of a programme to refurbish all four of the Group's pellet lines, as is required approximately every 15 years.

FPM completed the refurbishment of line number 3 in 2014. The remaining two lines (numbers 2 and 1) will be refurbished over approximately 55 days in 1Q 2018 and 1Q 2019 respectively.

The Group expects to increase pellet production marginally in 2H 2017 compared to 1H 2017. The increase will be moderated by the ongoing maintenance programme which includes a 21 day shutdown on pellet line number 2 in 2H 2017.

The Group continues to maintain a high proportion of 65% Fe pellets within its production<sup>A</sup> mix. The ratio of Ferrexpo Premium Pellets increased by 1.5% in 1H 2017 to 95% of total production volumes (1H 2016: 94% of total production volumes).

The table below summarises production in the first half of 2017 compared to the first half of 2016.

### Pellet Production<sup>A</sup> 1H 2017 and 1H 2016 ('000)

	1H 2017	1H 2016	%
<b>Pellet production from own ore</b>	<b>5,138.6</b>	<b>5,700.1</b>	<b>-9.9</b>
- 62% Fe FBP	257.9	363.9	-29.1
- 65% Fe FPP (incl. FPP+)	4,880.7	5,336.2	-8.5
<b>Production from third party materials</b>	<b>21.6</b>	<b>23.2</b>	<b>-7.1</b>
- 62% Fe FBP	0.00	0.0	-
- 65% Fe FPP (incl. FPP+)	21.6	23.2	-7.1
<b>Total Pellets Produced</b>	<b>5,160.1</b>	<b>5,723.3</b>	<b>-9.8</b>
- 62% Fe FBP	257.9	363.9	-29.1
- 65% Fe FPP (incl. FPP+)	4,902.2	5,359.4	-8.5
<i>of which % of FPP (incl. FPP+)</i>	<i>95%</i>	<i>94%</i>	<i>1.5</i>

Note: Ferrexpo Basic Pellets (FBP), Ferrexpo Premium Pellets (FPP) and Ferrexpo Premium Pellets Plus (FPP+). Production in 1H 2017 included 37kt of concentrate that was sold as pellet feed to a customer in North East Asia (1H 2016: 39kt).

Ferrexpo is pleased to report that FPM's mining licence was renewed in July 2017 for a further 20 years until 2037. FYM's mining licence was renewed in 2012 and will expire in 2032.

#### **Capital Investment<sup>A</sup>**

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).

Ferrexpo plans to develop its production capabilities and output by means of investments evaluated on strict financial parameters. In 2017 the Group expects total capex to be in the region of US\$100 million.

The Group is currently completing engineering designs to incrementally increase the capacity of its existing pellet lines on an incremental basis.

#### **Ukraine**

After a challenging macro-economic and political period, Ukraine has made significant progress over a relatively short period. In three years the economy has returned to growth with an increase in GDP of 2.3% in 2016 and expected growth of 2.5% in 1H 2017, following a contraction of -9.9% in 2015 and -6.6% in 2014.

The government has implemented a number of reforms and changes to legislation, such as tax liberalization and changes to the energy sector, which have helped to improve the overall business climate. Continued structural reforms to improve transparency and to further liberalise the economy are necessary to attract higher levels of international investment and to ensure consistent and low cost access to debt capital markets. This will allow Ukraine's rate of growth to increase.

*For further information see Update on Risks: Political and Legal risks pertaining to Ukraine on page 14.*

#### **Board Appointments**

On 15 June 2017, Mr Simon Lockett was appointed to Ferrexpo's board as an Independent Director. It is planned that he will succeed Oliver Baring as Senior Independent Director after a few months. Mr. Lockett has extensive experience of natural resources operations in emerging markets, having worked for Shell and as the CEO of Premier Oil plc for over nine years. The Board believe he is well equipped to understand and add value to Ferrexpo and to be the Senior Independent Director.

As previously announced, Sir Malcolm Field did not seek re-election at the Group's AGM in May 2017. The Board has benefited greatly from his experience and wishes to thank him for his service.

#### **Update on Risks**

The Group considers that the risks facing the business, as highlighted on pages 26 to 35 of the 2016 Annual Report and Accounts published in March 2017, remain relevant. An update is provided below on material developments of key risks during the first half of 2017.

- **Debt maturity profile**

As of 30 June 2017, gross debt was US\$574 million and cash was US\$93 million. In addition the Group has an undrawn pre-export finance facility of US\$50 million and trade finance facilities of US\$80 million (of which US\$7 million was utilised at the period end).

US\$87 million of debt falls due in 2H 2017, and in 1H 2018 US\$253 million will be due for repayment including a US\$173 million Eurobond redemption in April. In 1H 2019 Ferrexpo will make a final Eurobond repayment of US\$173 million. Following this, and assuming no new debt facilities, the Group will be largely debt-free.

Should the Group's operations not perform as expected or should the iron ore price<sup>A</sup> or pellet premium reduce markedly from current levels there is a risk that the Group may not be able to fully service the above debt repayments without additional debt facilities.

The Group has healthy debt metrics, with net debt<sup>A</sup> to last 12 months' EBITDA of 0.96x as of 30 June 2017. As a result of Ferrexpo's lower gearing and good cash flow generation ability, as demonstrated in the first half of the year, the Group considers that its debt maturity profile is manageable.

- **Political and legal risks pertaining to Ukraine**

Ukraine has made significant progress over the last three years, since the Revolution of Dignity, in addressing structural imbalances within its economy including tackling corruption, increasing transparency and implementing often unpopular economic reforms.

Ongoing conflict in Eastern Ukraine, political instability and other destabilising events (such as large scale cyber-attacks) continue to exert a damaging influence on society and the economy and could impact the ability of local companies, including Ferrexpo, to operate effectively or to obtain funding from international capital markets.

Reforms within Ukraine are often protracted and, in general, there is a low level of trust between industry and government institutions, and an excess of red tape and a lack of transparency can lead to slow and inconsistent decision-making.

As part of the reform programme, the reorganisation of government departments, or the involvement of the new anti-corruption bureau, can significantly slow or even halt normal administrative processes. This could lead to delays, for example, in the processing of tax refunds, the closure of tax audits or the issuance of relevant permits.

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

*For further information see Ukraine on page 13 above and Note 17 of the financial accounts on page 29.*

- **Global macroeconomic growth**

The demand for steel, and hence iron ore, is driven by global economic growth trends, which is significantly influenced by Chinese economic growth as China has produced more than 45% of the world's steel output for the past 7 years.

Global steel production in 1H 2017 increased by 4.5% to 836 million tonnes (1H 2016: 800 million tonnes)<sup>3</sup>. This primarily reflected strong growth in crude steel output in China of 4.6%. Overall Asian steel production increased by 4.8% and European output increased 4.1% compared to 1H 2016.

An increase or decrease in Chinese and world economic activity will affect demand for steel and iron ore and will influence the sale price of our product.

- **Competitive environment**

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. Ferrexpo estimates that approximately 7 to 10 million tonnes of marginal high-cost capacity could return as well as potential volume from Samarco. 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. For further information see Marketing, Pellet Supply on page 9.

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<sup>3</sup> Source: World Steel Association

- **Iron ore price A and pellet premiums**

Declines in the iron ore fines price negatively impacts the financial results of the Group. In 1H 2017, the PLATTS CFR China iron ore fines price fell from a high of US\$95 per tonne in February to a low of US\$54 per tonne in June. Should the iron ore fines price decline further in the second half of the year, it may negatively impact the Group's profitability and cash generation ability.

Further, Ferrexpo receives a pellet premium in addition to the iron ore fines price. Currently, a substantial portion of the Group's profitability is due to this premium. In 1H 2017, the PLATTS Atlantic pellet premium was US\$45 per tonne which was the highest level for the industry since the Global Financial Crisis. Currently, the pellet premium represents a high proportion of the underlying iron ore fines price and there is a risk that premiums could reduce which would negatively impacting the Group's profitability and cash generation ability. *For further information see Introduction on page 4 and Market Review on page 8.*

- **C3 freight**

Ferrexpo is exposed to international freight rates as all of its long term contracts are priced with reference to transparent indices such as the Baltic Exchange C3 freight price (capesize route from Tubarao, Brazil to Qingdao, China). In 1H 2017, the C3 index increased 88% to US\$13.27 per tonne compared to the 1H of 2016. An increase in freight rates directly reduces the Group's received price.

- **Ukrainian currency**

The Group receives all of its income from pellet sales in US Dollars while more than half of its total cost base is denominated in Ukrainian Hryvnia. Following a period of sharp devaluation against the US Dollar in 2014 and 2015 the Hryvnia has been relatively stable. The average Hryvnia per US Dollar in 2016 was UAH25.5 per Dollar while in 1H 2017 the Hryvnia appreciated from UAH27.19 per Dollar on 1 January to UAH26.09 per Dollar as of 30 June 2017. It is currently trading around UAH25.96 per Dollar.

Should the Hryvnia continue to appreciate against the US Dollar it could increase local costs in US dollar terms reducing Group profitability.

- **Ukrainian inflation**

Local inflation in 1H 2017 averaged 14% (1H 2016: 18%). The areas of inflation that the Group is most exposed to are wages, electricity and rail tariffs. The Group looks to partly offset cost inflation through increases in mining and production efficiencies. There is a risk that the Group is unable to offset inflation through production efficiencies and that the Group's cost base could increase as a result. *For further information see Costs on page 4 and Ukrainian currency above.*

- **Sustaining and expansion capital investment**

The Company's facilities require continual sustaining capital expenditure<sup>A</sup> to maintain productive efficiency. The Group is currently completing a part refurbishment of its four pellet lines with two lines remaining. It is anticipated that these last two refurbishments will take place in 1Q 2018 and 1Q 2019. There is a risk that refurbishment of the lines may need to be brought forward or take longer than expected to complete which could impact production levels.

The Group is also investing to expand its concentrate capacity by around 1.5 million tonnes. This project may take longer to complete than expected which could impact production levels.

**Directors' Responsibility Statement**

The Interim Report complies with the Disclosure and Transparency Rules ('DTR') of the United Kingdom's Financial Conduct Authority in respect of the requirement to produce a half-yearly financial report. The Interim Report is the responsibility of, and has been approved by, the Directors.

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34;
- the Interim Management Report includes a fair review of the important events during the first six months and description of the principal risks and uncertainties for the remaining six months of the year, as required by DTR4.2.7R; and
- the Interim Management Report includes a fair review of disclosure of related party transactions and changes therein, as required by DTR 4.2.8R.

The Directors are also responsible for the maintenance and integrity of the Ferrexpo plc website.

A list of current Directors is maintained on the Ferrexpo plc website which can be found at [www.ferrexpo.com](http://www.ferrexpo.com).

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

For and on behalf of the Board

Steve Lucas  
Chairman



Chris Mawe

Chief Financial Officer





**INDEPENDENT REVIEW REPORT TO FERREXPO PLC**

We have been engaged by the Company to review the Condensed financial statements in the Half year financial report for the six months ended 30 June 2017 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated cash flow statement, the Consolidated statement of changes in equity and related notes 1 to 20. We have read the other information contained in the Half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Condensed financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

**Directors' responsibilities**

The Half year financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half year financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority. As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The Condensed financial statements included in this Half year financial report have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (IAS 34), as adopted by the European Union.

**Our responsibility**

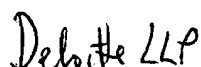
Our responsibility is to express to the Company a conclusion on the Condensed financial statements in the Half year financial report based on our review.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the Condensed financial statements in the Half year financial report for the six months ended 30 June 2017 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.



**Deloitte LLP**  
Statutory Auditor  
London, UK  
02 August 2017

## Interim Consolidated Income Statement

US\$000	Notes	6 months ended 30.06.2017 (unaudited)			6 months ended 30.06.2016 (unaudited)			Year-ended 31.12.16 (audited)		
		Before special items	Special items	Total	Before special items	Special items	Total	Before special items	Special items	Total
Revenue	3/4	591,049	–	591,049	457,921	–	457,921	986,325	–	986,325
Operating expenses	5/7	(328,017)	(79)	(328,096)	(330,555)	(13)	(330,568)	(687,060)	(2,501)	(689,561)
Other operating income		1,387	–	1,387	1,649	–	1,649	2,914	–	2,914
Operating foreign exchange (losses)/gains	6	(5,159)	–	(5,159)	2,119	–	2,119	13,832	–	13,832
<b>Operating profit</b>		259,260	(79)	259,181	131,134	(13)	131,121	316,011	(2,501)	313,510
Non-operating expenses	7	–	–	–	–	–	–	–	(8,525)	(8,525)
Share of profit from associates		2,995	–	2,995	1,286	–	1,286	3,726	–	3,726
<b>Profit/(loss) before tax and finance</b>		262,255	(79)	262,176	132,420	(13)	132,407	319,737	(11,026)	308,711
Net finance expense	8	(27,804)	–	(27,804)	(37,894)	–	(37,894)	(67,002)	–	(67,002)
Non-operating foreign exchange gains/(losses)	6	6,583	–	6,583	(2,539)	–	(2,539)	(10,311)	–	(10,311)
<b>Profit/(loss) before tax</b>		241,034	(79)	240,955	91,987	(13)	91,974	242,424	(11,026)	231,398
Income tax (expense)/credit	7/9	(28,682)	3,426	(25,256)	(14,197)	–	(14,197)	(43,733)	1,535	(42,198)
<b>Profit/(loss) for the period/year</b>		212,352	3,347	215,699	77,790	(13)	77,777	198,691	(9,491)	189,200
Profit/(loss) attributable to:										
Equity shareholders of Ferrexpo plc		211,477	3,578	215,055	77,135	(13)	77,122	196,770	(9,416)	187,354
Non-controlling interests		875	(231)	644	655	–	655	1,921	(75)	1,846
<b>Profit/(loss) for the period/year</b>		212,352	3,347	215,699	77,790	(13)	77,777	198,691	(9,491)	189,200
Earnings/(loss) per share:										
Basic (US cents)	10	36.11	0.61	36.72	13.17	–	13.17	33.60	(1.60)	32.00
Diluted (US cents)	10	35.99	0.61	36.60	13.14	–	13.14	33.51	(1.60)	31.91

The presentation of the income statement has been simplified in the current period, with the comparative information re-presented to be on a consistent basis, as set out in Note 2. There has been no restatement of the underlying financial information

## Interim Consolidated Statement of Comprehensive Income

US\$000	Notes	6 months ended 30.06.17 (unaudited)	6 months ended 30.06.16 (unaudited)	Year ended 31.12.16 (audited)
<b>Profit for the period/year</b>		<b>215,699</b>	<b>77,777</b>	<b>189,200</b>
<i>Items that may subsequently be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	6	38,203	(32,824)	(126,365)
Income tax effect		(6,015)	4,501	16,607
<i>Net other comprehensive income/loss before reclassification of items to profit or loss</i>		<b>32,188</b>	<b>(28,323)</b>	<b>(109,758)</b>
<i>Net other comprehensive income/loss to be reclassified to profit or loss in subsequent periods</i>		<b>32,188</b>	<b>(28,323)</b>	<b>(109,758)</b>
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Remeasurement gains/(losses) on defined benefit pension liability		255	(395)	1,075
Income tax effect		(25)	37	(246)
<i>Net other comprehensive (loss)/income not being reclassified to profit or loss in subsequent periods</i>		<b>230</b>	<b>(358)</b>	<b>829</b>
<b>Other comprehensive income/(loss) for the period/year, net of tax</b>		<b>32,418</b>	<b>(28,681)</b>	<b>(108,929)</b>
<b>Total comprehensive income for the period/year, net of tax</b>		<b>248,117</b>	<b>49,096</b>	<b>80,271</b>
Total comprehensive income attributable to:				
Equity shareholders of Ferrexpo plc		247,245	48,929	79,650
Non-controlling interests		872	167	621
		<b>248,117</b>	<b>49,096</b>	<b>80,271</b>

## Interim Consolidated Statement of Financial Position

US\$000	Notes	As at 30.06.17 (unaudited)	As at 31.12.16 (audited)	As at 30.06.16 (unaudited)
<b>Assets</b>				
Property, plant and equipment	11	617,391	574,839	615,598
Goodwill and other intangible assets		36,694	35,220	38,598
Investments in associates		3,837	2,165	2,478
Inventories	13	162,740	130,357	117,773
Other non-current assets		12,085	2,984	5,753
Income taxes recoverable and prepaid	9	5,866	5,630	38,522
Deferred tax assets		51,892	52,818	63,463
<b>Total non-current assets</b>		<b>890,505</b>	<b>804,013</b>	<b>880,185</b>
Inventories	13	101,430	78,935	100,799
Trade and other receivables		80,539	81,745	66,258
Prepayments and other current assets		19,114	21,387	19,442
Income taxes recoverable and prepaid	9	142	10,757	16,826
Other taxes recoverable and prepaid	12	21,421	21,389	34,483
Cash and cash equivalents	3/14	92,645	144,751	44,440
Restricted cash and deposits	17	-	-	8,988
<b>Total current assets</b>		<b>315,291</b>	<b>358,964</b>	<b>291,236</b>
<b>Total assets</b>		<b>1,205,796</b>	<b>1,162,977</b>	<b>1,171,421</b>
<b>Equity and liabilities</b>				
Issued capital	18	121,628	121,628	121,628
Share premium		185,112	185,112	185,112
Other reserves	18	(1,952,514)	(1,984,758)	(1,904,265)
Retained earnings		2,178,821	2,002,153	1,891,362
<b>Equity attributable to equity shareholders of the parent</b>		<b>533,047</b>	<b>324,135</b>	<b>293,837</b>
<b>Non-controlling interest</b>		<b>(45)</b>	<b>(847)</b>	<b>(616)</b>
<b>Total equity</b>		<b>533,002</b>	<b>323,288</b>	<b>293,221</b>
Interest-bearing loans and borrowings	3/15	228,853	505,641	602,341
Defined benefit pension liability		16,615	15,489	17,687
Provision for site restoration		1,162	1,071	1,027
Deferred tax liabilities		572	586	186
<b>Total non-current liabilities</b>		<b>247,202</b>	<b>522,787</b>	<b>621,241</b>
Interest-bearing loans and borrowings	3/15	345,049	228,061	194,770
Trade and other payables		34,048	28,807	27,364
Accrued liabilities and deferred income		15,221	42,584	18,411
Income taxes payable	9	22,698	11,780	8,976
Other taxes payable		8,576	5,670	7,438
<b>Total current liabilities</b>		<b>425,592</b>	<b>316,902</b>	<b>256,959</b>
<b>Total liabilities</b>		<b>672,794</b>	<b>839,689</b>	<b>878,200</b>
<b>Total equity and liabilities</b>		<b>1,205,796</b>	<b>1,162,977</b>	<b>1,171,421</b>

The financial statements were approved by the Board of Directors on 2 August 2017.

  
Kostyantín Zhevago  
Chief Executive Officer

  
Christopher Mawe  
Chief Financial Officer

## Interim Consolidated Statement of Cash Flows

US\$000	Notes	6 months ended 30.06.17 (unaudited)	6 months ended 30.06.16 (unaudited)	Year ended 31.12.16 (audited)
Profit before tax		240,955	91,974	231,398
Adjustments for:				
Depreciation of property, plant and equipment and amortisation of intangible assets	5	22,295	25,690	50,671
Interest expense	8	26,949	36,891	64,975
Interest income	8	(184)	(90)	(175)
Losses on disposal of property, plant and equipment	5	2,103	1,615	4,446
Operating special items	7	79	13	2,501
Non-operating special items	7	-	-	8,525
Share of profit from associates		(2,995)	(1,286)	(3,726)
Movement in allowance for doubtful receivables		(182)	738	252
Movement in site restoration provision		42	(449)	(308)
Employee benefits		1,538	1,705	3,192
Share based payments		285	194	389
Operating foreign exchange losses/(gains)	6	5,159	(2,119)	(13,832)
Non-operating foreign exchange (gains)/losses	6	(6,583)	2,539	10,311
Operating cash flow before working capital changes		289,461	157,415	358,619
Changes in working capital:				
Decrease/(increase) in trade and other receivables		2,800	13,296	(3,578)
Increase in inventories		(45,945)	(15,261)	(41,540)
Increase in trade and other accounts payable		(22,974)	2,584	30,066
Decrease in VAT recoverable and other taxes recoverable and payable		3,526	15,524	24,345
Cash generated from operating activities		226,868	173,558	367,912
Interest paid		(26,461)	(28,641)	(58,793)
Income tax (paid)/refunded		(5,383)	(1,735)	24,438
Post-employment benefits paid		(708)	(746)	(1,466)
Net cash flows from operating activities		194,316	142,436	332,091
Cash flows from investing activities				
Purchase of property, plant and equipment and intangible assets		(45,284)	(23,737)	(48,176)
Proceeds from disposal of property, plant and equipment and intangible assets		103	35	47
Interest received		181	84	168
Dividends from associates		2,628	3,076	4,203
Net cash flows used in investing activities		(42,372)	(20,542)	(43,758)
Cash flows from financing activities				
Proceeds from borrowings and finance	15	-	9,267	19,115
Repayment of borrowings and finance	15	(162,507)	(119,775)	(195,918)
Dividends paid to equity shareholders of Ferrexpo plc		(39,050)	-	-
Net cash flows used in financing activities		(201,557)	(110,508)	(176,803)
Net (decrease)/increase in cash and cash equivalents		(49,613)	11,386	111,530
Cash and cash equivalents at the beginning of the period/year		144,751	35,330	35,330
Currency translation differences		(2,493)	(2,276)	(2,109)
Cash and cash equivalents at the end of the period/year	14	92,645	44,440	144,751

## Interim Consolidated Statement of Changes in Equity

For the financial year 2016 and the six months ended 30 June 2017

Attributable to equity shareholders  
of Ferrexpo plc

US\$000	Issued capital	Share premium	Other reserves (Note 18)	Retained earnings	Total capital and reserves	Non-controlling interests	Total equity
<b>At 1 January 2016</b>	<b>121,628</b>	<b>185,112</b>	<b>(1,876,624)</b>	<b>1,814,598</b>	<b>244,714</b>	<b>(783)</b>	<b>243,931</b>
Profit for the period	–	–	–	187,354	187,354	1,846	189,200
Other comprehensive loss	–	–	(108,523)	819	(107,704)	(1,225)	(108,929)
<b>Total comprehensive loss for the year</b>	<b>–</b>	<b>–</b>	<b>(108,523)</b>	<b>188,173</b>	<b>79,650</b>	<b>621</b>	<b>80,271</b>
Effect from increase of shareholding in subsidiary	–	–	–	(618)	(618)	(685)	(1,303)
Share-based payments	–	–	389	–	389	–	389
<b>At 31 December 2016 (audited)</b>	<b>121,628</b>	<b>185,112</b>	<b>(1,984,758)</b>	<b>2,002,153</b>	<b>324,135</b>	<b>(847)</b>	<b>323,288</b>
Profit for the period	–	–	–	215,055	215,055	644	215,699
Other comprehensive income	–	–	31,959	231	32,190	228	32,418
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>31,959</b>	<b>215,286</b>	<b>247,245</b>	<b>872</b>	<b>248,117</b>
Equity dividends paid to shareholders of Ferrexpo plc	–	–	–	(38,675)	(38,675)	–	(38,675)
Share-based payments	–	–	285	–	285	–	285
Effect from increase of shareholding in subsidiary	–	–	–	57	57	(70)	(13)
<b>At 30 June 2017 (unaudited)</b>	<b>121,628</b>	<b>185,112</b>	<b>(1,952,514)</b>	<b>2,178,821</b>	<b>533,047</b>	<b>(45)</b>	<b>533,002</b>

For the six months ended 30 June 2016

Attributable to equity shareholders  
of Ferrexpo plc

US\$000	Issued capital	Share premium	Other reserves (Note 18)	Retained earnings	Total capital and reserves	Non-controlling interests	Total equity
<b>At 1 January 2016</b>	<b>121,628</b>	<b>185,112</b>	<b>(1,876,624)</b>	<b>1,814,598</b>	<b>244,714</b>	<b>(783)</b>	<b>243,931</b>
Profit for the period	–	–	–	77,122	77,122	655	77,777
Other comprehensive loss	–	–	(27,835)	(358)	(28,193)	(488)	(28,681)
<b>Total comprehensive loss for the period</b>	<b>–</b>	<b>–</b>	<b>(27,835)</b>	<b>76,764</b>	<b>48,929</b>	<b>167</b>	<b>49,096</b>
Share-based payments	–	–	194	–	194	–	194
<b>At 30 June 2016 (unaudited)</b>	<b>121,628</b>	<b>185,112</b>	<b>(1,904,265)</b>	<b>1,891,362</b>	<b>293,837</b>	<b>(616)</b>	<b>293,221</b>

# Notes to the Interim Condensed Consolidated Financial Statements

## Note 1: Corporate information

### Organisation and operation

Ferrexpo plc (the "Company") is incorporated in the United Kingdom, 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 operates a fleet of vessels operating on the Rhine and Danube waterways and an ocean going vessel which provides top off services and operates on international sea routes. The Group's operations are vertically integrated from iron ore mining through to iron ore concentrate and pellet production and subsequent logistics. The Group's mineral properties lie within the Kremenchug Magnetic Anomaly and are currently being extracted at the Gorishne-Plavninskoye and Lavrikovskoye ("GPL") and Yeristovskoye deposits.

The majority shareholder of the Group is Fevamotoinico S.a.r.l. ("Fevamotoinico"), a company incorporated in Luxembourg and ultimately owned by The Minco Trust, of which Kostyantyn Zhevago, the Group's Chief Executive Officer, is a beneficiary. At the time this report was published, Fevamotoinico held 50.3% (31 December 2016: 50.3%; 30 June 2016: 50.3%) of Ferrexpo plc's issued capital.

The Group's interests in its subsidiaries are held indirectly by the Company, with the exception of Ferrexpo AG, which is directly held. The Group's consolidated subsidiaries are disclosed in the Additional Disclosures of the Annual Report and Accounts 2016.

At 30 June 2017, the Group also holds through OJSC Ferrexpo Poltava Mining an interest of 49.4% (31 December 2016: 49.4%; 30 June 2016: 48.6%) in TIS Ruda, a Ukrainian port located on the Black Sea. As this is an associate, it is accounted for using the equity method of accounting.

## Note 2: Summary of significant accounting policies

### Basis of preparation

The interim condensed consolidated financial statements for the six months period ended 30 June 2017 have been prepared in accordance with International Accounting Standard ('IAS') 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

The interim condensed consolidated financial statements do not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the full year is based on the statutory accounts for the financial year ended 31 December 2016. A copy of the statutory accounts for that year, which were prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standard Board ('IASB'), as adopted by the European Union as they apply to financial statements of the Group for the year ended 31 December 2016, have been delivered to the Register of Companies. The auditors' report under section 495 of the Companies Act 2006 in relation to those accounts was unqualified and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The Group made changes to the presentation of its consolidated income statement in the interim condensed consolidated financial statements. These changes included i) the aggregation of "Cost of sales", "Selling and distribution expenses", "General and administrative expenses", "Other expenses", "Write-offs and impairment losses", and "Losses on disposal of property, plant and equipment" into a single line item "Operating expenses" and ii) the removal of references to "adjusted items" and "continued operations". These changes simplify the presentation, enhance the understandability of the financial statements and better align with industry practice of other listed mining companies. As a result, comparative period balances have been represented to align with these changes. The new presentation will also apply for the consolidated financial statements for the financial year ended 31 December 2017.

### Going concern

The Group has assessed that, taking into account i) its available cash and cash equivalents, together with its undrawn committed facilities, available at the date of authorisation of the interim condensed consolidated financial statements, and ii) its cash flow projections for the twelve months from the date of the approval of the accounts, it has sufficient liquidity to meet its present obligations and cover working capital needs for the aforementioned period and will remain in compliance with its financial covenants throughout this period. Therefore, the Group continues to adopt the going concern basis of accounting for the preparation of this set of financial statements.

### Accounting policies adopted

The accounting policies and methods of computation adopted in the preparation of the interim condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

There are no new standards and interpretations to be applied for the financial year 2017 beginning on 1 January 2017. Amendments to existing standards with effective date 1 January 2017 are still subject to EU endorsement and not to be applied for the Group's interim condensed consolidated financial statements for the period ended 30 June 2017.

A description of the expected impact from the adoption of new accounting standards that are in issue, but are not yet effective is provided in Note 3 of the Annual Report & Accounts for the year ended 31 December 2016 and outlines the expected impact of the following standards that will become effective in future periods.

- IFRS 9 *Financial Instruments* is effective for the financial year beginning on 31 December 2018 and the Group expects that the classification and measurement of its financial instruments under the new standard will remain largely unchanged.
- IFRS 15 *Revenue from contract with customers* is effective for the 2018 financial year and the Group expects that there will be an impact in terms of the recognition of transport related revenue.
- IFRS 16 *Leases* is effective for the 2019 financial year and the Group is in the process of assessing the impact of this new standard.

Full disclosure of the final assessment of the impact of these standards will be provided in the Annual Report & Accounts for the year ending 31 December 2017.

### Seasonality

The Group's operations are not affected by seasonality.

### Note 3: 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 Underlying EBITDA, gross profit and the net debt.

#### Underlying EBITDA and gross profit

The Group presents the Underlying EBITDA as it is a useful measure for evaluating the Group's ability to generate cash and its operating performance. The Group's full definition of Underlying EBITDA is disclosed in the Glossary on page 37.

US\$000	Notes	6 months ended 30.06.17 (unaudited)	6 months ended 30.06.16 (unaudited)	Year ended 31.12.16 (audited)
Profit before tax and finance		262,176	132,407	308,711
Losses on property, plant and equipment	5	2,103	1,615	4,446
Share based payments		285	194	389
Operating special items	7	79	13	2,501
Non-operating special items	7	-	-	8,525
Depreciation and amortisation	5	22,295	25,690	50,671
<b>Underlying EBITDA</b>		<b>286,938</b>	<b>159,919</b>	<b>375,243</b>

US\$000	Notes	6 months ended 30.06.17 (unaudited)	6 months ended 30.06.16 (unaudited)	Year ended 31.12.16 (audited)
Revenue	4	591,049	457,921	986,325
Cost of sales	5	(189,504)	(192,059)	(400,333)
<b>Gross profit</b>		<b>401,545</b>	<b>265,867</b>	<b>585,992</b>

#### Net debt

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

US\$000	Notes	As at 30.06.17 (unaudited)	As at 31.12.16 (audited)	As at 30.06.16 (unaudited)
Cash and cash equivalents	14	92,645	144,751	44,440
Interest bearing loans and borrowings - current	15	(345,049)	(228,061)	(194,770)
Interest bearing loans and borrowings - non-current	15	(228,853)	(505,641)	(602,341)
<b>Net debt</b>		<b>(481,257)</b>	<b>(588,951)</b>	<b>(752,671)</b>

The Group's balance of cash and cash equivalents decreased by US\$52,106 thousand after debt repayments of US\$162,507 thousand during the period ended 30 June 2017 (31 December 2016: US\$195,918 thousand; 30 June 2016: US\$119,775 thousand).

### Note 4: Revenue

Revenue for the six months period ended 30 June 2017 consisted of the following:

US\$000	6 months ended 30.06.17 (unaudited)	6 months ended 30.06.16 (unaudited)	Year ended 31.12.16 (audited)
Revenue from sales of ore pellets and concentrate:			
Export	562,757	428,552	921,861
<b>Total revenue from sale of iron ore pellets and concentrate</b>	<b>562,757</b>	<b>428,552</b>	<b>921,861</b>
Revenue from logistics and bunker business	26,956	27,834	61,207
Revenue from other sales and services provided	1,336	1,535	3,257
<b>Total revenue</b>	<b>591,049</b>	<b>457,921</b>	<b>986,325</b>

Export sales of iron ore pellets and concentrate by geographical destination were as follows:

US\$'000	6 months ended 30.06.17 (unaudited)	6 months ended 30.06.16 (unaudited)	Year ended 31.12.16 (audited)
Central Europe	289,714	182,636	425,079
Western Europe	92,742	79,443	153,932
North East Asia	120,162	60,224	155,443
China and South East Asia	23,123	81,933	129,391
Turkey, Middle East and India	37,016	24,316	58,016
<b>Total export revenue</b>	<b>562,757</b>	<b>428,552</b>	<b>921,861</b>



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

Information about the composition of the regions is provided in the Glossary.

#### Note 5: Operating expenses before special items

Operating expenses for the six months period ended 30 June 2017 consisted of the following:

US\$000	6 months ended 30.06.17 (unaudited)	6 months ended 30.06.16 (unaudited)	Year ended 31.12.16 (audited)
Cost of sales	189,504	192,059	400,333
Selling and distribution expenses	100,176	101,251	209,530
General and administrative expenses	19,542	18,185	38,647
Other operating expenses	18,795	19,060	38,550
<b>Total operating expenses</b>	<b>328,017</b>	<b>330,555</b>	<b>687,060</b>

Operating expenses include:

Employee costs	25,420	21,069	44,119
Inventory movements	(8,621)	7,422	11,311
Depreciation of property, plant and equipment	3 22,100	25,459	50,233
Amortisation of intangible assets	3 195	231	438
Royalties and levies	9,794	8,760	15,294
Costs of logistics and bunker business	25,219	24,614	55,363
Audit and non-audit services	1,020	939	1,651
Community support donations	14,085	13,874	27,519
Losses on disposal of property, plant and equipment	2,103	1,615	4,448

Special items not included in the operating expenses are shown in Note 7.

#### Note 6: Foreign exchange gains and losses

Foreign exchange gains and losses for the six months period ended 30 June 2017 consisted of the following:

US\$000	6 months ended 30.06.17 (unaudited)	6 months ended 30.06.16 (unaudited)	Year ended 31.12.16 (audited)
<b>Operating foreign exchange (losses)/gains</b>			
Revaluation of trade receivables	(5,098)	2,287	14,240
Revaluation of trade payables	(48)	(163)	(388)
Others	(13)	(5)	(20)
<b>Total operating foreign exchange (losses)/gains</b>	<b>(5,159)</b>	<b>2,119</b>	<b>13,832</b>
<b>Non-operating foreign exchange gains/(losses)</b>			
Revaluation of interest-bearing loans	9,459	(2,203)	(11,577)
Conversion of cash and cash equivalents	(1,997)	(102)	(578)
Others	(879)	(234)	1,844
<b>Total non-operating foreign exchange gains/(losses)</b>	<b>6,583</b>	<b>(2,539)</b>	<b>(10,311)</b>
<b>Total foreign exchange gains/(losses)</b>	<b>1,424</b>	<b>(420)</b>	<b>3,521</b>

Operating foreign exchange gains and losses are those items that are directly related to the production and sale of pellets (e.g. trade receivables, trade payables on operating expenditure). Non-operating gains and losses are those associated with the Group's financing and treasury activities and with local income tax payables.

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

US\$	Average exchange rate			Closing exchange rate		
	6 months ended 30.06.17	6 months ended 30.06.16	Year ended 31.12.16	As at 30.06.17	As at 31.12.16	As at 30.06.16
UAH	26.762	25.466	25.551	26.099	27.191	24.854
EUR	0.9245	0.896	0.903	0.8764	0.956	0.902

Exchange differences arising on translation of non-USD functional currency operations (mainly in Ukrainian Hryvnia) are included in the translation reserve. See Note 18 for further details.

**Note 7: Special items**

Special items for the six months period ended 30 June 2017 consisted of the following:

US\$000	Note	6 months ended 30.06.17 (unaudited)	6 months ended 30.06.16 (unaudited)	Year ended 31.12.16 (audited)
<b>Operating special items</b>				
Write-offs and impairment losses		(79)	13	2,501
<b>Total operating special items</b>		<b>(79)</b>	<b>13</b>	<b>2,501</b>
<b>Non-operating special items</b>				
Allowance for restricted cash	17	-	-	8,525
<b>Total non-operating special items</b>		<b>-</b>	<b>-</b>	<b>8,525</b>
<b>Total special items before related tax effect</b>		<b>(79)</b>	<b>13</b>	<b>11,026</b>
Tax effect on special items		-	-	(1,535)
<b>Total special items after related tax effect</b>		<b>(79)</b>	<b>13</b>	<b>9,491</b>
<b>Special tax items</b>	9	<b>3,426</b>	<b>-</b>	<b>-</b>

Special items are those items of financial performance that, due to their size and nature, the Group believes should be separately disclosed on the face of the income statement. These items are excluded from Underlying EBITDA, which is an Alternative Performance Measure (APM). Further information on the APMs used by the Group, including the definitions, is provided on page 33.

- Operating special items are those that relate to the operating performance of the Group and principally include write-offs and impairment losses and restructuring charges, if any.
- Non-operating special items are items relating to changes in the Group's asset portfolio. In 2016, a non-operating special item arose in relation to the insolvency of the Group's transactional bank in Ukraine. See Note 17 for further details.
- Tax special items are significant non-recurring tax items. Further details are provided in Note 9.

**Note 8: Net finance expense**

Net finance expense for the period ended 30 June 2017 consisted of the following:

US\$000	6 months ended 30.06.17 (unaudited)	6 months ended 30.06.16 (unaudited)	Year ended 31.12.16 (audited)
<b>Finance expense</b>			
Interest expense on financial liabilities measured at amortised cost	(24,571)	(28,172)	(54,255)
Less capitalised borrowing costs	2,580	2,489	5,269
Interest on defined benefit plans	(1,039)	(1,093)	(2,197)
Bank charges	(4,690)	(5,952)	(11,372)
Other finance costs	(268)	(5,256)	(4,622)
<b>Total finance expense</b>	<b>(27,988)</b>	<b>(37,984)</b>	<b>(67,177)</b>
<b>Finance income</b>			
Interest income	184	90	175
<b>Total finance income</b>	<b>184</b>	<b>90</b>	<b>175</b>
<b>Net finance expense</b>	<b>(27,804)</b>	<b>(37,894)</b>	<b>(67,002)</b>

Fees related to the Group's refinancing activities totalling US\$5,230 thousand and US\$4,554 thousand were included in other finance costs respectively in the comparative periods 30 June 2016 and 31 December 2016. No such fees for the period ended 30 June 2017.

**Note 9: Taxation**

The Group pays corporate profit tax in a number of jurisdictions and its tax rate is influenced by the mix of profits primarily between Ukraine, Switzerland, the United Kingdom and Dubai, as well as the level of non-deductible expenses for tax purposes in each of these jurisdictions. For the period ended 30 June 2017, the income tax expense was based on an expected weighted average tax rate before special items of 11.9% for the financial year 2017, compared to an effective tax rate before special items of 18.0% for the financial year 2016. The lower expected tax rate in the reporting period is driven by the capitalisation of available tax loss carry forwards for one of the Ukrainian subsidiaries, which became profitable during the financial year 2017.

As shown in Note 7, special tax items totalling US\$3,426 thousand were recorded in the period ended 30 June 2017 (30 June 2016: nil; 31 December 2016: nil), which is the net effect from the following two events:

- Capitalisation of a deferred tax asset from available tax loss carry forwards and temporary differences totalling US\$28,822 thousand for an Ukrainian subsidiary, which became profitable in 2017 and is expected to be profitable in the future periods. It is expected that the available tax loss carry forwards will be used within the next two years to offset with taxable profits.
- Considering the latest developments of ongoing court proceedings in Ukraine, the Group de-recognised a deferred tax asset of US\$25,396 thousand, which was recognised in 2015 in respect of the allowance recorded on restricted cash and deposit balances as a result of the insolvency of the Group's transactional bank in Ukraine. See Note 17 for further information.

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. The Group received refunds of prepaid corporate profit tax totalling US\$26,926 thousand during the second half of the financial year 2016 in respect of taxes prepaid by Ferrexpo Poltava Mining ("FPM") resulting in a reduction of the total balance in Ukraine to US\$16,246 thousand as at 31 December 2016 (30 June 2016: US\$52,616 thousand). As it was management's view that FPM's remaining balance will be offset with future profits, the amount of US\$10,616 thousand

was classified as current whereas US\$5,630 thousand related to two other Ukrainian subsidiaries were classified as non-current reflecting the expected timing of the recovery.

US\$000	6 months ended 30.06.17 (unaudited)	Year ended 31.12.16 (audited)	6 months ended 30.06.16 (unaudited)
Income tax receivable balance – current	142	10,757	16,826
Income tax receivable balance – non-current	5,866	5,630	36,522
Income tax payable balance	(22,698)	(11,780)	(8,784)
<b>Net income tax receivable</b>	<b>(16,690)</b>	<b>4,607</b>	<b>44,564</b>

As at 30 June 2017, the remaining balance of FPM's prepaid corporate profit tax was fully offset with taxable profits of the six month period ended at this date.

#### Note 10: Earnings per share and dividends paid and proposed

Basic EPS is calculated by dividing the net profit for the period attributable to ordinary equity shareholders of Ferrexpo plc by the weighted average number of Ordinary Shares.

Diluted earnings per share 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 are potentially dilutive and have been considered in the calculation of diluted earnings per share.

	Before special items	Special items	6 months ended 30.06.17 (unaudited)	Before special items	Special items	6 months ended 30.06.16 (unaudited)	Before special items	Special items	Year ended 31.12.16 (audited)
Earnings/(loss) for the period/year attributable to equity shareholders per share									
Basic (US cents)	36.11	0.61	36.72	13.17	–	13.17	33.60	(1.60)	32.00
Diluted (US cents)	35.99	0.61	36.60	13.14	–	13.14	33.51	(1.60)	31.91

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

Thousands	6 months ended 30.06.17 (unaudited)	Year ended 31.12.16 (audited)	6 months ended 30.06.16 (unaudited)
<b>Weighted average number of shares</b>			
Basic number of ordinary shares outstanding	585,641	585,503	585,462
Effect of dilutive potential ordinary shares	2,033	1,713	1,646
<b>Diluted number of ordinary shares outstanding</b>	<b>587,674</b>	<b>587,216</b>	<b>587,108</b>

The basic number of ordinary shares is calculated by subtracting the shares held in treasury from the total number of ordinary shares in issue.

#### Dividends

US\$000	6 months ended 30.06.17 (unaudited)	6 months ended 30.06.16 (unaudited)	Year ended 31.12.16 (audited)
<b>Dividend proposed per Ordinary Share</b>			
Interim dividend for 2017: 3.3 US cents per Ordinary Share	19,328	–	–
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
<b>Total dividends proposed</b>	<b>–</b>	<b>–</b>	<b>38,650</b>

US\$000	6 months ended 30.06.17 (unaudited)	6 months ended 30.06.16 (unaudited)	Year ended 31.12.16 (audited)
<b>Dividend Paid per Ordinary Share</b>			
Final dividend for 2016: 3.3 US cents per Ordinary Share	19,679	–	–
Special dividend for 2016: 3.3 US cents per Ordinary Share	19,371	–	–
<b>Total dividends paid during the period</b>	<b>39,050</b>	<b>–</b>	<b>–</b>

No dividends were paid during the financial year 2016.

#### Note 11: Property, plant and equipment

During the six months period ended 30 June 2017, the Group acquired property, plant and equipment with a cost of US\$45,539 thousand (30 June 2016: US\$15,811 thousand; 31 December 2016: US\$64,699 thousand) and disposed of property, plant and equipment at net book values of US\$1,635 thousand (30 June 2016: US\$3,698 thousand; 31 December 2016: US\$12,164 thousand). The total depreciation charge for the period was US\$26,863 thousand (30 June 2016: US\$29,825 thousand; 31 December 2016: US\$58,913 thousand).

The carrying value of property, plant and equipment includes capitalised borrowing costs on qualifying assets of US\$17,698 thousand (31 December 2016: US\$15,454 thousand; 30 June 2016: US\$14,332 thousand).

**Note 12: Other taxes recoverable and prepaid**

As at 30 June 2017 taxes recoverable and prepaid comprised:

US\$000	As at 30.06.17 (unaudited)	As at 31.12.16 (audited)	As at 30.06.16 (unaudited)
VAT receivable	21,290	21,303	34,372
Other taxes prepaid	131	86	111
<b>Total other taxes recoverable and prepaid</b>	<b>21,421</b>	<b>21,389</b>	<b>34,483</b>

As at 30 June 2017, US\$19,673 thousand of the VAT receivable relates to the Group's Ukrainian business operations (31 December 2016: US\$20,565 thousand; 30 June 2016: US\$32,607 thousand) of which US\$109 thousand (31 December 2016: US\$427 thousand; 30 June 2016: US\$8,594 thousand) was overdue. Management is of the opinion that the overdue balances 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\$1,052 thousand (31 December 2016: US\$891 thousand; 30 June 2016: US\$1,001 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. Note 17 provides information on an ongoing court proceeding related to a VAT balance refunded by the Ukrainian tax authorities in 2015.

**Note 13: Inventories**

As at 30 June 2017 inventories comprised:

US\$000	As at 30.06.17 (unaudited)	As at 31.12.16 (audited)	As at 30.06.16 (unaudited)
Raw materials and consumables	32,338	26,847	25,502
Spare parts	43,147	35,603	55,434
Finished ore pellets	20,119	12,408	15,843
Work in progress	4,064	2,522	2,508
Other	1,762	1,555	1,512
<b>Total inventories – current</b>	<b>101,430</b>	<b>78,935</b>	<b>100,799</b>
Raw materials and consumables	162,740	130,357	117,773
<b>Total inventories – non - current</b>	<b>162,740</b>	<b>130,357</b>	<b>117,773</b>
<b>Total inventories</b>	<b>264,170</b>	<b>209,292</b>	<b>218,572</b>

Inventories are held at the lower of cost or net realisable value.

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.

**Note 14: Cash and cash equivalents**

As at 30 June 2017 cash and cash equivalents comprised:

US\$000	Notes	As at 30.06.17 (unaudited)	As at 31.12.16 (audited)	As at 30.06.16 (unaudited)
Cash at bank and on hand		92,645	144,751	44,440
<b>Total cash and cash equivalents</b>	<b>3</b>	<b>92,645</b>	<b>144,751</b>	<b>44,440</b>

The debt repayments during the period ended 30 June 2017 totalled US\$162,507 thousand (30 June 2016: US\$119,775 thousand) affecting the balance of cash and cash equivalents. Further information on the Group's gross debt is provided in Note 15.

The balance of cash and cash equivalents held in Ukraine amounts to US\$13,593 thousand as at 30 June 2017 (31 December 2016: US\$40,787 thousand; 30 June 2016: US\$12,447 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 of the Annual Report and Accounts 2016.

Note 17 provides details on the Group's balance of restricted cash and deposits which has been fully provided for as currently not available to the Group.

## Note 15: Interest bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings, which are measured at amortised cost and denominated in US Dollars.

US\$000	Notes	As at 30.06.17 (unaudited)	As at 31.12.16 (audited)	As at 30.06.16 (unaudited)
<b>Current</b>				
Eurobond issued		169,987	–	–
Syndicated bank loans – secured		135,000	175,000	148,750
Other bank loans – secured		17,660	18,309	21,803
Other bank loans – unsecured		1,494	1,495	345
Obligations under finance leases		3,817	3,684	3,550
Trade finance facilities		7,492	19,025	9,306
Interest accrued		9,599	10,548	11,016
<b>Total current interest bearing loans and borrowings</b>	<b>3</b>	<b>345,049</b>	<b>228,061</b>	<b>194,770</b>
<b>Non-current</b>				
Eurobond issued		169,987	337,685	335,530
Syndicated bank loans – secured		33,750	131,250	218,750
Other bank loans – secured		16,502	25,434	35,304
Other bank loans – unsecured		4,499	5,246	4,864
Obligations under finance leases		4,115	6,026	7,893
<b>Total non-current interest bearing loans and borrowings</b>	<b>3</b>	<b>228,853</b>	<b>505,641</b>	<b>602,341</b>
<b>Total interest bearing loans and borrowings</b>		<b>573,902</b>	<b>733,702</b>	<b>797,111</b>

The Group has a revolving syndicated US\$350 million pre-export finance facility, of which US\$218,750 million is available and US\$168,750 thousand drawn as at 30 June 2017 (31 December 2016: US\$306,250 thousand; 30 June 2016: US\$350,000 thousand). The amortisation of this facility commenced in November 2016 with eight quarterly commitment reductions of US\$43,750 thousand to the final maturity date of 8 August 2018.

As at 30 June 2017 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 pellets sales 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 major bank debt facility listed above, the Group has outstanding unsecured Notes at par value totalling US\$346,385 thousand as at 30 June 2017 which fall due in two equal instalments of US\$173,193 thousand on 7 April 2018 and 2019, respectively. The Notes have a 10.375% interest coupon payable semi-annually.

As at 30 June 2017, the Group has open trade finance facilities in the amount of US\$7,492 thousand (31 December 2016: US\$19,025 thousand; 30 June 2016: US\$9,306 thousand), which are secured against receivables related to these specific trades.

All facilities are shown net of associated arrangement fees, except for the revolving syndicated pre-export finance facility, for which the fees are presented in prepayments and current assets and other non-current assets based on the maturity of the underlying facility and are amortised over the term of the facility.

Further information on the Group's exposure to interest rate, foreign currency and liquidity risk is provided in Note 31 of the Annual Report and Accounts 2016.

## Note 16: Financial instruments

### Fair values

Set out below are the carrying amounts and fair values of the Group's financial instruments that are carried in the interim consolidated statement of financial position:

US\$000	Carrying amount			Fair Value		
	As at 30.06.17 (unaudited)	As at 31.12.16 (audited)	As at 30.06.16 (unaudited)	As at 30.06.17 (unaudited)	As at 31.12.16 (audited)	As at 30.06.16 (unaudited)
<b>Financial assets</b>						
Cash and cash equivalents	92,645	144,751	44,440	92,645	144,751	44,440
Restricted cash and deposits	–	–	8,988	–	–	8,988
Trade and other receivables	80,539	81,745	66,258	80,539	81,745	66,258
Other financial assets	516	9,700	8,107	516	9,700	8,107
<b>Total financial assets</b>	<b>173,700</b>	<b>236,196</b>	<b>127,793</b>	<b>173,700</b>	<b>236,196</b>	<b>127,793</b>
<b>Financial liabilities</b>						
Trade and other payables	34,048	28,807	27,364	34,048	28,807	27,364
Accrued liabilities	15,221	12,540	18,411	15,219	12,540	18,411
Interest bearing loans and borrowings	573,902	733,702	797,111	599,481	743,888	743,667
<b>Total financial liabilities</b>	<b>623,171</b>	<b>775,049</b>	<b>842,866</b>	<b>648,748</b>	<b>785,235</b>	<b>789,442</b>

#### *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.

#### *Other financial assets*

The fair values of cash and cash equivalents, trade and other receivables and payables, restricted cash and deposits, other financial assets and accrued liabilities 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 17 for further information.

### **Note 17: Commitments and contingencies**

#### *Commitments*

US\$000	As at 30.06.17 (unaudited)	As at 31.12.16 (audited)	As at 30.06.16 (audited)
Operating lease commitments	47,927	46,779	42,150
Capital commitments on purchase of PPE	32,403	24,665	27,330

#### *Legal*

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

#### Deposit Guarantee Fund and Liquidator of Bank F&C

The Group's transactional bank in Ukraine, Bank F&C ("BFC"), is currently going through the liquidation process after having been declared insolvent by the National Bank of Ukraine and put under temporary administration on 18 September 2015. The Group has recorded in previous periods a full allowance for its in Ukrainian Hryvnia denominated cash and deposit balances held with BFC on the date of introduction of temporary administration, totalling UAH4,265 million (US\$163,420 thousand) as at 30 June 2017 (31 December 2016: US\$156,866 thousand; 30 June 2016: US\$162,632 thousand). The Group through its major subsidiaries in Ukraine is engaged in various court proceedings to maximise its recovery during the liquidation process of BFC.

The Group's principal subsidiary, PJSC Ferrexpo Poltava Mining ("FPM") is claiming the release of UAH217 million (US\$8,322 thousand as of 30 June 2017), which was blocked after the introduction of the temporary administration of BFC on 18 September 2015. FPM has filed a cassation appeal in respect of an earlier adverse judgement received from the court and no date for the next hearing has been set yet.

Following the commencement of the liquidation process of BFC and in accordance with the applicable local 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 cash and deposit balances held with BFC on the date of introduction of temporary administration totalling UAH4,262 million (US\$163,194 thousand as of 30 June 2017).

On 22 April 2016, the liquidator of BFC issued certificates recognising UAH540 million (US\$20,690 thousand as of 30 June 2017) of these claims and recognised these claims in the ninth rank. The afore-mentioned Ukrainian subsidiaries are currently involved in legal proceedings in respect of the under-recognition of the claims amounting to UAH 3,722 million (US\$142,504 thousand as of 30 June 2017) and the ranking of the total claim in the liquidation process. The court proceedings commenced in October 2016 and following various hearings in the first half of the financial year 2017, all claims are currently stayed awaiting as the courts requested the examination of the records of BFC by an independent expert.

#### *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 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. Following the audits for afore mentioned years, the Ukrainian tax authorities also initiated tax audits for the years 2015 and 2016.

The management of the Group expects to continue to successfully defend any claims made by the tax authorities in the Ukrainian courts. Consequently, no provision has been made for the claimed withholding tax and associated fines and penalties as at 30 June 2017.

#### Ukrainian VAT

VAT amounting to US\$3,141 thousand as at 30 June 2017, which was refunded by the Ukrainian tax authorities in 2015 is in the process of being considered by the Ukrainian court system. The Group expects to receive also a positive court decision from the third court instance and as a consequent, no liability has been recorded for the amount in the court. As of 30 June 2017, no recoverable VAT balances are in dispute and being heard in the court (31 December 2016: US\$595 thousand; 30 June 2016: nil).

**Note 18: Share capital and other reserves**

The share capital of Ferrexpo plc at 30 June 2017 was 613,967,956 (31 December 2016: 613,967,956; 30 June 2016: 613,967,956) Ordinary Shares at par value of £0.10 paid for cash, resulting in share capital of US\$121,628 thousand, which is unchanged since the Group's Initial Public Offering in June 2007. This balance includes 25,343,814 shares (31 December 2016: 25,343,814 shares; 30 June 2016: 25,343,814 shares), which are held in treasury, resulting from a share buyback that was undertaken in September 2008, and 2,916,419 shares held in the employee benefit trust reserve (31 December 2016: 3,024,899 shares; 30 June 2016: 3,192,399 shares).

The translation reserve includes the effect from the exchange differences arising on translation of non-US Dollar functional currency operations (mainly in Ukrainian Hryvnia). The exchange differences arising on translation of the Group's foreign operations are initially recognised in the other comprehensive income. See also the Interim Consolidated Statement of Comprehensive Income on page 18 of these financial statements for further details.

As at 30 June 2017 other reserves attributable to equity shareholders of Ferrexpo plc comprised:

**For the financial year 2016 and the 6 months ended 30.06.17**

US\$000	Uniting of Interest reserve	Treasury share reserve	Employee Benefit Trust reserve	Translation reserve	Total other reserves
<b>At 1 January 2016</b>	<b>31,780</b>	<b>(77,260)</b>	<b>(5,497)</b>	<b>(1,825,647)</b>	<b>(1,876,624)</b>
Foreign currency translation differences	-	-	-	(125,130)	(125,130)
Tax effect	-	-	-	16,607	16,607
<b>Total comprehensive loss for the year</b>	-	-	-	(108,523)	(108,523)
Share based payments	-	-	389	-	389
<b>At 31 December 2016 (audited)</b>	<b>31,780</b>	<b>(77,260)</b>	<b>(5,108)</b>	<b>(1,934,170)</b>	<b>(1,984,758)</b>
Foreign currency translation differences	-	-	-	37,974	37,974
Tax effect	-	-	-	(6,015)	(6,015)
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	31,959	31,959
Share based payments	-	-	285	-	285
<b>At 30 June 2017 (unaudited)</b>	<b>31,780</b>	<b>(77,260)</b>	<b>(4,823)</b>	<b>(1,902,211)</b>	<b>(1,952,514)</b>

**For the 6 months ended 30.06.16**

US\$000	Uniting of Interest reserve	Treasury Share reserve	Employee Benefit Trust reserve	Translation reserve	Total other reserves
<b>At 1 January 2016</b>	<b>31,780</b>	<b>(77,260)</b>	<b>(5,497)</b>	<b>(1,825,647)</b>	<b>(1,876,624)</b>
Foreign currency translation differences	-	-	-	(32,336)	(32,336)
Tax effect	-	-	-	4,501	4,501
<b>Total comprehensive loss for the period</b>	-	-	-	(27,835)	(27,835)
Share based payments	-	-	194	-	194
<b>At 30 June 2016 (unaudited)</b>	<b>31,780</b>	<b>(77,260)</b>	<b>(5,303)</b>	<b>(1,853,482)</b>	<b>(1,904,265)</b>

**Note 19: 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, Kostyantyn Zhevago and with associated companies and with other related parties. Management considers that the Group has appropriate procedures in place to identify and properly disclose transactions with the related parties.

Entities under common control are those under the control of Kostyantyn 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 by Anatoly Trefilov who resigned as member of the supervisory board of PJSC Ferrexpo Poltava Mining as of 19 April 2017. In accordance with the Listing Rules, all transactions with the entities controlled by Anatoly Trefilov within one year of his resignation from the supervisory board will be still considered as related party transactions and disclosed as such.

All related party transactions entered into by the Group during the periods presented are summarised in the tables on the following pages.

**Revenue, expenses, finance income and finance expenses**

US\$000	6 months ended 30.06.17 (unaudited)			6 months ended 30.06.16 (unaudited)			Year ended 31.12.16 (audited)		
	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Sales of pellets <sup>a</sup>	-	-	-	1,975	-	-	1,975	-	-
Other sales	136	-	75	120	-	36	234	-	143
<b>Total related party transactions within revenue</b>	<b>136</b>	<b>-</b>	<b>75</b>	<b>2,095</b>	<b>-</b>	<b>36</b>	<b>2,209</b>	<b>-</b>	<b>143</b>
Materials <sup>b</sup>	3,533	-	4	3,119	-	4	6,954	-	8
Spare parts and consumables <sup>c</sup>	802	-	-	715	-	-	1,251	-	-
Gas <sup>d</sup>	-	-	-	4,297	-	-	4,297	-	-
<b>Total related parties transactions within cost of sales</b>	<b>4,335</b>	<b>-</b>	<b>4</b>	<b>8,131</b>	<b>-</b>	<b>4</b>	<b>12,502</b>	<b>-</b>	<b>8</b>
Selling and distribution expenses <sup>e</sup>	5,492	8,943	644	5,384	10,710	436	10,766	19,803	1,507
General and administration expenses <sup>f</sup>	284	-	267	345	-	317	673	-	92
Allowance for restricted cash and deposits <sup>g</sup>	-	-	-	-	-	-	8,524	-	-
<b>Total related parties transactions within expenses</b>	<b>10,111</b>	<b>8,943</b>	<b>915</b>	<b>13,860</b>	<b>10,710</b>	<b>757</b>	<b>32,465</b>	<b>19,803</b>	<b>1,607</b>
Finance expenses	17	-	-	(22)	-	-	(38)	-	-
<b>Net related party finance income</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>(22)</b>	<b>-</b>	<b>-</b>	<b>(38)</b>	<b>-</b>	<b>-</b>

The Group entered into various related party transactions. A description of the most material transactions, which are in aggregate over US\$200 thousand (on an expected annualised basis) in the current or comparative periods is given below. All transactions were carried out on an arm's length basis in the normal course of business.

**Entities under common control**

- a Spot sales of pellets in the amount of US\$1,975 thousand as of 30 June 2016 to VA Intertrading AG (31 December 2016: US\$1,975 thousand). No such sales as of 30 June 2017.
- b Purchases of compressed air, oxygen and metal scrap from Kislorod PCC for US\$1,748 thousand (30 June 2016: US\$1,543 thousand; 31 December 2016: US\$3,587 thousand);
- b Purchases of cast iron balls from AutoKraZ Holding Co. for US\$430 thousand (30 June 2016: US\$495 thousand; 31 December 2016: US\$1,269 thousand); and
- b Purchases of cast iron balls from OJSC Uzhgorodsky Turbogaz for US\$1,237 thousand (30 June 2016: US\$976 thousand; 31 December 2016: US\$2,063 thousand).
- c Purchases of spare parts from CJSC Kyiv Shipbuilding and Ship Repair Plant ("KSRSSZ") in the amount of US\$96 thousand (30 June 2016: US\$190 thousand; 31 December 2016: US\$410 thousand);
- c Purchases of spare parts from Valsa GTV of US\$500 thousand (30 June 2016: US\$250 thousand; 31 December 2016: US\$486 thousand); and
- d Procurement of gas for US\$4,297 thousand from OJSC Ukrzakordongeologia as of 30 June 2016 (31 December 2016: US\$4,297 thousand). No such transaction as at 30 June 2017.
- e Purchases of advertisement, marketing and general public relations services from FC Vorskla of US\$5,492 thousand (30 June 2016: US\$5,384 thousand; 31 December 2016: US\$10,766 thousand);
- f Insurance premiums of US\$188 thousand (30 June 2016: US\$185 thousand; 31 December 2016: US\$385 thousand) paid to ASK Omega for workmen's insurance and other insurances; and
- g The Group recorded during the financial year 2016 an allowance for its cash and deposits held at Bank F&C resulting in a charge of US\$8,524 thousand as a result of the latest developments of the ongoing court case (see also Note 14 and Note 17).

**Associated companies**

- e Purchases of logistics services in the amount of US\$8,943 thousand (30 June 2016: US\$10,710 thousand; 31 December 2016: US\$19,803 thousand) relating to port operations, including port charges, handling costs, agent commissions and storage costs.

**Other related parties**

- e Purchases of logistics management services from Slavutich Ruda Ltd. relating to customs clearance services and the coordination of rail transit totalling US\$644 thousand (30 June 2016: US\$436 thousand; 31 December 2016: US\$1,502 thousand).
- f Consulting fees totalling US\$256 thousand as at 31 December 2016 paid to David L. Frauman, who was appointed as Board member on 26 October 2015 and retired from the Board on 10 March 2016. The Group entered into the agreement with David L. Frauman when he was appointed as a member of the Board and this agreement was cancelled at the time of his retirement from the Board; and).
- f Legal services in the amount of US\$216 thousand (30 June 2016: nil; 31 December 2016: nil) provided by Kuoni Attorneys at law Ltd., which is controlled by a former member of the Board of Directors of Ferrexpo plc who resigned in November 2016, but still acts as a member of the Board of Directors of one of the subsidiaries of the Group.



### Purchases of property, plant, equipment and investments

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.

US\$000	6 months ended 30.06.17 (unaudited)			6 months ended 30.06.16 (unaudited)			Year ended 31.12.16 (audited)		
	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Purchases in the ordinary course of business	63	-	-	27	-	-	37	-	1
<b>Total purchases of property, plant and equipment</b>	<b>63</b>	<b>-</b>	<b>-</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>37</b>	<b>-</b>	<b>1</b>

There were no individual transactions which are exceeding US\$200 thousand in the current period or comparative periods.

### 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:

US\$000	6 months ended 30.06.17 (unaudited)			Year ended 31.12.16 (audited)			6 months ended 30.06.16 (unaudited)		
	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Investments available-for-sale	-	-	-	-	-	-	5	-	-
Prepayments for property, plant and equipment	-	-	-	-	-	-	28	-	-
<b>Total non-current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>-</b>
Trade and other receivables <sup>h</sup>	220	3,559	50	257	4,576	48	282	3,608	179
Prepayments and other current assets <sup>i</sup>	1,167	-	-	282	-	201	186	-	-
<b>Total current assets</b>	<b>1,387</b>	<b>3,559</b>	<b>50</b>	<b>539</b>	<b>4,576</b>	<b>249</b>	<b>468</b>	<b>3,608</b>	<b>179</b>
Trade and other payables <sup>j</sup>	598	1,081	207	456	1,331	267	636	1,469	60
<b>Current liabilities</b>	<b>598</b>	<b>1,081</b>	<b>207</b>	<b>456</b>	<b>1,331</b>	<b>267</b>	<b>636</b>	<b>1,469</b>	<b>60</b>

A description of the most material balances which are over US\$200 thousand in the current or comparative periods is given below.

#### Entities under common control

- i Prepayments and other current assets totalling US\$858 thousand relate to prepayments made to FC Vorskla for advertisement, marketing and general public relations services (31 December 2016: nil; 30 June 2016: nil).

#### Associated companies

- h Trade and other receivables included US\$3,559 thousand (31 December 2016: US\$4,576 thousand; 30 June 2016: US\$3,608 thousand) for dividends receivable from TIS Ruda LLC.
- j Trade and other payables included US\$1,081 thousand (31 December 2016: US\$1,331 thousand; 30 June 2016: US\$1,469 thousand) related to purchases of logistics services from TIS Ruda LLC.

#### Other related parties

- i Prepayments and other current assets at the end of the comparative period ended 31 December 2016 included US\$201 thousand included prepayments made to Slavutich Ruda Ltd. for distribution services. No such prepayment as of 30 June 2017 and 2016.
- h Trade and other payables of US\$67 thousand were in respect of distribution services provided by Slavutich Ruda Ltd (31 December 2016: US\$267 thousand; 30 June 2016: US\$49 thousand).

### Note 20: Events after the reporting period

No material adjusting or non-adjusting events have occurred subsequent to the period.

## Alternative Performance Measures ('APM')

When assessing and discussing the Group's reported financial performance, financial position and cash flows, management may make reference to Alternative Performance Measures ("APM") 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 information included in the financial statements, which are 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.

### Financial APMs:

**Underlying EBITDA** The Group calculates the Underlying EBITDA as profit before tax and finance plus depreciation and amortisation and net gains and losses from disposal of investments and property, plant and equipment and share based payments and operating and non-operating special items, including write-offs and impairment losses and other non-recurring exceptional items. The Underlying EBITDA is presented because it is a useful measure for evaluating the Group's ability to generate cash and its operating performance. See Note 3 for further details.

**Underlying EBITDA margin** Underlying EBITDA (see definition above) as a percentage of revenue

**Net debt** Net debt 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. See Note 3 for further details.

**Net debt to Underlying EBITDA** Net debt divided by the Underlying EBITDA (for the last twelve months). 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 Underlying 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.

### Non-financial APMs:

**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.

**Sales volumes** Indicate the level of demand for the Group's products.

**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.

**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.

**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.

## Glossary

Act	The Companies Act 2006
AGM	The Annual General Meeting of the Company
Alternative Performance Measures (APM)	Measures used by the Group when assessing and discussing its reported financial performance, financial position and cash flows that are not defined or specified under International Financial Reporting Standards ("IFRS"). The Group uses financial and non-financial APMs.
Articles	Articles of Association of the Company
Audit Committee	The Audit Committee of the Company's Board
Belanovo or Belanovskoye	An iron ore deposit located immediately to the north of Yeristovo
Benchmark Price	Platts 62% Fe iron ore fines price CFR China
Beneficiation Process	A number of processes whereby the mineral is extracted from the crude ore
BIP	Business Improvement Programme, a programme of projects to increase production output and efficiency at FPM
Board	The Board of Directors of the Company
Bt	Billion tonnes
Capesize	Capesize vessels are typically above 150,000 tonnes deadweight. Ships in this class include oil tankers, supertankers and bulk carriers transporting coal, ore, and other commodity raw materials. Standard capesize vessels are able to transit through the Suez Canal
Capital Employed	The aggregate of equity attributable to shareholders, non-controlling interests and borrowings
Central Europe	This segmentation for the Group's sales includes Austria, Czech Republic, Hungary and Serbia
CFR	Delivery including cost and freight
C1 cash cost of production	Represent 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
China and South East Asia	This segmentation for the Group's sales includes China, Indonesia, Malaysia, Taiwan and Vietnam
CIF	Delivery including cost, insurance and freight
CIS	The Commonwealth of Independent States
Code	The UK Corporate Governance Code
Company	Ferrexpo plc, a public company incorporated in England and Wales with limited liability
CPI	Consumer Price Index
CSR	Corporate Safety and 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

Diluted EPS	Diluted earnings per share (EPS) are calculated by adjusting the weighted average number of Ordinary Shares in issue on the assumption of conversion of all potentially dilutive Ordinary Shares
Directors	The Directors of the Company
Dragline Excavators	Heavy machinery used to excavate material. A dragline consists of a large bucket which is suspended from a boom
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	The Company and its subsidiaries
Ferrexpo AG Group	Ferrexpo AG and its subsidiaries including FPM
Fevamotínico S.a.r.l.	A company incorporated with limited liability in Luxembourg
FOB	Delivered free on board, which means that the seller's obligation to deliver has been fulfilled when the goods have passed over the ship's rail at the named port of shipment, and all future obligations in terms of costs and risks of loss or damage transfer to the buyer from that point onwards
FPM	Ferrexpo Poltava Mining, also known as Ferrexpo Poltava GOK Corporation or PGOK, a company incorporated under the laws of Ukraine
FRMC	Financial Risk Management Committee, a sub-committee of the Executive Committee
FTSE 250	The index of Financial Times Stock Exchange consisting of the 101 <sup>st</sup> to the 350 <sup>th</sup> largest companies listed on the London Stock Exchange
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 sinter fines	Fine iron ore screened to -6.3mm
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
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
m3	Cubic metre
Majority Shareholder	Fevamotínico S.a.r.l., The Minco Trust and Kostyantín 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
Net debt	Net debt as defined by the Group comprises cash and cash equivalents less interest-bearing loans and borrowings.
Nominations Committee	The Nominations Committee of the Company's Board
Non-executive Directors	Non-executive Directors of the Company
NOPAT	Net operating profit after tax
North East Asia	This segmentation for the Group's sales includes Japan and Korea
OHSAS 18001	International safety standard 'Occupational Health & Safety Management System Specification'
Ordinary Shares	Ordinary Shares of 10 pence each in the Company
Ore	A mineral or mineral aggregate containing precious or useful minerals in such quantities, grade and chemical combination as to make extraction economic
Panamax	Modern panamax ships typically carry a weight of between 65,000 to 90,000 tonnes of cargo and can transit both Panama and Suez canals
PPI	Ukrainian producer price index
Probable Reserves	Those measured and/or indicated mineral resources which are not yet 'proved', but of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination and under specific economic conditions
Proved Reserves	Measured mineral resources of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination and under specific economic conditions
Rail car	Railway wagon used for the transport of iron ore concentrate or pellets
Relationship Agreement	The relationship agreement entered into among Fevamotínico S.a.r.l., Kostyantín Zhevago, The Minco Trust and the Company
Remuneration Committee	The Remuneration Committee of the Company's Board

<b>Reserves</b>	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
<b>Sinter</b>	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
<b>Special items</b>	Items of financial performance that are, due to their size and nature, separately disclosed on the face of the income statement and excluded from the Underlying EBITDA
<b>Spot price</b>	The current price of a product for immediate delivery
<b>Sterling/£</b>	Pound Sterling, the currency of the United Kingdom
<b>STIP</b>	Short-Term Incentive Plan
<b>Tailings</b>	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
<b>Tolling</b>	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
<b>Ton</b>	A US short ton, equal to 0.9072 metric tonnes
<b>Tonne or t</b>	Metric tonne
<b>Traditional Markets</b>	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, Serbia and Slovakia
<b>Treasury Shares</b>	A company's own issued shares that it has purchased but not cancelled
<b>TSF</b>	Tailings storage facility
<b>TSR</b>	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
<b>UAH</b>	Ukrainian Hryvnia, the currency of Ukraine
<b>Ukr SEPRO</b>	The quality certification system in Ukraine, regulated by law to ensure conformity with safety and environmental standards
<b>Underlying EBITDA</b>	The Group calculates the Underlying EBITDA as profit before tax and finance plus depreciation and amortisation and net gains and losses from disposal of investments and property, plant and equipment and share based payments and operating and non-operating special items, including write-offs and impairment losses and other non-recurring exceptional items
<b>Underlying EBITDA margin</b>	Underlying EBITDA (see definition above) as a percentage of revenue
<b>US\$/t</b>	US Dollars per tonne
<b>VAT</b>	Value Added Tax
<b>Value-in-use</b>	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.
<b>WAFV</b>	Weighted average fair value
<b>Western Europe</b>	This segmentation for the Group's sales includes Germany and Italy
<b>WMS</b>	Wet magnetic separation