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Ferrexpo PLC
18 April 2024

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Ferrexpo plc
("Ferrexpo" or the "Company" or the "Group")
Full Year Financial Results for 2023

Ferrexpo plc (LSE: FXPO), producer of premium iron ore pellets for the transition to lower carbon and green steel, announces its audited financial results for the year ended 31 December 2023.

Lucio Genovese, Executive Chair of Ferrexpo, commented:

"Although the war is now in its third year, the 2023 financial year represents the first full year that we operated during a time of war. The challenges that we continue to face cannot be understated, however, our results demonstrate that we have learnt to be nimble and how to adapt and respond to ever changing circumstances.

It is pleasing therefore, that we can report production and sales of over four million tonnes, equal to the logistics capacity that was available to us during the year, generating revenues of US$652 million. Our cost of sales on a unit basis fell 8% to US$76.5 per tonne, reflecting better availability and prices for consumables, and also efficiency gains and cost saving measures. After positive cash flows from operating activities of US$101 million, we report a firm underlying EBITDA of US$130 million. Even after investing over US$100 million dollars during the year, it is also pleasing that we are able to report a year end net cash position of US$108 million, slightly ahead of the previous year. In our accounts this year, we have recorded a provision of US$131 million, which has been recognised to cover any possible negative outcome that arises from two legal cases that we are challenging. The effect of this provision is that instead of reporting a profit of US$46 million we are instead reporting a loss of US$85 million. With advice from our Ukrainian legal counsel, we believe that the various claims are without merit and that we have strong legal arguments to vigorously defend ourselves in court.

Throughout the year, we worked tirelessly to protect our people and preserve the integrity of our assets. We understand that more than ever, we have an important role to play as a large employer on whom so many people depend, and also the critical need for our contributions to local communities and the national economy.

Finally, I want to highlight that the new year has started well. The increase in demand experienced in December 2023 has continued in to the first quarter of this year. We have seen good demand for our premium products in Europe and elsewhere, which provided us the confidence to start a third pelletiser line. This means that we have more production flexibility than at any other time during the war. It also means that we are able broaden our product mix, including restarting production of DR pellets again."

Financial highlights

- Revenue 48% lower at US$652 million due to lower realisable sales resulting from logistics constraints and a decrease in average iron ore prices (2022: US$1.2 billion).
- Underlying EBITDA[A] fell to US$130 million at an EBITDA margin of 20%, heavily influenced by operating foreign exchange gains of only US$31 million for 2023 compared to US$339 million in 2022.
- Net cash flows from operations: remain positive at US$101 million despite the significant challenges posed by the war (2022: US$301 million).
- US$131 million effect from provisions to cover possible negative outcome of ongoing legal proceedings results in a loss of US$85 million.
- Capital investment of US$101 million, including sustaining and optimisation projects (2022: US$161 million).
- Net cash position: improved marginally to US$108 million as at 31 December 2023 (2022: US$106 million).

Financial summary

US$ million (unless stated otherwise)	2023	2022	*YoY change*
Total pellet production (kt)	**3,845**	6,053	*(36%)*
Sales volumes (kt)	**4,174**	6,183	*(32%)*
Iron ore price (65% Fe Index, US$/t)	**132**	139	*(5%)*
Revenue	**652**	1,248	*(48%)*
C1 cash cost of production (US$/t)	**76.5**	83.3	*(8%)*
Underlying EBITDA	**130**	765	*(83%)*
Underlying EBITDA margin	**20%**	61%	*(41pp)*
(Loss)/profit for the period	**(85)**	220	*(139%)*

(Loss)/profit for the period	[illegible]	[illegible]	[illegible]
Debt servicing	**-**	42	-
Capital investment	**101**	161	*(31%)*
Closing net cash	**108**	106	*+2%*

The Group operates in an evolving political, fiscal and legal environment in Ukraine and the risks associated with this heightened further in 2023 and early 2024. As result, the Group has recognised provisions totalling US$128 million, including US$124 million for one specific ongoing legal dispute. See details in Note 2 Basis of preparation and Note 14 Commitments, contingencies and legal disputes to the Consolidated Financial Statements in respect of the possible impact on the Group's business activities.

Safety and wellbeing

- Tragically, 14 colleagues were killed serving in the armed forces during 2023, bringing the total to 34 between February 2022 and December 2023.
- Safety performance at Ferrexpo's operations remains strong, with a third successive fatality-free year and lost time injury frequency rate of 0.32 continues materially below the Group's historic trailing average.
- The Group's LTIFR has remained at a relatively low level, ahead of the Group's historical five-year trailing average of 0.69.

Market factors

- The premium 65% Fe iron ore price added 15% over the year as a whole from January to December 2023, however, the annual average price for 2023 was 5% lower at US$132 per tonne compared to 2022.
- The iron ore pellet market experienced some volatility during the year, with global pellet supply growing only 1%. Direct Reduction ("DR") pellet premiums fell by a third to an annual average of US$57 per tonne (2022: US$87 per tonne).
- C3 freight index, indicative of global freight rates for iron ore shipments, fell 14% to US$21 per tonne, reflecting weaker demand in China.

Operational factors

- Iron ore pellet and concentrate production of 4.2 million tonnes in 2023 (2022: 6.1 million tonnes), comprising 3.8 million tonnes of premium blast furnace pellets and 0.3 million tonnes of concentrate.
- Operations continued to ship products to customers throughout 2023, by rail, rail and barge to customers in Europe, or rail, barge and ship from alternative Black Sea ports to customers in Europe and MENA.
- Full year iron ore sales of 4.2 million tonnes (2022: 6.2 million tonnes), mirroring available logistics capacity.
- Investment in growth continues with installation of Group's press filtration complex, which will increase pellet quality and lower natural gas consumption per tonne of production.
- C1 Cash Cost of Production[A] ("C1 costs") fell 8% to US$76.5 per tonne, due to a reduction in the unit cost of energy such as natural gas and fuel (principally diesel), partially offset by higher electricity costs in Ukraine.
- As of late February 2024, the Group has resumed operations at the third (of four) pelletiser lines, due to improved logistics access to export markets.

ESG factors

- Absolute Scope 1 emissions fell by 27% in 2023, in part reflecting lower production due to war related constraints. Scope 1 emissions on a unit of basis rose 4%, due to an increased utilisation of alternate logistics channels for exports, which resulted in an increased consumption of gasoil.
- Absolute Scope 2 emissions fell by 39%, also due to lower production. On a unit basis, Scope 2 emissions fell by 11% due to an increased proportion of electricity being sourced from cleaner sources including hydro and nuclear power.
- In 2022, DR pellets represented 6% of all production, resulting in lower Scope 3 emissions for that year. However, in 2023 no DR pellets were produced. Consequently, Scope 3 emissions in 2023 on a unit basis increased to 1.33 tCO_2/t of pellet production from 1.24 tCO_2/t of pellet production in 2022 respectively. Absolute Scope 3 emissions nevertheless decreased 25% year-on-year due to the overall lower production in 2023.
- During the year, the Group completed a Life Cycle assessment and Double Materiality assessment with its environmental consultants, Ricardo plc. The Life Cycle assessment independently verified that when a steel manufacturer uses a Ferrexpo DR pellet, in an electric arc furnace, to produce a tonne of steel billet, 37% less carbon is emitted compared to traditional steel production methods. The Double Materiality assessment combines impact materiality with financial materiality, providing a more in-depth analysis of what issues are material to an organisation. The results demonstrated that topics relating to governance and responsible business were considered the most important by stakeholders, closely followed by our role in enabling the transition to green steel and how we can ensure ongoing employment for our workforce.
- The Group also published its 8^{th} Responsible Business Report.

Corporate governance topics

- On 31 December 2023, Graeme Dacomb resigned as an Independent Non-Executive Director and as Chair of the Audit Committee. On 1 January 2024, fellow Non-executive Director, Stuart Brown was appointed as Chair of the Audit Committee.
- On 22 October 2023, Stuart Brown was appointed as an Independent Non-executive Director of the Company and as a member of the Audit Committee.
- On 1 August 2023, Fiona MacAulay stepped down as a member of the Audit Committee.
- On 1 July 2023, Lucio Genovese transitioned from Non-executive Chair to Executive Chair on an interim basis following the resignation and departure of Jim North as Group CEO on 30 June 2023.

- On 25 May 2023, Jim North resigned as Executive Director of the Company.
- On 25 May 2023, Ann-Christin Andersen resigned from the Board as a Non-executive Director and Chair of the Health, Safety, Environment and Community ("HSEC") Committee. On 25 May 2023, fellow Non-executive Director, Natalie Polischuk was appointed as Chair of the HSEC Committee.
- On 25 May 2023, Nikolay Kladiev, Group CFO, was appointed as an Executive Director of the Company.

Principal legal issues and provision

On 7 December 2022, Ferrexpo Poltava Mining ("FPM") received a claim in the amount of UAH4,727 million in respect of contested sureties. These contested sureties relate to Bank Finance & Credit which the Group previously used as its main transactional bank in Ukraine. Bank Finance & Credit is still going through the liquidation process after having been declared insolvent by the National Bank of Ukraine and put under temporary administration on 18 September 2015. The counterparty in this claim alleges that it acquired rights under certain loan agreements originally concluded between the Bank Finance & Credit and various borrowers by entering into the assignment agreement with the State Guarantee Fund on 6 November 2020. The counterparty further claims that FPM provided sureties to Bank Finance & Credit to ensure the performance of obligations under these loan agreements. On 26 January 2024, the Ukrainian court of appeal has confirmed a claim against FPM in the amount of UAH4,727 million (approximately US$124 million). On 30 January 2024, FPM filed an appeal to the Supreme Court of Ukraine. The first hearing scheduled for 20 March 2024 was delayed and was rescheduled for 17 April 2024. The Supreme Court hearing on 17 April 2024 considered primarily procedural matters and the next court hearing is scheduled for 27 May 2024. Although the Group remains of the view that FPM has compelling arguments to defend its positions, the Group has recognised a full provision totalling US$124 million for this ongoing legal dispute.

On 25 March 2024, Ferrexpo was made aware of a court order dated 18 January 2024 in the Ukrainian Register of Court Decisions regarding restrictions on certain corporate rights in all of Ferrexpo's Ukrainian subsidiaries. These restrictions are imposed on 49.5% of the shares in all of Ferrexpo's Ukrainian subsidiaries except for TIS-Ruda LLC and Nova Logistics LLC, where the relevant percentages frozen are 24.7% and 25.2% respectively. The restrictions do not affect ownership of the shares but prohibit their transfer and restrict the right to use corporate rights for the abovementioned percentages, including the right to vote. Ferrexpo is not a party to the proceedings in which the restrictions have been imposed, and these restrictions were imposed without even notifying Ferrexpo. The Group plans to file an appeal to cancel these restrictions.

Stakeholder engagement activities

Due to the ongoing war in Ukraine, the Group's management team will not be hosting an open access call with investors. The Group's management team will, however, be hosting an analyst briefing at 11:00 UK time today. For those interested in attending, please contact ferrexpo@tavistock.co.uk. A presentation will be published here. The Group expects to host its Annual General Meeting in May 2024 and will provide an update at this event.

Alternative Performance Measures

Words with the suffix "A" are defined in the Alternative Performance Measures - see pages 66 and 67 for more information.

In this report, the terms "Ferrexpo", the "Company", the "Group", our "business", "organisation", "we", "us", "our" and "ourselves" refer to Ferrexpo plc and, except where the context otherwise requires, its subsidiaries.

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About Ferrexpo:
Ferrexpo is a Swiss headquartered iron ore company with assets in Ukraine and a premium listing on the London Stock Exchange in the FTSE 250 index (ticker FXPO). The Group produces high-grade iron ore pellets, which are a premium product for the global steel industry and enable reduced carbon emissions and increased productivity for steelmakers when the Group's iron ore pellets are converted into steel, compared to more commonly traded forms of iron ore. Ferrexpo's operations have been supplying the global steel industry for over 50 years. Before Russia's invasion of Ukraine in February 2022, the Group was the world's third largest exporter of pellets to the global steel industry. The Group has a customer base comprising of premium steel mills around the world. For further information, please visit **www.ferrexpo.com**.

EXECUTIVE CHAIR STATEMENT

Ferrexpo has demonstrated a strong performance during a time of war and we should be proud of our achievements. In the face of extraordinary circumstances, we have continued to produce, export, and preserve cash.

Dear Shareholders

The challenges that Ferrexpo faced in 2023 cannot be understated. After two years of war in Ukraine, our people and our business continue to be severely affected. Our strategy to move early and right-size our business, so that we are more responsive to ever changing circumstances, is working. During the year, we have worked tirelessly to protect our people, preserve the integrity of our assets, and contribute to local society and the national economy. In the face of such extraordinary circumstances, we have continued to produce and export our products and preserve cash. I believe that the Company has performed exceptionally well and despite the challenges we should be proud of our achievements.

War

This announcement covers the financial year 2023, the second year of war since Russia commenced its full-scale invasion of Ukraine in February 2022 and at the time of this announcement it is already the third year.

Beyond the challenges in Ukraine, it would appear that the wider world is entering a new era of geopolitical uncertainty. Old conflicts have reignited, new ones are emerging, and autocratic leaders and their nationalist agendas are prevailing in and across many countries and regions.

Against this increasingly volatile and complex backdrop, it is perhaps inevitable, regrettably, that when it comes to Ukraine, a certain level of 'war weariness' is starting to appear.

Weariness, however, is not an option for the people of Ukraine who at no point have lost sight of what is at stake - the very existence of the Ukrainian state. It is my observation that the Ukrainian identity has strengthened over this period, which has bolstered the resilience and commitment of Ukrainians - who remain as determined as ever.

Reconstruction

Today, even during a time of war, Ukraine is already considering what sort of state it wants to be when the war is over, and how to reconstruct its political system, economy and society as a whole. In December 2023, this thinking took a decisive direction when the EU opened member accession talks with Ukraine. Setting a path for the integration of Ukraine into the EU is the right thing, and one in which Ferrexpo can play a critical role.

As Ukraine embarks on the task of economic reconstruction, government and business must work together to agree on the steps needed to create an investment environment that will help rebuild Ukraine as quickly as possible and shorten the path to EU membership. This includes upholding the rule of law, creating a level playing field for business and gaining the trust of a new set of investors who see prospects for rapid, sustained growth in the country after the war. It also means rooting out much of the corruption that is endemic in Ukraine.

Ferrexpo holds a pivotal position in shaping Ukraine's future. As a UK-based public limited company, we uphold governance standards that instil confidence in international investors, safeguarding their investments. Our commitment extends beyond financial security; we aim to bolster and expand our capabilities to drive growth in the Ukrainian economy. With a focus on producing premium products essential for steel producers' decarbonisation efforts, especially within Europe, we are poised to facilitate the growth of sustainable trade between Ukraine and the EU. Our dedication to this cause marks our distinctive role in Ukraine's reconstruction. Ferrexpo is uniquely positioned to lead the charge towards a prosperous and sustainable future for Ukraine.

People

Our future hinges upon our people - our steadfast workforce, their families, and the communities we serve. This commitment unequivocally extends to those members of our workforce who are bravely serving in the Armed Forces of Ukraine. We honour their sacrifice and eagerly anticipate their return to the roles we have preserved for them.

Ferrexpo stands out for its unparalleled combination of large-scale and top-tier assets within our industry. However, it is the unwavering dedication of our workforce that truly fuels the productivity of these assets. So, at this point, I'd like to express our heartfelt gratitude to each and every member of our team for their tireless efforts and unwavering determination.

I am deeply saddened that 14 of our colleagues were killed serving in the Armed Forces of Ukraine in 2023, bringing the total to 34 since February 2022. We bow for each of these brave souls. May they rest in peace and be remembered for their extraordinary courage and sacrifice. At the date of this announcement, 641 of our colleagues are serving in the armed forces, equal to 9% of our total workforce

Safety and wellbeing

Throughout the year, Ukraine has continued to face regular attacks from Russia, influencing how we ensure the wellbeing of our people, who remain our primary concern. We are committed to ensuring their safety and offering comprehensive physical and psychological support during these challenging times. Examples of this include providing protective clothing for those serving in the armed forces, building bomb shelters for those working in industrial functions, the provision of meals for those on longer shifts, permitting those in administrative functions to work from home and offering childcare in safe bomb shelters. We continue to provide broader assistance through our humanitarian aid programmes, which have provided housing, food and medicine, funded the donation of equipment, and support programmes and initiatives.

Safety must be thought of in new and broader terms. For example, as the war evolves we are starting to see people return from the armed forces. The rehabilitation of veterans into the workforce is challenging, especially for those with physical and mental injuries. We have helped with physical rehabilitation, including prosthetics, and emotional trauma. This extends to support for family members too. It is our role to foresee and adapt to these changes, so that we can continue to keep our people as safe as possible and support their wellbeing.

Skills

The enlisting of such a large amount of our Ukrainian workforce, particularly those with technical skills, has had an inevitable impact on our human and operational capacity. The workforce that remained on site have proven remarkably agile and flexible, ensuring the continuity of all activities. Our training centres have risen to the challenge to help people develop new skills, including internally displaced people joining our workforce, and for others learning to upskill and cross-skill, to provide the optimum flexibility across our workforce.

The determination of our employees has proven invaluable in overcoming some disruptions to vital infrastructure, an

The determination of our employees has proven invaluable in overcoming some disruptions to vital infrastructure, an inevitable eventuality of Russia's regular attacks on Ukraine. While we did suffer some downtime as a result of damage to electricity transformers, roads and bridges, our speedy repairs, sometimes working with various authorities has meant that operational disruptions were mostly short lived.

Assets and logistics

Thanks to the resilience of our employees the Company's assets remain intact and operational. Together, we have continued to seek to preserve Ferrexpo's underlying value as well as the Company's significance for the Ukrainian economy.

During the year, we continued to invest in our assets, such as the construction and commissioning of the press filtration complex, to improve the quality of our products. Resources have been devoted to undertaking desktop reviews and engineering analysis. By completing these studies at a time of considerable constraint, we will not only be in a far better position to recommission production in the future, but also have more clarity when we reinitiate upgrade and expansion projects. We will continue with this advanced preparatory work into 2024.

Limitations on our logistics corridors have again constrained our ability to export, which forced us to limit production levels. We have been able to operate one, sometimes two, of our four pellet lines to match the reduced export capacity available to us. The lack of access to Black Sea export routes, in particular, sharply reduced opportunities to export product volumes to the Middle East and Asia, however, this has started to ease since early 2024.

Thanks

There were some Board changes during the year. Ann-Christin Andersen and Graeme Dacomb resigned from the Board and I would like to express my thanks to both. I would also like to extend my thanks to Jim North who stepped down as CEO in April 2023. I had the pleasure over eight years to observe the tremendous positive impact Jim had on modernising and expanding Ferrexpo. Jim is both a pragmatic realist and a visionary, and he possesses the rare balance of being technically brilliant and a skilful diplomat. The war impeded his objectives to grow Ferrexpo towards an annual net-zero production of 24 million tonnes, but he has left us a road map that we will resume when the time is right.

Following Jim's departure I assumed responsibility as an interim Executive Chair, leading the business with an experienced Executive management team whom in 2024 will celebrate working at Ferrexpo for a collective 100 years, and in the industry for 150 years. As I said in last year's report when I was Non-executive Chair, strong governance is essential now more than ever, and whilst my interim role as an Executive Chair is admittedly a combined role, we do not believe now is the right time to make any significant management changes.

Finally, I wish to thank each and every one of our employees as well as our local communities for the bravery and resolve they have continued to show in the face of such fierce adversity and express my gratitude to all those associated with Ferrexpo for their contribution and continued support over the past 12 months.

Lucio Genovese
Interim Executive Chair, Ferrexpo plc

CHIEF FINANCIAL OFFICER STATEMENT

The challenges of the last year have accelerated our learning and adoption to make us more agile and responsive to ever changing circumstances. The cohesion shown by our employees across the business demonstrates a team that is unified and working together to overcome any challenges that they face.

Dear Stakeholders,

As we reflect on 2023, another year blighted by Russia's ongoing invasion of Ukraine, I am proud that we are able to report operating and financial results that reflect the determination of our people in these difficult times. The cohesion shown by our employees across the various departments of the business demonstrates a team that is unified and working together to overcome any challenge they face. This fortitude has made us stronger and allows us to understand what our people and operations are capable of.

While the challenges of the past year have been formidable, they have also accelerated our learning and adaptation, making us more agile and responsive to the ever evolving situation on the ground. As we started 2023, we once again faced significant uncertainties surrounding the energy supply in the winter months, given previous attacks on the electricity grid and other infrastructure. This compelled us to manage our working capital and stocks effectively to mitigate the potential risk of blackouts while ensuring we could fulfil our obligations to customers.

Pleasingly, the team's cohesiveness, coupled with our proactive planning ahead of time meant we were able to manage through this uncertain start to the year. As we headed for the second quarter, and bolstered by a strong liquidity position, we seized market opportunities and restarted an additional pelletiser, thereby increasing our production capability and flexibility.

With stable production from the first pellet line, and an initial contribution from the second pellet line, total iron ore pellet production for the first half was almost 2 million tonnes, a 57% increase compared to the second half of 2022. Unfortunately, any expectations for further growth in production and sales in the second half of the year were thwarted by the continued inability to use the Black Sea for exports, which would have justified us further expanding capacity for exports to the Middle East and Asia.

Despite these setbacks, we adjusted our operational plans swiftly, leveraging alternative routes into Europe and other Black Sea ports, to maintain sales levels while reducing production to align with market conditions. As a result, we ended the year producing at the logistics capacity available to us at 4.2 million tonnes of pellet and concentrate production.

In terms of budgeting, we encountered some surprises, notably in logistics challenges and costs, however iron ore prices were strong in the final quarter helping to offset these costs. Indeed, for the year as a whole our unit costs reduced. All in all, thanks to years of investment prior to the war, our quality assets and premium product range continues to ensure our net cash position.

It was important that throughout 2023, we maintained a prudent approach to cash allocation, focusing on key operational and capital projects essential for sustaining our business amid volatile wartime conditions.

The Group operates in an evolving political, fiscal and legal environment in Ukraine and the risks associated with this heightened further in 2023 and early 2024. As result, the Group has recognised provisions totalling US$128 million, including US$124 million for one specific ongoing legal dispute. See details in Note 2 Basis of preparation and Note

14 Commitments, contingencies and legal disputes to the Consolidated Financial Statements in respect of the possible impact on the Group's business activities.

Looking ahead to the start of the new year, we remain cautiously optimistic. In particular, logistics costs have improved, providing us with a favourable environment to capitalise on market opportunities.

As we navigate the complexities of operating in a dynamic geopolitical landscape, our focus remains on building resilience, optimising our assets, and enhancing operational flexibility. Our high quality assets have been instrumental in providing stability amidst uncertainty, underscoring the importance of prudent investments made in the past.

In conclusion, while the road ahead will no doubt continue to present its share of challenges, we are confident in our ability to navigate through uncertainty and are prepared to continue delivering the embedded value in our quality assets to our shareholders. We appreciate your continued support and trust as we navigate these uncertain times.

Nikolay Kladiev
Chief Financial Officer, Ferrexpo plc

OPERATING DURING A TIME OF WAR

The full-scale invasion of Ukraine commenced on 24 February 2022. With all our production based in Ukraine, our workforce and operations are affected by the ongoing war. In this section we explain how the war is affecting our people and how we are managing the business at this time.

People
The safety and wellbeing of our people is paramount, especially during a time of war. At the end of 2023, our Ukrainian workforce comprised 6,432 employees and 933 contractors. In addition, 641 colleagues are currently serving in the Armed Forces of Ukraine, whom we support on an ongoing basis with safety equipment, clothing and other essentials throughout the time that they are in the military.

As the war progresses, the availability of people and skills is becoming more complex. More members of our workforce are being conscripted to join the armed forces. Ferrexpo employees are attractive candidates because they possess the technical and mechanical skills that the army needs, the very skills that are critical to our production processes.

During 2023, more than 700 employees resigned or left our business. Although our operations are over 250 kilometres from the front lines, many have chosen to leave the region and move to the far west of Ukraine or abroad. This is in addition to the 900 or so that left in 2022.

The business continues to carry a large workforce while operating at a reduced capacity. This means that to date there has been the sufficient amount of people to continue operations. As the business continues to restore idled capacity, many employees are back to a full working week, with some already working overtime. We are also recruiting more people, including younger and older people, and more women. At our Ferrexpo Technical Expertise Centre, multiple initiatives have been established to upskill, cross-skill and reskill employees, including fast tracking vocational training and qualifications programmes.

In 2023, 67 colleagues were demobilised from the armed forces, 46 of whom have returned to work. During the year, we expanded our support for veterans to include physical rehabilitation and psychological support. Veterans unable to return to their previous functions due to factors such as noise and vibration, are offered the opportunity to train and qualify for other more suitable roles.

Local communities
During the early stages of the war, it was clear that the local communities where we operate needed humanitarian support. Although many people left, displaced people fleeing the war in the eastern regions passed through, and in some instances, settled in the Poltava region. In early 2022 the Ferrexpo Humanitarian Fund was established, which combined with associated CSR funding at the date of this report has donated US$25 million to foster over 100 individual programmes and initiatives.

As the war protracts, the needs of society are changing. In the early stages of the war, the immediate focus was to help house and feed people. This situation has settled now. Indeed, of the many new people that settled in the region, 102 have taken employment at Ferrexpo.

The focus of humanitarian support has evolved. Presently, we are committed to supporting our colleagues actively serving in the armed forces, as well as aiding in the rehabilitation of veterans. Additionally, contributions are directed towards addressing critical national emergencies, such as providing assistance to the residents of the Kherson region in the aftermath of the Nova Kakhovka Dam explosion.

In Horishni Plavni, the town centred on our operations, we continue to offer community support through commitments to cultural and social programmes, education and medical facilities, and infrastructure. This support also includes programmes and initiatives that support sports, social clubs and arts, along with physical and mental health.

Operations and logistics
Our operations are large in scale. The process flow is relatively simple: mining, processing and beneficiation, with considerable built in production flexibility at each stage.

During 2023, reduced logistics availability forced us to reduce production to a roughly a third of our full capacity.

In addition to people, our operations rely on many inputs, including, energy, chemicals and equipment. Since the start of the full-scale invasion, we have learnt to adapt to ever-changing conditions. This can mean finding new suppliers as our traditional suppliers have suffered from the war, or where logistics routes are no longer available.

Before the full-scale invasion, Ferrexpo transported its products using its own fleet of rail wagons and barges to customers in Europe, or via rail to Ukrainian Black Sea ports for onward transportation by ship, primarily from the Group's joint venture facilities at the Port of Pivdennyi. Access to Ukrainian Black Sea ports was severely restricted in 2023, with only a handful of vessels leaving with cargoes of iron ore towards the end of the year.

In response, the Group sales strategy focused on premium European customers that could be reached by rail or a combination of rail and river barge using the Company's owned barge fleet company First-DDSG Logistics. Another export route was later developed by rail to the Ukrainian border, and onward transportation by barge through inland waterways to a Black Sea port in another country.

The business learnt to be nimble and adapt to the many challenges it faced in 2023. Altering mining and processing to produce different products to meet customer needs, sourcing supplies of critical inputs, managing inventories to reduced logistics capacity, and finding alternative routes to supply customers.

The determination of the workforce, the flexibility of our operations, and our premium products sold to premium customers are our strengths, and explain how we are continuing to operate during a time of war.

Remembering those we have lost
Tragically, 14 colleagues were killed serving in the armed forces during 2023, bringing the total to 34 since February 2022.

2023

Dmytro Belikov, age 32
Oleksiy Bridnya, age 33
Andriy Chernya, age 37
Oleksandr Chugainov, age 54
Andrii Dukanych, age 33
Serhiy Kharlamov, age 57
Serhii Kondyk, age 31
Denys Koshovyi, age 30
Kostyantyn Orchikov, age 30
Oleksandr Scherbakov, age 28
Denys Svyrydov, age 50
Yaroslav Taran, age 50
Oleksiy Yatskov, age 36
Anatoliy Zakupets, age 37

2022

Yuriy Bilenko, age 38
Serhii Buhuev, age 42
Oleksiy Bulba, age 45
Serhiy Chemkayev, age 44
Maksym Chystyakov, age 24
Volodymyr Holub, age 54
Oleksiy Khanilevych, age 24
Rostyslav Ledovskyy, age 25
Dmytro Lysachenko, age 28
Roman Lytvynenko, age 30
Vitaliy Med, age 40
Ihor Novohatniy, age 39
Oleksiy Nazimov, age 25
Volodymyr Pavlenko, age 43
Petro Perovskiy, age 25
Andrii Petrenko, age 49
Serhii Pizniy, age 34
Oleksandr Smyrnov, age 32
Vladyslav Solomko age 32
Oleksandr Terlenko, age 48

Slava Ukraini.

OPERATIONAL REVIEW

During 2023, the Group maintained production, operating two mines and up to two of four pelletiser lines, achieving production of 4.2 million tonnes.

As a large-scale premium iron ore pellet and concentrate exporter, access to logistics is critical. Due to the ongoing war in Ukraine, our activities in 2023 reduced according to available export logistics. Attacks on Ukraine's electricity energy and transport infrastructure also continued, at times limiting our ability to import supplies, and produce and export our products.

Health and safety
2023 was the third consecutive year that we have reported zero fatalities at our operations. For the year, the Group reported a rolling 12-month LTIFR of 0.32, below the historic five-year trailing average of 0.69.

Reserves and resources
Ferrexpo controls licences covering a series of contiguous deposits located along the Kremenchuk Magnetic Anomaly, a magnetite deposit that extends for more than 50 kilometres. The Group has mines on three deposits and additional licences for deposits immediately to the north of our current operations.

Across the Group's three active mines, JORC-compliant Ore Reserves are estimated to be 1,615 million tonnes of iron ore, with an iron ("Fe") content of 32% Fe (2022: 1,627 million tonnes grading 32% Fe). The JORC-compliant Mineral Resource estimate across our three mines is 5,737 million tonnes of iron ore, with an iron ("Fe") content of 32% Fe (2022: 5,749 million tonnes grading 32% Fe), which is inclusive of Ore Reserves.

In addition, at a number of exploration properties immediately north of our active mines, we have exploration stage properties with a combined non-JORC compliant Mineral Resource estimate of 14 billion tonnes of iron ore, grading 34% Fe (collectively referred to as the "Northern Deposits").

Mining activities
Throughout the year, we continued to scale our mining operations according to the processing plant ore requirements, determined by logistics availability. Mining activities focused on the Poltava and Yeristovo Mines, with volumes totalling 36 million tonnes (2022: 55 million tonnes). Different sections of the pits were mined depending on the concentrate and pellet quality required by individual customers.

Processing activities
Reflecting reduced logistics availability, processing volumes decreased by 33% during 2023 to 12 million tonnes (2022: 17 million tonnes)

(2022: 17 million tonnes).

In 2022, the Group produced 353,000 tonnes of DR pellets, equivalent to 6% of total output. No DR pellets were produced in 2023, however, sales of 100,000 tonnes from stocks were achieved. Nevertheless, during this challenging time for the country, the work on DR pellets continues, in particular, we are improving our pellet production technology by finding a technical solution for the coating of our pellets. This was made possible through the initiative of internal experts united by a common goal to enhance the quality of final products. A temporary solution for coating of FDP pellets has already been implemented at Pellet Lines 1 & 2. Now we are elaborating a permanent solution for all four pelletising lines to install the system that will coat FDP pellets with a mixture tailored to customer requirements. The development of design documentation is underway. Due to these projects, steel customers are expected to improve their technological manufacturing processes.

Following Russian attacks on Ukraine's energy infrastructure during 4Q 2022, the Group was forced to temporarily cease production for several weeks. In preparation for similar attacks in 4Q 2023, throughout 2Q and 3Q 2023, the Group built stocks of finished pellets at its operations and at various staging points across its logistics network in Ukraine and overseas so that it would be able to continue supplying its customers. Fortunately, there were far fewer attacks in 4Q 2023, so the Group was able to reduce production and drawdown from it stocks to supply customers.

Growth programme

The Group's expansion and decarbonisation programmes remain longer-term objectives. The initial Wave 1 programme to add 3 million tonnes production capacity a year continues to be analysed for implementation after the war ends. Desktop work, including optimisation studies, is ongoing, however wherever possible investment has been deferred. Nevertheless, despite the ongoing war, various capital expenditure projects aimed at improving product quality and efficiencies advanced. For example, in July 2023 the Company installed and implemented the first stage of modern press filtration technology at the pellets workshop. This technology helps to strengthen finished pellets, whilst increasing productivity and reducing iron losses, which results in costs savings and a reduction in Scope 1 emissions.

Outlook

Logistics availability will continue to determine sales and production during 2024. The Group intends to continue the operation of two pelletiser lines. Depending on the availability to export through different Black Sea ports, the opportunity to expand production further with the restart of the third pelletiser line remains. This will be contingent on sufficient supply of consumables, a balanced and skilled workforce, and logistics capacity. During the first phase of the war in 2022, the Group responded quickly to protect its employees and protect the integrity of its assets. During 2023, the Group has become more agile and flexible, and was able to deliver to its closest customers. Whilst the Group cannot with any certainty offer production and cost guidance for 2024, there are some opportunities to enhance efficiencies, production and sales.

Operational performance

(000't unless otherwise stated)

	2023	2022	YoY change
Production			
Iron ore mined	**12,112**	18,837	(36%)
Strip ratio	**2.0**	1.9	(3%)
Iron ore processed	**11,576**	17,375	(33%)
Concentrate production	**5,314**	8,025	(34%)
Pellet production	**3,845**	6,053	(36%)
- Direct reduction pellets (67% Fe)	**-**	353	(100%)
- Premium blast furnace pellets (65% Fe)	**3,845**	5,700	(33%)
Commercial concentrate production	**307**	124	(148%)
Iron ore sales			
- Pellets	**3,868**	6,055	(36%)
- Concentrate	**306**	128	+140
- Total products sold	**4,174**	6,183	(32%)

JORC-Compliant Ore Reserves and Mineral Resources[1]

	Proven			Probable			Total		
JORC-compliant Ore Reserves	Mt	Fe total %	Fe magnetic %	Mt	Fe total %	Fe magnetic %	Mt	Fe total %	Fe magnetic %
Gorishne-Plavninske-Lavrykivske ("GPL")	301	33	26	818	31	23	1,119	32	24
Yerystivske	208	30	25	288	33	26	496	32	26
Total	**509**	**32**	**26**	**1,106**	**32**	**24**	**1,615**	**32**	**25**

JORC-compliant Mineral Resources	Measured Mt	Measured Fe total %	Measured Fe magnetic %	Indicated Mt	Indicated Fe total %	Indicated Fe magnetic %	Inferred Mt	Inferred Fe total %	Inferred Fe magnetic %	Total Mt	Total Fe total %	Total Fe magnetic %
Gorishne-Plavninske-Lavrykivske ("GPL")	467	35	29	1,616	30	22	744	32	24	2,827	31	24
Yerystivske	257	35	29	569	34	27	382	33	27	1,208	34	27
Bilanivske	336	31	24	1,149	31	23	217	30	21	1,702	31	23
Total	**1,060**	**34**	**27**	**3,334**	**31**	**23**	**1,343**	**32**	**24**	**5,737**	**32**	**24**

MARKET REVIEW

Stronger than forecast iron ore prices supported reduced sales volumes.

Benchmark iron ore prices gained 15% over the year and ended 2023 at an 18-month high. Pellet premiums, however, remained weak throughout much of the year, improving only in the last few months, which bodes well for the year ahead.

Ferrexpo produces premium iron ore pellets with a minimum 65% Fe content, which are priced off quoted market benchmarks, and include a pellet premium that takes into account quality specifications.

The 65% Fe iron ore fines price opened the year at US$131 per tonne. As China emerged from strict pandemic related restrictions and in anticipation of stocking ahead of the peak Chinese construction season, prices rose to a peak US$149 per tonne in 1Q 2023.

Actual demand, however, did not meet expectations, and consequently prices fell in 2Q 2023 to a low of US$110 per tonne.

Uncertainty prevailed through the remainder of 2Q and into 3Q 2023 as the market responded to short-term macro-economic and construction industry signals. This resulted in volatile prices, oscillating between US$110 and US$135 per tonne.

A clearer and more positive picture emerged in 4Q 2023 as China asserted its pursuit of accelerated economic growth dependent on steel-intensive sectors. At this time, market supply was tight with inventories at historically low levels. Therefore, a strong rally in prices ensued in 4Q 2023, increasing over 20% from October 2023 to end the year just shy of US$150 per tonne.

The price of iron ore is very dependent on China. In 2024, government policy supporting industrial sectors has stimulated demand for steel. However, certain risks remain. The margins for manufacturing steel are still low, due to weak demand for rebar, used in construction.

However, market commentators are forecasting flat supply for 2024, with limited growth from the largest producers, Australia and Brazil.

During the first full year of war, the Group achieved sales of 4.2 million tonnes. With no access to the Ukrainian Black Sea ports exports were constrained to by that limited yet available rail capacity for exports direct to Europe and to alternative Black Sea ports. This explains why sales shrank by 30% in 2023, although it should be noted that sales to Europe were more resilient falling only by 15%.

High-grade premiums

The premium for higher grade 65% Fe iron ore fines contracted by a third in 2023 to US$12 per tonne. This is typical when there is weakness in the steel market as producers prefer lower cost iron ore grades to preserve their margins. However, premiums improved marginally during December 2023 due to disruptions to global supply. Longer term, as steel production is forced to decarbonise, it is expected that margins should widen further because higher grade ores generate less emissions in steel making.

Iron ore pellet market review & outlook

Iron ore pellets are preferred by steelmakers because they can increase productivity and lower emissions. This is mainly because with pellets, there is no need for a coal intensive process in steel making called sintering.

In 2023, the iron ore pellet market experienced some volatility, though remained robust. Overall pellet supply globally grew by 1%. Brazilian producers recommissioned capacity that was idled following tailings disasters. The increase in exports from Brazil offset supply disruptions from Ukraine and Russia. Because of Chinese steel production margins, there was less incentive to consume pellets and, consequently, pellet premiums deteriorated throughout the year.

Looking ahead to 2024, the recovery of iron ore prices due to the Chinese government supporting economic growth, a recovery in European demand, and ongoing supply constraints, market commentators are forecasting an improvement in steel margins and, therefore, pellet demand.

By the end of 2023, several blast furnaces in the region had restarted, whilst a large European producer was forced to suspend exports due to infrastructure constraints.

Therefore, in an improving pricing environment, an increase in demand for Ferrexpo's pellets is being observed.

Market development efforts

Ferrexpo has continued its market development efforts despite the ongoing war. In 2023, Memorandums of Understanding were signed with several premium steel makers in Europe and Asia for the supply of high-grade direct reduction ("DR") pellets to help them transition to lower carbon steel making.

DR pellet demand growth is forecast to significantly outpace traditional pellets and therefore one of our strategies is to focus on this premium product. We are collaborating with a variety of potential customers around the world to test our product suitability and tailor DR pellet specifications to suit each customer's technical requirements. These include reducing silica content (gangue elements), coating (to improve physical interaction in the DR module), and improving on pellet compression strength.

Summary of industry key statistics

(All figures US$/tonne, unless stated otherwise)	**2023**	2022	YoY change
Iron ore fines price (62% Fe, CFR China)[2]	**120**	120	-
Iron ore fines price (65% Fe, CFR China)[1]	**132**	139	(5%)
Average 65% Fe spread over 62% Fe[1]	**12**	19	(34%)
Atlantic (blast furnace) pellet premium[1]	**45**	72	(38%)
Direct reduction pellet premium[1]	**57**	87	(34%)
C3 freight (Brazil - China)[3]	**21**	24	(14%)
C2 freight (Brazil - Netherlands)[2]	**10**	13	(20%)
Global steel production (million tonnes)[4]	**1,850**	1,832	+1%

FINANCIAL REVIEW

Cash positive operations during a time of war have allowed for continued controlled investment whilst maintaining a stable net cash position.

Summary

The ongoing war in Ukraine continued to affect the Group's operational and financial performance in 2023. Taking into account logistics and energy limitations throughout 2023, production volumes were aligned with sales potential to manage the working capital and maintain a strong net cash position. The general market and price environment was favourable for iron ore products, whilst energy prices developed differently to 2022 (higher electricity price, and lower gas price), the Group's operating cash flow generation declined compared to the previous year, which included two months of sales prior to Russia's full-scale invasion.

Despite the ongoing war, we invested US$101 million into our assets in Ukraine in 2023 and were able to finish the year with a net cash position of US$108 million as at 31 December 2023.

Key Financial Performance Indicators

US$ million (unless stated otherwise)	**2023**	2022	YoY change
Total pellet production (kt)	3,845	6,053	(36%)
Sales volumes (kt)	4,174	6,183	(32%)
Iron ore price (65% Fe Index, US$/t)[5]	132	139	(5%)
Revenue	652	1,248	(48%)
C1 cash cost of production[A] (US$/t)	76.5	83.3	(8%)
Underlying EBITDA[A]	130	765	(83%)
Underlying EBITDA[A] margin	20%	61%	(41pp)
Debt servicing	-	42	(100%)
Capital investment[A]	101	161	(37%)
Closing net cash	108	106	+2%

Revenue

Group revenues declined by 48% to US$652 million in 2023 (2022: US$1,248 million), mainly due to restricted access to export routes. Consequently, sales volumes were 32% lower at 4.2 million tonnes in 2023 (2022: 6.2 million tonnes).

In addition to lower sales volumes, Group revenue in 2023 was affected by a 5% decline in the annual average benchmark iron ore price (65% Fe) and a 28% decline in the annual average pellet premium. On the positive side, lower rates for international freight improved the Group's net back realised prices for sales under the International Commercial Terms ("Incoterms") of FOB ("Free on Board"). However, due to lack of access to Ukrainian Black Sea ports, the Group's FOB sales were lower than in 2022, which included almost two months of access to the port of Pivdennyi before the war began.

Since the beginning of the war, the Group's export routes have predominantly involved either the railing of products direct to European customers, or the railing of iron ore pellets to the Group's barging subsidiary on the River Danube for delivery to specific customers in Europe, or by barge to other non-Ukrainian Black Sea ports, for onward sale by ship. This incurs higher logistics costs and a longer cash conversion cycle. See 'Market Review' section for more information.

C1 cash cost of production[A]

Cost of sales in 2023 totalled US$362 million, compared to US$582 million in 2022. The decrease predominantly results from the lower pellet production volume, which decreased from 6.1 million tonnes in 2022 to 3.8 million tonnes (-38%). The Group's production volume is currently aligned to accessible logistics capacity to minimise the working capital outflow. The C1 cash cost of production[A] ("C1 costs") reflects the Group's operating costs for the production capital outflow. The C1 cash cost of production ("C1 costs") reflects the Group's operating costs for the production of iron ore pellets from its own ore, with a breakdown of the different cost components shown in the table below.

Additionally, there was a positive effect from the decrease of the Group's average C1 costs, decreasing to US$76.5 per tonne, compared to US$83.3 per tonne in 2022 (-8%). The C1 costs per tonne also depends on the Group's production volumes. The change in 2023 is predominantly driven by the effects of the significant devaluation of the local currency in the second half of 2022, the positive net effect of lower gas prices and higher electricity and additional cost saving initiatives, which were partially offset by the negative effects from the fixed cost absorption as the Group operated its assets below nameplate capacity.

The main C1 costs drivers are the price of electricity, natural gas and diesel in Ukraine being outside of the Group's control, which collectively represent 48% (2022: 49%) of the total cost base as presented in the table below.

Following a sharp increase in global energy prices during 2022, the average Brent price for oil in 2023 and the average price for natural gas decreased by 17% and 68% respectively in US dollar terms, compared to the 18% and 67% increases recorded in 2022. The average electricity price in Ukraine increased in 2023 by 12% in US dollar terms, peaking at US$112 per megawatt-hour ("MWh") in November 2023, compared to an average of US$83 per MWh in 2022.

Another important component of the Group's C1 costs that is outside of the Group's control are the royalties in Ukraine, which accrue and are paid based on a tiered system, which came into effect in January 2022. Based on this regime, royalties are calculated based on the benchmark index price for a medium-grade (62% Fe) iron ore fines price and computed based on the cost of different iron ore products. The rate varies between 3.5%, 5.0% and 10% depending on benchmark index price for 62% Fe. The total royalty expense totalled US$25 million in 2023, compared to US$41 million in 2022, mainly driven by the lower production volume, but also by the effect of lower index prices during some periods in 2023.

Group operating costs, denominated in Ukrainian hryvnia ("UAH"), account for approximately two thirds of the Group's C1 costs. Consequently, changes in hryvnia to dollar rates can have a significant impact on the Group's operating costs, including the C1 costs. The UAH depreciated in the last quarter of 2023 from 36.569 to 37.982 to the US dollar as of 31 December 2023, resulting in a significantly lower effect on the Group's C1 costs than in the previous year.

In line with previous years, the Group's C1 costs represent the cash cost of the production of iron pellets from own ore ('to the mine gate'), divided by production volume from own ore. This excludes noncash costs such as depreciation, pension costs and inventory movements, as well as the costs of purchased ore, concentrate and gravel. The C1 cash cost of production (US dollars per tonne) is regarded as an Alternative Performance Measure ("APM").

Breakdown of C1 costs

C1 costs in 2023 were down by 8% in 2023 to US$76.5 per tonne, with this decrease principally related to the reduction in the unit cost of energy such as natural gas and fuel (principally diesel), partially offset by higher electricity costs in Ukraine. The table below shows the breakdown and change of the Group's C1 costs, with energy-related costs comprising 48% of the total C1 costs (2022: 49%).

	2023	2022	YoY change
Electricity	32%	22%	+10pp
Natural gas and sunflower husks	9%	19%	(10pp)
Fuel (including diesel)	7%	8%	(1pp)
Materials	8%	6%	+2pp
Personnel	11%	9%	+2pp
Maintenance and repairs	16%	20%	(4pp)
Grinding media	6%	6%	(0pp)
Royalties	9%	9%	+0pp
Explosives	2%	2%	+0pp

The considerable reduction of the proportion for natural gas and sunflower husks, driven by a significant decrease of the prices for gas on the global markets, was offset by the increase of the proportion for the electricity, driven by higher prices in Ukraine. See section "C1 cash cost of production" for further information on price changes. The increase of the proportion for materials and personnel is the net effect from the flat fixed component and the higher local inflation, partially offset by the effects from the devaluation of the local currency in Ukraine. In light of the ongoing war in Ukraine resulting in lower production activities, the Group scaled further back on the maintenance and repair programme for its mining and processing equipment.

Selling and distribution costs

Total selling and distribution costs decreased to US$161 million in 2023 (2022: US$236 million), mainly reflecting lower sales via seaborne markets due to the unavailable Black Sea ports in Ukraine, but also due to the overall lower sales volume in 2023. As a result, CFR sales volume decreased to 168 thousand tonnes, compared to 1,218 thousand tonnes in 2022, reducing the international freight costs from these sales by US$51 million. However, international freight costs in 2023 were also affected by higher freight costs for the export of some of the Group's products through an alternative Black Sea ports, with some of the services provided by the Group's barging subsidiary First-DDSG.

Seaborne logistics routes are generally the lowest cost and most efficient way for delivering the Group's products to its customers. Since the full-scale invasion of Ukraine, the Group has established new logistics routes and relationships with alternative logistics providers and port operators. These routes rely heavily on rail, where capacity is restricted and demand is high from other industries, and also on river barges, which combined are more expensive. Although the situation generally improved in 2023 compared to 2022, the Ukrainian rail network continues to be under pressure to handle goods otherwise exported via Ukraine's Black Sea ports. This is further exacerbated by the long journey time through Ukraine's western borders. Whilst improving, the journey time is still slightly longer than before the war, resulting in a negative impact on the Group's cash conversion cycle.

Applicable rail tariffs remained unchanged in 2023, after a 70% increase in July 2022 for 20 types of cargo - even when using the Group's own rail wagons. The effect from the higher tariffs was however partially offset in US dollar terms due to the significant depreciation of the local currency in July 2022.

General and administrative expenses
General, administrative and other expenses in 2023 remained stable at US$64 million compared to 2022. Positive impacts from effective cost management and savings have, however, been offset by higher legal costs relating to Group's ongoing legal disputes. See Note 14 Commitments, contingencies and legal disputes to the Consolidated Financial Statements for further information on the ongoing legal challenges and disputes of the Group in Ukraine.

Other operating expenses
Other operating expenses decreased from US$310 million in 2022 to US$29 million in 2023, predominantly due to a non-cash impairment loss of US$254 million recorded in the first half of 2022 on the Group's non-current operating assets, including property, plant and equipment, goodwill and intangible assets, and other non-current assets. The recorded impairment loss in 2022 resulted from the Group's lower cash flow generation and higher war-related discount rate. The Group's non-current operating assets have been tested again for impairment as at 31 December 2023 based on the Group's latest long-term model. The impairment test performed did not result in an additional impairment loss or a partial or full reversal of the recorded impairment loss.

Currency
Ferrexpo prepares its accounts in US dollars. The functional currency of the Group's operations in Ukraine is the Ukrainian hryvnia, as approximately two thirds of the Group's operating costs are historically denominated in local currency.

As a result of the significant balance in foreign currencies currently held by the NBU, the local currency remained relatively stable until the end of 2023, compared to a depreciation of the Ukrainian hryvnia by 34% during the financial year 2022. The Ukrainian hryvnia remained unchanged at 36.568 to the US dollar from 21 July 2022 to 3 October 2023, when the National Bank of Ukraine ("NBU") lifted the peg in place since the devaluation of the local currency from 29.255 to 36.568 (34%). With a continuation of Martial Law during 2023, the NBU has maintained significant currency and capital controls in Ukraine. These measures limit the possibility to convert balances in local currency into US dollars, and the ability to transfer US dollars between onshore and offshore accounts of the Group.

Ukrainian hryvnia vs. US dollar[6]

Spot 15.04.24	39.399
Opening rate 01.01.23	36.568
Closing rate 31.12.23	37.982
Average 2023	36.574
Average 2022	32.342

Operating and non-operating foreign exchange gains/losses
Given that the functional currency of the Ukrainian subsidiaries is the hryvnia, a depreciation of the hryvnia against the US dollar results in a foreign exchange gains on the Group's Ukrainian subsidiaries' US dollar denominated receivable balances from the sale of pellets. The operating foreign exchange gains were US$31 million in 2023 compared to a gain of US$339 million in 2022, when the hryvnia depreciated by 34%.

As for the operating foreign exchange gains, the non-operating foreign exchange losses are mainly due to the depreciation of the hryvnia against the US dollar. The non-operating foreign exchange loss decreased from US$63 million in 2022 to US$8 million in 2023 and is primarily related to the translation of US dollar denominated loan payable balances of the Group's Ukrainian subsidiaries.

Underlying EBITDA
Despite the loss for the year, underlying EBITDA remained positive in 2023, but decreased by 83% to US$130 million, mainly due to lower operational performance as a result of the war and lower operating foreign exchange gains in 2023 compared to 2022. The effect of US$131 million of provisions recognised as at 31 December 2023 for ongoing legal disputes is considered as an exceptional item and is therefore excluded from the Group's underlying EBITDA. The Group's underlying EBITDA includes operating foreign exchange gains of US$31 million in 2023 compared to US$339 million in 2022. These foreign exchange differences are predominantly dependent on the fluctuation of the exchange rate of the Ukrainian hryvnia against the US dollar.

Additionally, the decrease of the underlying EBITDA is also affected by a decrease of the sales volumes by 32% and realised prices by 21%, driven by lower benchmark iron ore fines price and pellet premiums in 2023, partially offset by an 8% decrease in C1 costs.

Net finance expense
The Group's finance expenses remained stable at US$5 million compared to US$4 million in 2022. The vast majority of the expense is related to the calculated interest on the Group's pension scheme, without any cash outflow effects, and to bank charges. With the exception of lease liabilities, the Group does not have any outstanding interest-bearing loans and borrowings, therefore there are no interest expenses incurred on finance facilities.

At the same time, interest income increased five-fold to US$5 million compared to US$1 million in 2022 as the Group invested the available funds in deposits due to the rise in interest rates on the global financial markets.

Income tax
In 2023, the Group's income tax expense was US$16 million (2022: US$119 million). The effective tax rate of the financial year 2023 was 26.1%, before the effect of the recognised provisions for legal disputes in the amount of US$131 million in the consolidated income statement, compared to 35.0% for the comparative year ended 31 December 2022. The result of the financial year 2023 was affected by the recognition of the aforementioned provisions

for legal disputes in Ukraine, which are not tax deductible and an additional allowance of US$10 million on deferred tax assets recognised by the Group's two major subsidiaries in Ukraine. The effective tax rate in the comparative year was predominantly driven by an impairment loss of US$254 million on the Group's non-current operating assets, which is not tax deductible in Ukraine.

In 2023, the income tax paid by the Group totalled US$13 million (2022: US$110 million), of which US$12 million was paid in Ukraine (2022: US$91 million). The income tax paid includes withholding tax considered as income tax paid.

Items excluded from underlying earnings

The underlying EBITDA in the comparative year was adjusted by the impairment loss of US$254 million recorded in 2022 as a result of a reduction in the carrying value of the Group's assets in Ukraine due to the war. The impairment test performed as of 31 December 2023 did not result in an additional impairment loss or a partial or full reversal of the recorded impairment loss. See Note 10 Plant, property and equipment to the Consolidated Financial Statements for more information.

As announced on 29 January 2024, following subsequent and unexpected events in Ukraine in relation to a claim against one of the Group's Ukrainian subsidiaries, the Group recorded a provision for legal disputes in the amount of US$124 million (UAH4,727 million). The provision is in respect of a contested sureties claim lost in a court of appeal in Ukraine. The Group's subsidiary in Ukraine filed a cassation appeal to the Supreme Court of Ukraine and the first hearing scheduled for 20 March 2024 did not take place as the presiding judge recused himself. Following the appointment of a new panel of judges, on 1 April 2024 the Supreme Court suspended the possible enforcement of the decision of the court of appeal. A Supreme Court hearing on 17 April 2024 considered primarily procedural matters and the next court hearing is scheduled for 27 May 2024. Further to that, the Group also recognised a provision in the amount of US$4 million (UAH136 million) following a negative decision from a court of appeal in respect of a claim made by two former minority shareholders of one of the Group's major subsidiaries in Ukraine. The effect of the total provisions recognised as at 31 December 2023 in the amount of US$131 million for the above-mentioned legal disputes is considered as an exceptional item and is therefore excluded from the Group's underlying EBITDA.

Loss for the year

The Group's result for the financial year 2023 is a loss of US$85 million, mainly resulting from the recognition of provisions for ongoing legal proceedings and disputes in Ukraine totalling US$131 million as at 31 December 2023. Without the effect from these provisions, the result for the financial year 2023 would have been a profit of US$46 million, compared to US$220 million in 2022, reflecting a 82% decrease in the Group's operating profit as a result of the ongoing war, as well as significantly lower net foreign exchange gains of US$23 million in 2023, compared to US$276 million in 2022.

Cash flows and cash and cash equivalents

Operating cash flow before changes in working capital decreased by 76% to US$103 million compared to US$434 million in the previous year. The lower operating cash flow generation is driven by the Group's lower operating profit. There was an overall working capital inflow of US$13 million compared to an outflow of US$20 million in 2022. The inflow in 2023 largely reflects the increase of the trade receivable balance due to increased sales volumes in the last two months of 2023, the significant decrease of the inventories as a result of the Group's destocking activities and positive effect from regular VAT refunds received in 2023, resulting in a significant decrease of the outstanding VAT balance in Ukraine as at 31 December 2023.

The lower net cash flow from operating activities of US$101 million, compared to US$301 million in 2022, was considered by the Group in its capital allocation, including capital expenditure and shareholder returns, and exceptional bail payments for four managers of one of our subsidiaries in Ukraine in 2023. See sections below for further information. Despite the lower overall cash flow generation, the Group managed to maintain its closing balance of cash and cash equivalents at US$115 million as of 31 December 2023, compared to US$113 million as of 31 December 2022.

The balance of cash and cash equivalents held in Ukraine amounts to US$11 million as at 31 December 2023 (31 December 2022: US$45 million). Following the adopted Martial Law in Ukraine, the National Bank of Ukraine ("NBU") has introduced significant currency and capital control restrictions in Ukraine. These measures are affecting the Group in terms of its cross-border payments to be made, which are restricted and may be carried out only in exceptional cases. For further information see Note 14 Commitments, contingencies and legal disputes to the Consolidated Financial Statements.

Capital investment

Capital expenditure in 2023 totalled US$101 million compared to US$161 million in 2022. Of the total amount spent in 2023, sustaining and modernisation capital expenditure was US$31 million (2022: US$57 million), covering the activities at all of the Group's major business units. Due to the ongoing operational and logistics constraints as a result of the ongoing war in Ukraine, the Group further reduced the level of its investments in sustaining capital expenditure projects, by reviewing and optimising the level and timing of its repair activities.

The Group also reconsidered the timing of its strategic development projects resulting in a reduction of the related capital expenditure to US$70 million, compared to US$104 million in 2022. As such, major projects advanced in 2023 include US$22 million spent on stripping activities for future production growth and US$13 million spent on the enhancement of the Group's press filtration complex, which will help raise pelletising capacity in the near term once operations return to full capacity. The Group continued to invest US$22 million in the concentrator and pelletiser projects as part of the Wave 1 Expansion Programme to manage previously entered commitments and also spent US$3 million in the development and exploration of the Belanovo deposit, as well as US$1 million in a hydrolysis plant for the trial of hydrogen use as a fuel in the Group's pelletiser.

Considering the lower cash flow generation no ordinary dividends were paid during the 2023 calendar year (2022 total: 13.2 US cents or US$155 million). The Group has a shareholder returns policy outlining the Group's intention to deliver up to 30% of free cash flows as dividends in respect of a given year. The Group has announced on 18 January 2024 an interim dividend of 3.3 US cents for the financial year 2023, reflecting that the Group performed well in the second half of 2023, which was due for payment to the shareholders on 23 February 2024. Following subsequent and unexpected events in Ukraine relating to a claim against one of the Group's Ukrainian subsidiaries, the Group announced on 20 February 2024 the decision to withdraw this interim dividend.

Debt and maturity profile
The Group enters into arm's length transactions with entities under the common control of Kostyantin Zhevago and his associates. All these transactions are considered to be in the ordinary course of business.

During the financial year 2023, the Group made bail payments totalling US$15 million on behalf of four members of the top management of one of the Group's subsidiaries in Ukraine in respect of various legal actions and ongoing court proceedings initiated by certain governmental bodies against the Group's subsidiaries and members of the top management in Ukraine. See also below under Contingent liabilities and legal disputes and Note 15 Related party disclosures to the Consolidated Financial Statements for further details.

Related party transactions
The Group enters into arm's length transactions with entities under the common control of Kostyantin Zhevago and his associates. All these transactions are considered to be in the ordinary course of business.

During the financial year 2023, the Group made bail payments totalling US$15 million on behalf of four members of the top management of one of the Group's subsidiaries in Ukraine in respect of various legal actions and ongoing court proceedings initiated by certain governmental bodies against the Group's subsidiaries and members of the top management in Ukraine. See also below under Contingent liabilities and legal disputes for further details.

For further information, please see Note 15 Related party disclosures to the Consolidated Financial Statements.

Contingent liabilities and legal disputes
The Group is exposed to risks associated with operating in a developing economy during a time of war and the current circumstances facing the Group's controlling shareholder. As a result, the Group is subject to various legal actions and ongoing court proceedings initiated by different government agencies in Ukraine. There is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld, consequently Ukrainian legislation might be inconsistently applied to resolve the same or similar disputes. As a result, the Group is exposed to a number of higher risk areas than those typically expected in a developed economy, which require a significant portion of critical judgements to be made by the management. In respect of the contested sureties claim, if the final Supreme Court ruling is not in favour of FPM, the claimant may take steps to appoint either a state or a private bailiff and request the commencement of the enforcement procedures, which could have a material negative impact on the Group's business activities and its ability to continue as a going concern, as the assets of FPM could be seized or subject to a forced sale. In addition to the afore-mentioned claim, a supplier and related party to the Group filed by an application to open bankruptcy proceedings ("creditor protection proceedings") against the Group's major subsidiary in Ukraine. The possible commencement of the enforcement of the decision of the Ukrainian court of appeal, which is currently suspended by a decision of the Supreme Court, and the possible opening of creditor protection proceedings might potentially affect the Group's ability to continue as a going concern. See Note 2 Basis of preparation and Note 14 Commitments, contingencies and legal disputes to the Consolidated Financial Statements.

Going concern
As at the date of the approval of the Consolidated Financial Statements, the war is still ongoing and poses a significant threat to the Group's mining, processing and logistics operations within Ukraine. As a result, a material uncertainty still remains as some of the uncertainties remain outside of the Group management's control, with the duration and the impact of the war still unable to be predicted at this point of time. In addition to the war-related material uncertainty, the Group is also exposed to the risks associated with operating in a developing economy, which may or may not be exacerbated by the war and/or the current circumstances facing the Group's controlling shareholder. As a result, the Group is exposed to a number of risk areas that are heightened compared to those expected in a developed economy, such as an environment of political, fiscal and legal uncertainties, which represents another material uncertainty as at the approval of these consolidated financial statements.

See Note 2 Basis of preparation to the Consolidated Financial Statements for further information.

RESPONSIBLE BUSINESS REVIEW

Our workforce comprises over 8,000 employees and contractors. 95% of our workforce is based in Ukraine, with many currently serving in the armed forces. During a time of war, protecting their safety and wellbeing is paramount.

Health and safety performance

	2023	2022	Change
Safety indicators (lagging)			
Fatalities[4]	**0**	0	-
Lost time injuries[4]	**5**	9	(44%)
Lost time injury frequency rate ("LTIFR")	**0.32**	0.51	(37%)
All injuries frequency rate ("AIFR")	**0.64**	0.99	(35%)
Near miss events	**1**	1	-
Significant incidents	**4**	8	(50%)
Restricted work days	**675**	934	(28%)
Severity rate (average lost days per incident)	**169**	104	+63%
Safety indicators (leading)			
Health and safety inspections	**6,282**	5,413	+16%
Health and safety meetings	**1,466**	1,388	+6%
Health and safety inductions	**2,897**	5,332	(46%)
Training hours	**7,264**	6,828	+5%

Hazard reports	**688**	740	(7%)
High visibility management tours	**149**	157	(5%)

Protecting our people
At Ferrexpo, we have a global workforce comprising over 8,000 employees and contractors, and colleagues some of whom are currently serving in the Armed forces of Ukraine. 95% of the workforce is based in Ukraine, mainly at our operations in the Poltava region, but also other colleagues work in other functions and services in Kyiv and another locations across Ukraine.

Given the scale of our workforce and the nature of our activities, it was never an option to evacuate our people during the war. Our people wish to and need to continue working. Being employed is critical during a time of war. Therefore, it is our responsibility to take extensive measures to protect our workforce during this time, both in the workplace, and, where possible, in the communities where they live. Measures taken have included remote working for those with suitable roles, to ensure that they were as far from the front line as possible.

Measures for our on-site workforce have included the provision of air-raid shelters, adjusting shift patterns to align with night-time curfews and the provision of free meals in light of disruption to supply chains in local communities.

In the early phases of the war, when uncertainty arose over the continued provision of social services, the Group commenced an on-site childcare facility for the children of employees, which was staffed by Ferrexpo volunteers, to ensure that children could be close by and safe during such an uncertain period of time.

As the war evolved, the need for such facilities diminished as life began to resume in Ukraine, with schools opening and a 'new normal' beginning. As the conflict evolved in 2022, so did our response. We focused our efforts on the supply of key equipment such as armoured ambulances and food packages to towns along the front line. In late 2023, needs shifted again, and psychological wellbeing has become more important as people try to deal with the stress of living in a protracted war.

At the time of this announcement, 641 of our brave colleagues are serving in the Armed Forces of Ukraine. We are proud of their efforts to defend Ukraine, and continue to support them by providing personal protective equipment and other essentials.

In 2023, 67 colleagues were demobilised from the armed forces, 46 of whom have returned to work. During the year, we expanded our support for veterans to include physical rehabilitation and psychological support. Veterans unable to return to their previous functions due to factors such as noise and vibration, are offered the opportunity to train and qualify for other more suitable roles.

In 2023, the Group recorded a third successive year without a fatality. The average recoded lost-time injury frequency rate ("LTIFR") for the year was 0.32, an improvement on the 0.51 recorded last year and materially below the historic average.

Environmental Stewardship

Greenhouse gas emissions footprint and energy consumption (2023/2022)

	2023 Data (% change to 2022)		2022 Data	
	Absolute basis (kilotonnes CO_2e)	Unit basis (kg CO_2e/t)	Absolute basis (kilotonnes CO_2e)	Unit basis (kg CO_2e/t)
Scope 1 emissions	247 (-27%)	57 (+4%)	341	55
Scope 2 emissions	137 (-39%)	32 (-11%)	223	36
Subtotal (S1+S2) emissions	**384 (-32%)**	**89 (-2%)**	**564**	**91**
Scope 3 emissions	5,707 (-25%)	1,326 (+7%)	7,642	1,237
Total emissions	**6,091 (-26%)**	**1,415 (+7%)**	**8,206**	**1,328**
Biofuels emissions (reported separately)	4 (-39%)	1 (-12%)	6	1
Energy consumption (kWh)	2,162,913,319 (-29%)	-	3,052,942,993	-

'Unit basis' represents the intensity ratio, aligning to requirements of SECR (Streamlined Energy and Carbon Reporting).

Scope 1 emissions
Scope 1 direct emissions principally relate to three activities at our operations - diesel consumption (primarily used in mining activities), natural gas (primarily used in pelletising activities) and gasoil (primarily used in inland waterway logistics activities). Collectively, these three sources of emissions represented 97% of Scope 1 emissions in 2023 (2022: 97%), with emissions from the consumption of diesel and gasoil for transport making up 60% of Scope 1 emissions (2022: 55%) and natural gas making up 37% of Scope 1 emissions (2022: 43%). In addition, we track a further 15 sources of Scope 1 emissions across our operations, ensuring that multiple aspects of our operations are covered in our emissions estimates.

Absolute Scope 1 emissions fell by 27% in 2023, in part reflecting lower production due to war related constraints. Scope 1 emissions on a unit of basis rose 4%, due to an increased utilisation of alternative logistics channels for exports, which have resulted in an increased consumption of gasoil. Calculations of Scope 1 and Scope 2 emissions have been independently.

Scope 2 emissions
Scope 2 indirect emissions relate exclusively to our purchasing of electricity from third parties, which is predominantly used in our concentrator equipment. On an absolute basis, this fell by 39%, also due to lower production. On a unit basis, Scope 2 emissions fell by 11% due to an increased proportion of electricity being sourced from cleaner sources including hydro and nuclear power.

Scope 3 emissions
For Ferrexpo Scope 3 emissions primarily relate to the type of iron ore pellet produced, since the downstream processing of iron ore accounted for 96% of Scope 3 emissions in 2023. In 2022, direct reduction ("DR") pellets represented 6% of all production, resulting in lower Scope 3 emissions for that year. However, in 2023, no DR pellets were produced. Consequently, Scope 3 emissions in 2023 on a unit basis increased to 1.33 tCO_2/t of pellet

production from 1.24 tCO_2/t of pellet production in 2022 respectively. Absolute Scope 3 emissions nevertheless decreased 25% year-on-year due to the overall lower production in 2023.

Methodology
Ferrexpo's methodology for calculating its GHG emissions footprint utilises, where possible, emissions factors provided by the Greenhouse Gas Protocol, which is in line with reporting requirements under the Global Reporting Initiatives ("GRI") framework for reporting sustainability topics. Through using carbon factors provided by the Greenhouse Gas Protocol, the Group is able to provide carbon dioxide-equivalent emissions figures ("CO_2e") that also account for emissions of both methane (CH_4) and nitrogen oxide (N_2O).

Water
Our operations include multiple water cycle interactions, from the water ingress into our mines, to recycling water in our processing operations, to the River Dnipro, which flows adjacent to our operations. Testing of water quality has continued throughout 2023, with any discharged water quality tested across more than 12 different chemical elements or attributes. In our processing plant, where water is utilised in the processing of iron ore, we once again recycled 97% of process water (2022: 98%).

Waste generation
The Group generates solid form waste in its mining operations (overburden in the form of waste rock and sand), as well as emissions of other gases and dust from its mining and processing operations.

During 2023, waste removal from mining activities fell by 45% due to lower production. It is important to note that the overburden and waste removed from our mining operations is non-hazardous and is stored in on-site waste dumps designed by our mine planning department.

Aside from greenhouse gases, gaseous emissions include those emitted from our processing operations (NO_2, SO_2, and CO), with emissions from such sources declining by an average of 30% during the year, in line with mining volumes. Dust emissions in 2023 increased 9% compared to the previous year.

Elsewhere in our operations, we continued to expand our domestic waste recycling programme with collection bins and sorting facilities. All four of our main operating subsidiaries in Ukraine now have active recycling programmes.

ISO-certified systems
Ferrexpo now has an ISO-compliant environment management system (ISO 14001:2015) at both FPM and FBM, with the latter achieving accreditation during 2022. This is in addition to accreditation of our Energy Management System (ISO 50001:2018) at the same two subsidiaries, with FBM also acquiring this accreditation in 2022.

RISK MANAGEMENT

Ferrexpo identifies and assesses risks based on each risk's probability of occurrence and the severity of any event. The Group aims to mitigate the potential impact of each risk through its management of day-to-day activities, taking a prudent approach to risk where possible.

Risk identification
Ferrexpo aims to manage risks across its business through the early identification of potential risks before they emerge, with senior managers and the Group's executive management team responsible for maintaining risk registers for each area of the Ferrexpo business. Risk registers are regularly reviewed and updated, with local risk owners reporting to senior management teams on a regular basis.

The Group risk register records risks on the basis of the likelihood of occurrence and level of potential impact on the Ferrexpo business. A total of 49 risks were included on the Group risk register as of December 2023, with risks ranging from the war in Ukraine (both direct and indirect), risks relating to operating in Ukraine, operational risks such as the risk of a pit wall failure, health and safety-related risks, and risks relating to information technology and climate change. Further to the Group risk register, which records the risks with the most serious potential impact and likelihood of occurrence, operating entities maintain their own local risk registers, which feed into the Group risk register. In 2023, the Group continued to develop and operate an enterprise risk management ("ERM") tool that was implemented in 2022 to record and monitor risks, which is the platform for the reporting and assessment of risks within the Group.

The Group considers emerging risks to be risks that are newly developing, or increasing in potential severity of impact, or changing risks that are difficult to quantify.

Risk mitigation
Risks are inherent in operating a business and it is through effective risk identification, risk management, prudent decision making and other risk mitigation measures that the Group can understand and mitigate the risks that the business faces. The Group's management team, however, understands that it cannot eliminate all risk.

Risk governance framework
Risks are reported internally on a monthly basis, as part of the Finance, Risk Management and Compliance ("FRMC") Committee, with the Group's senior leadership team reviewing the Group-level risk matrix, which plots the likelihood of occurrence against the potential severity of impact, and identifying material changes in either variable to all of the risks listed. Risks are reported on the Group risk register to the FRMC Committee on a monthly basis, with each risk attributed a potential monetary impact should an event occur. The FRMC Committee reports to the Group's Executive Committee, which in turn reports to the Board, which has the ultimate responsibility for the Group's approach to risk management. The Audit Committee, a sub-committee of the Board, assists the Board in its regular monitoring of the risks faced by the Group. The Group's internal audit function assists with the process of risk review, and conducts ad hoc reviews of risk management controls and procedures.

Risk assessment for 2023

Risk assessment for 2023

Russia's full-scale invasion of Ukraine in February 2022, has had a significant impact on the Group's ability to operate.

In addition to the war in Ukraine, a secondary effect of the conflict is the increased political alignment within Ukraine. It is unclear as to the eventual impact of this change on the Group, which in turn creates a potential risk for the Group should the political landscape shift adversely.

Climate change is a rising Principal Risk, and the Group is facing both physical and transitional risks, which requires increased reporting requirements.

PRINCIPAL RISKS

Principal Risks are those considered to have the greatest potential impact on Ferrexpo's business, assessed on the bases of impact and probability.

Introduction

This section outlines the Principal Risks facing the Group in 2023, each of which have the ability to negatively affect the Group, either in isolation or in combination with other risk areas. Principal Risks are defined as factors that may negatively affect the Group's ability to operate in its normal course of business, and may be internal, in the form of risks derived through the Group's own operations and activities, or external, such as political risks, market risks or climate change related risks. The Principal Risks listed here are neither exhaustive, nor are they mutually exclusive, and therefore one risk area may negatively impact another risk area.

Principal Risks include, but are not necessarily limited to, those that could result in events or circumstances that might threaten the Group's business model, future performance, solvency or liquidity and reputation.

Risks are inherently unpredictable, and, therefore, the risks outlined here are considered the main risks facing the Group. New risks may emerge during the course of the coming year, and existing risks may also increase or decrease in severity of impact and/or likelihood of occurrence, and this is why it is important to conduct regular reviews of the Group's risk register throughout the year. The Group maintains a more extensive list of risks, covering over 40 different risks at the Group level, with additional risks considered in local risk registers at each operating entity. The Group risk register is reviewed on a monthly basis for completeness and relevance by the Group's Finance, Risk Management and Compliance ("FRMC") Committee, which ultimately reports into the Board for further review and approval of the risk register. The Group risk register is also reviewed by the Audit Committee at least four times a year. The members of the Executive Committee manage risk within the business on a day-to-day basis. The Committee includes the Chief Executive Officer, Chief Financial Officer, Chief Marketing Officer, Group Chief Human Resources Officer and General Director of Ferrexpo Poltava Mining. The Group's management team continually reviews and updates its view on, and approach to, risks facing the Group. This section of the Annual Report and Accounts primarily covers risks facing the Group in 2023, but also early 2024, up until the publication date of this report. A further update on the Principal Risks will be provided in the Interim Financial Results, which is due to be published in August 2024.

Key themes

Ongoing war in Ukraine since the full-scale invasion in February 2022

On 24 February 2022, Russia launched a full-scale military invasion of Ukraine, with the conflict continuing into its third year as of the date of this report. This event has significantly changed the operating environment for businesses in Ukraine on an unprecedented scale.

Ukraine country risk

This area has been listed as a Principal Risk facing the Group since listing in 2007, and the Group has successfully operated amid challenging circumstances for more than 16 years. The war in Ukraine has served to escalate a number of risks relating to Ukraine, including risks relating to the political environment and the independence of the judicial system.

Climate change

An important topic for any modern business, with discussions with multiple stakeholder groups centring on the Group's efforts to reduce emissions both in the Ferrexpo business, but also in the Group's value chain (Scope 3 emissions). As a consequence of rising stakeholder focus on this topic, the Group published its first standalone report on climate change in December 2022.

Cybersecurity

As a business seeking to modernise, the Group is increasingly reliant on electronic software for the management of key operational and administrative activities. As a business primarily operating in Ukraine, the Group has faced heightened cybersecurity threats from malicious parties since 2014, coinciding with Russia's initial invasion of Ukraine

1. Country risk

1.1. Conflict risk (external risk)

It is over two years since Russia's full-scale invasion of Ukraine on 24 February 2022. Ferrexpo's main operations are in the Poltava region of central Ukraine, which has not seen any direct combat between Russian and Ukrainian forces. Ukraine has, however, faced numerous missile and drone strikes, including the Poltava region. The Group's facilities have not been directly targeted by Russian missile strikes, but a number of neighbouring third party facilities such as the Kremenchuk oil refinery and state owned electricity infrastructure have been damaged by such attacks. Such damage can affect the Group's ability to source various inputs needed for ongoing production.

The war in Ukraine is placing a strain on the economy of Ukraine, with a number of businesses closing, unemployment, and lower tax revenues. At the same time, spending on the military and social programmes have increased. Consequently, the government of Ukraine has sought to increase revenues through changes to its fiscal policies, such as increases to railway tariffs, as well as implementing measures to stabilise the economy, such as enacting laws for the repatriation of funds and currency controls. A number of these measures have the potential to either directly or indirectly affect Ferrexpo negatively through consequences such as lower revenues and a more restrictive operating environment. Due to the strain placed on the Ukrainian economy, the exchange rate for the Ukrainian hryvnia depreciated significantly at the start of the full-scale invasion in 2022. The government immediately responded with the introduction a peg for the hryvnia to the US dollar set at UAH29.25 per US dollar, however, it was forced to devalue the currency to 36.5 per US dollar in July 2022. In October 2023, the government announced that it would allow for limited fluctuations of its currency, scrapping the peg that had been in place since Russia's invasion 20 months earlier, with the central bank stating a shift to a "managed flexible exchange rate". This new policy resulted in short term volatility. Fluctuation in the Hryvnia can have a significant impact on the Group's costs, assets and shareholders' equity. Due to the war, a proportion of the Group's workforce in Ukraine are serving or have served in the Armed Forces of Ukraine. Some have relocated to safer locations. As such, the Group faces potential risks around being able to adequately skill its operations and the associated ancillary services.

Additional risks related to the war in Ukraine include, but are not limited to, restrictions related to the cost effective and timely transport of the Group's products, restrictions in accessing markets, rising costs related to reduced output and alternative supply arrangements and the impact on employee safety and wellbeing.

Risk mitigation

The health and safety of the workforce is the Group's primary concern.

Whilst it is difficult for a company such as Ferrexpo to defend itself from direct military activities since Russia's full-scale invasion, the Group has taken multiple measures to keep its workforce, their families and local communities safe from the threats posed by Russian aggression. Measures have included remote working for those able to do so, timing of shift patterns to fit with curfew hours, the provision of on-site childcare facilities to ensure children are close and employees are not having to travel unnecessarily, construction of new and renovation of older bomb shelters and the provision of protective equipment such as armoured vests and helmets for employees serving in the Armed Forces of Ukraine. The Group has also engaged in extensive discussions with local authorities, and has stepped up to provide financial assistance through the Ferrexpo Humanitarian Fund, with oversight by the Board of Directors of Ferrexpo to ensure good governance in all support activities.

The Group will continue to take measures as required to protect its workforce, and their families and local communities, for the duration of the war, and during the post-war period where continued support is required.

1.2. Ukraine country risk (external risk)

The considerations outlined here are separate to the risks relating to the ongoing war in Ukraine, but some or all of them may be exacerbated by the current conflict.

Ferrexpo's main operations are in Ukraine, which is considered to be a lower middle income economy, under the classifications provided by the World Bank[7]. Ukraine is a country that placed at rank 77 in the United Nations' Development Programme's ("UNDP") Human Development Index (as published in the latest report on 8 September 2022)[8], and is therefore classified as having a "high" level of human development (based on factors such as life expectancy and levels of education). This ranking places it in a similar bracket to China (79) and Sri Lanka (73), other countries considered to be developing economies. As a result of operating in a developing economy, the Group is subject to a number of elevated risks, such as the fiscal and political stability of Ukraine, independence of the judiciary, access to key inputs and capital, exposure to monopolies and other influential businesses (particularly those that are related parties to the government of Ukraine), in addition to a range of other factors. As a result of being a business in a developing economy, the Group is exposed to heightened risks around corruption, with Ukraine placing 116 in Transparency International's Corruption Perceptions Index ("CPI")[9].

Through the Group's exposure to an operating environment in a developing economy, Ferrexpo has been subject to a number of risk areas that are heightened relative to those expected of a developed economy. Risks associated with the war in Ukraine are covered in this announcement, but there are indirect risks associated with the war, such as the increasing political unity within Ukraine and determination to drive political, fiscal or economic change, the latter often associated with financial and military agreements struck with western governments and organisations.

This change can be exhibited in a number of practical applications, which can include, but are not limited to, changes to the regulatory environment, potential increases to tax and royalty rates, increased disclosure requirements or operational restrictions. Changes may be made as a result of government decision making, a third party international partner, lender, or another party within Ukraine, and therefore the rationale for changes may not correlate with the official agenda of the government of Ukraine. As a result of this local instability, which is amplified by the war in Ukraine, sources of capital for businesses deriving their revenues from Ukraine are limited at the present time, which in turn may reduce the operational flexibility of the Group.

The independence of the judiciary in Ukraine has been frequently referenced in the Principal Risks section of the Group's Annual Report and Accounts, and this is a consideration that remains particularly relevant for the Group today. As described in Note 14 Commitments, contingencies and legal disputes to the Consolidated Financial Statements, the Group is currently subject to several legal proceedings in Ukraine that are similar in part to previously heard legal proceedings, and it cannot be guaranteed that the Ukrainian legal system will always provide a ruling in line with the laws of Ukraine or international law.

On 7 December 2022, Ferrexpo Poltava Mining ("FPM") received a claim in the amount of UAH4,727 million (US$124 million as at 31 December 2023) in respect of contested sureties. These contested sureties relate to Bank Finance & Credit ("Bank F&C") which the Group previously used as its main transactional bank in Ukraine. Bank F & C is still going through the liquidation process after having been declared insolvent by the National Bank of Ukraine and put under temporary administration on 18 September 2015. The counterparty in this claim alleges that it acquired rights under certain loan agreements originally concluded between the Bank F&C and various borrowers by entering into the assignment agreement with the State Guarantee Fund on 6 November 2020. The counterparty further claims that FPM provided sureties to Bank F&C to ensure the performance of obligations under these loan agreements. On 26 January 2024, the Ukrainian court of appeal has confirmed a claim against FPM in the amount of UAH4,727 million (US$124 million as at 31 December 2023). On 30 January 2024, FPM filed an appeal to the Supreme Court of Ukraine and the first hearing scheduled for 20 March 2024 did not take place. Following the appointment of a new panel of judges, on 1 April 2024 the Supreme Court suspended on the possible enforcement of the decision of the court of appeal. A Supreme Court hearing on 17 April 2024 considered primarily procedural matters and the next court hearing is scheduled for 27 May 2024.

Although the Group remains of the view that FPM has compelling arguments to defend its positions, the Group has recognised a full provision totalling US$124 million for this ongoing legal dispute. As at the date of approval of these consolidated financial statements, no enforcement procedures have commenced and on 1 April 2024 the Supreme Court suspended the possible enforcement of the decision of the Ukrainian court of appeal, so that such enforcement procedures cannot be initiated by the claimant until a final decision is made by the Supreme Court, or the Supreme Court's suspension order is otherwise lifted. If the final Supreme Court ruling is not in favour of FPM, the claimant may take steps to appoint either a state or a private bailiff and request the commencement of the enforcement procedures, which could have a material negative impact on the Group's business activities and its ability to continue as a going concern, as the assets of FPM could be seized or subject to a forced sale. In addition to the afore-mentioned claim, a supplier and related party to the Group filed an application to open bankruptcy proceedings ("creditor protection proceedings") against the Group's major subsidiary in Ukraine. The possible commencement of the enforcement of the decision of the Ukrainian court of appeal, which is currently suspended by a decision of the Supreme Court, and the possible opening of creditor protection proceedings might potentially affect the Group's ability to continue as a going concern and, as a consequence, its viability.

The contested sureties claim and decision of the court of appeal are other examples of the risk of operating in a dynamic and adverse political landscape in Ukraine, which creates additional challenges for both the Group's subsidiaries in Ukraine and also for the Group itself.

As referenced in the Group's previous public reporting, including in the Group's Interim Results published in August 2023, there are outstanding allegations relating to the Group's controlling shareholder, Kostyantin Zhevago, that remain unresolved, and there is a risk that assets owned or controlled (or alleged to be owned or controlled) by the Group's controlling shareholder may be subject to restrictions, in Ukraine or elsewhere, or that the Group may be impacted by, or become involved in, legal proceedings relating to these matters, in Ukraine or elsewhere.

As disclosed in 2022 Annual Report and Accounts, subsequent to the detention of Mr Zhevago in France on 27 December 2022 at the request of the authorities in Ukraine, the Supreme Court of France rejected the appeal in November 2023 and ruled that Mr Zhevago should not be extradited to Ukraine. The legal case relates to the potential extradition of Mr Zhevago, and associated legal claims being made in Ukraine, and remains outstanding as of the date of this report. The risks relating to the Group as a result of this legal action, and potential further legal action, cannot be accurately estimated at the present time, nor can the potential timeline for resolving any matters.

As a consequence of recent events relating to the Group's controlling shareholder, as outlined above, the Group may experience adverse effects, such as negative media attention, a reduced ability to operate within Ukraine and overseas due to negative perceptions of the Group, and a restricted operating environment for aspects of the Group's business, such as closure (or suspension) of relationships with stakeholder groups such as banking services. The Group's relationships both upstream and downstream may also be negatively impacted by events related to the Group's controlling shareholder, such that the Group is limited or impaired in its ability to do business overseas in a specific country or region. In addition, restrictions imposed on the Group's controlling shareholder (or negative perceptions of the Group's controlling shareholder) may potentially have an adverse effects on the Group within Ukraine, with a restriction on the Group's ability to successfully operate its business model. A number of legal claims or legislative actions within Ukraine are known as of today - as detailed in this section, and further actions to restrict the Group's ability to operate may arise in the future. It is difficult for the Group to predict the scale or nature of such restrictions, and therefore, the Group is limited in its ability to pre-empt and mitigate risks in this area.

The Group is subject to a number of actions by the government of Ukraine that threaten to destabilise, or have the effect of destabilising, the operating environment in which the Group exists. For example, in previous years, the government of Ukraine has cancelled exploration licences by Presidential decree, providing minimal detail in terms of an explanation or rationale.

As previously referenced in the Group's 2021 Annual Report and Accounts, in June 2021, the government of Ukraine cancelled a mining licence for an early-stage exploration project known as Galeschynske, which is a licence held by Ferrexpo Belanovo Mining and located to the north of the Belanovo mine (without forming part of this mine). This matter remains outstanding, and there remains a risk that this dispute may increase in scale or severity for the Group. The Group has been informed of other licence disputes by the government, which are similar in scale to the licence dispute discussed above. It is difficult for the Group to predict the outcome of existing licence disputes, and whether new claims and/or disputes may arise in relation to the Group's operating licences.

In March 2023, restrictions were placed on shares held by Ferrexpo AG ("FAG"), the Group's Swiss subsidiary, in three main operating subsidiaries of the Group in Ukraine, covering 50.3% of the shares held in each subsidiary. The Kyiv Commercial Court ordered the arrest (freeze) of 50.3% of FAG's shareholding in each of Ferrexpo Poltava Mining ("FPM"), Ferrexpo Yeristovo Mining ("FYM") and Ferrexpo Belanovo Mining ("FBM"). This court order was issued by the Kyiv Commercial Court during a hearing in the commercial litigation between the Deposit Guarantee Fund and Mr. Zhevago, the Group's controlling shareholder, in relation to the liquidation of Bank Finance & Credit in 2015. The Group's subsidiaries affected by this court order, including FAG, filed appeals in Ukraine to remove the restrictions. The court of appeal refused on 26 July 2023 to satisfy the appeals of FAG, FPM, FYM and FBM in relation to the restriction covering 50.3% of corporate rights in FPM, FYM and FBM. The Group's subsidiaries filed cassation appeals to the Supreme Court of Ukraine. On 10 January 2024, the Supreme Court in Ukraine rejected the cassation appeals and the restrictions in the Deposit Guarantee Fund case remain effective. For more details of this case please see Note 14 Commitments, contingencies and legal disputes to the Consolidated Financial Statements.

Also in relation to the commercial litigation between the National Bank of Ukraine (the "NBU") and Mr Zhevago, the Group's controlling shareholder, in relation to the personal surety of Mr Zhevago for the loan provided by the NBU to the Bank F&C, the Chief State Bailiff of the Ministry of Justice of Ukraine issued a resolution on arrest of debtor's property as part of intended enforcement proceedings. The state bailiff has imposed an arrest on part of the corporate rights of 50.3% of the issued share capital of FYM and FBM, assuming that these rights are owned by Mr. Zhevago.

FAG filed lawsuits in October 2023 to cancel the arrest and to block the enforcement procedure. On 30 November 2023, a court of first instance suspended the enforcement proceeding to forcefully sell Ferrexpo AG's corporate rights in FYM and FBM. The state bailiff filed an appeal. For more details of this case please see Note 14 Commitments, contingencies and legal disputes to the Consolidated Financial Statements.

As previously referenced in the Group's 2022 Annual Report and Accounts, a number of the Group's subsidiaries in Ukraine received letters from the Office of the Prosecutor General, notifying them of an ongoing investigation into a

Ukraine received letters from the Office of the Prosecutor General, notifying them of an ongoing investigation into a potential underpayment of royalties between 2018 and 2021 (the "Investigation"). On 3 February 2023, one of the Group's senior managers in Ukraine received a notice of suspicion in relation to this Investigation. On 6 February 2023, as part of the Investigation, a court order was issued in Ukraine freezing the bank accounts of FPM. These actions by the government of Ukraine mirror actions taken in similar investigations into other metals and mining companies in Ukraine, and therefore, represent a scenario that the Group was aware of and able to partially mitigate the associated risks. It is important to note that the Group may not be able to successfully challenge this court order to freeze FPM's bank accounts and may not be able to successfully challenge the claims being made as part of the Investigation. The Group has managed to get certain aspects of this court order to be repealed, enabling the Group to pay certain amounts such as salaries and taxes (but other restrictions remain in place).On 31 October 2023, a notice of suspicion was delivered to another top manager. On 13 November 2023, the court approved the bail in the amount of close to UAH 800 million. An appeal was filed, and after several court dates were postponed, the next hearing is scheduled for 29 April 2024.

In addition to the royalties investigation, on 10 January 2023 the State Bureau of Investigations ("SBI") in Ukraine and on 17 January 2023 The National Police of Ukraine performed several searches in respect of investigations on alleged illegal extraction of minerals ("rubble"). FPM's position is that the minerals in question are not a separate mineral resource, but that it is a waste product resulting from the crushing of iron ore during the technical process for the production of iron ore pellets. The sales of the rubble were subject to inspections by the State Service for Geology and Subsoil of Ukraine for many years and were suspended by the Group in September 2021. The outcome of such investigations are the notices of suspicion issued to the management of FPM by the SBI on 29 June 2023 and by the National Police of Ukraine on 22 September 2023 with subsequent payments of bails totalling UAH122 million (US$3 million at this point of time) and UAH400 million (US$11 million at this point of time), respectively, that were approved by the court. In the pre-trial investigation of the rubble case and following an application from the prosecutor to arrest (freeze) all rail wagons and railway access tracks owned by FPM, a court of first instance issued the order to do so. FPM filed an appeal and a hearing of the court of appeal on 30 October 2023 the court of appeal confirmed the arrest of assets (freeze), but refused to provide clarifications on the exact scope of the order which created an alleged restriction on the use of one type of FPM's rail cars. Since that time FPM has not been using this type of rail cars (totalling 1,339 units), but continues to use another type of its rail cars (totalling 1,043 units). The Group is engaging with the authorities in Ukraine and intends to appeal the claims issued as part of these investigations. Stakeholders should note that the Group may not be able to successfully challenge the claims being made as part of these pre-trail investigations.

The Group's exposure to operating in Ukraine can result in high velocity risks. Risk velocity relates to how fast a risk may escalate in scale and affect an organisation, with high velocity risks considered to be those that move rapidly from a starting point of having a low likelihood and scale of impact, to having a high likelihood and scale of impact. Examples of high velocity risks would be natural disasters and armed conflict, both of which could be difficult to predict in advance and could have a significant impact on a business.

The risk factors discussed here in this section, either individually or in combination, have the ability to materially adversely affect the Group's ability to operate its production and other facilities, ability to export its iron ore products, access to new debt facilities and ability to repay debt, ability to reinvest in the Group's asset base, either in the form of sustaining capital investment (to maintain production or expansion), capital investment for future growth, or the Group's ability to pay dividends, could result in a material financial loss for the Group and could result in a loss of control of the Group's assets.

Risk mitigation

Ferrexpo operates in accordance with relevant laws and utilises internal legal counsel and external legal advisors as required to monitor and adapt to legislative changes or challenges.

The Group maintains a premium listing on the London Stock Exchange and is subject to high standards of corporate governance, including the UK Corporate Governance Code and UK Market Abuse Regulation. Ferrexpo has a relationship agreement in place with Kostyantin Zhevago, which stipulates that the majority of the Board of Directors must be independent of Mr Zhevago and his associates. For all related party transactions, appropriate procedures, systems and controls are in place and adhered to.

Ferrexpo prioritises a strong internal control framework including high standards of compliance and ethics. The Group operates a centralised compliance structure that is supported and resourced locally at the Group's operations. Ferrexpo has implemented policies and procedures throughout the Group including regular training. Ferrexpo prioritises sufficient total liquidity levels and strong credit metrics to ensure smooth operations should geopolitical or economic weakness disrupt the financial system of Ukraine. Ferrexpo looks to maintain a talented workforce through skills training and competitive wages, taking into account movements of the Ukrainian hryvnia against the US dollar and local inflation levels. Ferrexpo has a high profile given its international client base and London listing, and it is important that Ferrexpo's Board of Directors and relevant senior management continue to engage with the Group's stakeholders to effectively communicate the economic contribution that Ferrexpo makes to Ukraine and to show that it operates to high international standards.

As set out in detail in the risk description, the Group is involved in a number of ongoing legal proceedings, some of which may potentially lead to attempted seizures of the Group's funds, movable and immovable assets and corporate rights in Ukrainian subsidiaries. In case of the commencement of enforcement procedures for any ongoing legal disputes, the Group will challenge every order and action of claimants or bailiffs in the court, which is expected to delay for a reasonably long period of time and block the seizure of funds and assets.

1.3. Counterparty risk (external risk)

As a business operating in a lower middle income economy, and also as a business operating in a country that is currently engaged in an armed conflict, there are significant risks in respect of the Group's business interactions with third party suppliers of goods and services. Risks may relate to a number of subject areas, including (but not limited to) governance and corruption risks, risk of collapse, risks relating to monopolies and situations whereby alternative suppliers may not be available, and counterparty risks relating to the conflict in Ukraine whereby counterparties may be exposed to Russia (with such relationships potentially not being known to the Group). The full-scale Russian invasion of Ukraine in 2022 has imposed a significant strain on the economy of Ukraine and has, therefore, heightened the counterparty risks facing the Group.

A secondary effect of the ongoing war in Ukraine is that the Group may be affected in its ability to conduct effective due diligence on counterparties given the imposition of martial law in Ukraine, and other war related restrictions. The Group has had to change a number of key suppliers since February 2022, and in doing so, has had to conduct due diligence checks as part of each new relationship, which carries inherent risk to the Group.

Counterparty risks may result in direct consequences for the Group such as financial harm and operational issues in sourcing material, and also include indirect consequences such as damage to the Group's reputation either within Ukraine or with international stakeholders, such as investors, lenders and customers.

Additionally, recent events relating to the controlling shareholder of the Group have resulted in secondary effects on a number of business relationships of the Group. The Group is currently managing these risks either through existing relationships or through new relationships, and it should be noted that any new (or change of existing) business relationship carries an inherent counterparty risk to the Group.

Risk mitigation

In terms of supplier governance, the Compliance team conducts regular checks on all suppliers, screening entities for a number of risks and elevating those deemed to be higher risk for further consideration by the FRMC Committee as to their eligibility. For entities that the Group conducts business with, the Group has developed a Code of Conduct for Suppliers, which as of 2023 is referenced in 90% of all contracts equal to approximately 2,000 due diligence checks completed on potential third parties (2022: 90% and 1,300 checks).The Group's exposure to the failure of a counterparty, or the failure of a party to provide its contracted goods and services, is managed through the Group engaging with a range of suppliers, where possible, in addition to sufficient cash reserves to maintain the Group's overall liquidity. Where it is not possible or practical to source goods and services from multiple providers, the Group considers alternative goods and services to meet its needs and to reduce single party risk.

With regard to the structures in place to monitor and manage counterparty risk, the FRMC Committee, is an executive sub-committee of the Board charged with ensuring that systems and procedures are in place for the Group to comply with laws, regulations and ethical standards. The FRMC Committee met ten times in 2023 (2022: ten) and is attended by the Group Compliance Officer and, as necessary, by the local compliance officers from the operations, who present regular reports and ensure that the FRMC Committee is given prior warning of regulatory changes and their implications for the Group. The FRMC Committee enquires into the ownership of potential suppliers deemed to be "high risk", and oversees the management of conflicts of interests below Board level and general compliance activities (including under the UK Bribery Act 2010, the Modern Slavery Act, the Criminal Finances Act, and the EU General Data Protection Regulation).

The Group aims to minimise risk around the timely provision of goods and services through maintaining sufficient cash reserves and liquidity, as well as maintaining alternative suppliers should one counterparty fail.

The Board aims to ensure adherence to the highest standards of diligence, oversight, governance and reporting with all charitable donations, with the Health, Safety, Environment and Community ("HSEC") Committee required to provide approval for community support expenditures.

2. Market related risks

2. Risks relating to the global demand for steel

The Group is a part of the global steel value chain, which is a sector that is heavily reliant on global connectivity, and global factors that affect the supply and demand balance of both steel and the raw materials required for making steel.

Steel is typically made using processes that involve iron ore, a portion of scrap steel (depending on the process method) and energy (which can include coal, natural gas and electricity). Prices for these key inputs can be volatile, and are factors that will move independently of any single steel producer's control, and will therefore have the ability to significantly affect the profitability of individual steel producers. Additional factors governing the input costs, and therefore profitability, of steelmakers include: the availability and cost of labour, requirements for capital investments to sustain or grow output, the availability of raw materials and energy (in addition to unit costs), the cost and availability of logistics routes and the presence of lower cost competitors in key markets.

Global steel demand varies considerably and can be significantly influenced by factors outside of the control of a steel producer, such as political instability (e.g. the war in Ukraine), global energy prices, and the macro outlook for the global economy. In addition to these macro-economic environment factors, individual steel producing facilities and regions may be affected by national, regional and local factors such as political instability, political intervention, weather events, cybersecurity events, and climate change, amongst other factors.

Given that the factors listed here have the potential to materially affect the profitability of steel mills, individual companies and facilities may respond to cyclically higher costs or weaker market conditions by reducing or halting steel production, until more favourable market conditions resume. This in turn could have a material effect on suppliers to such businesses, including iron ore producers such as Ferrexpo. A more recent trend has seen a surge in awareness of climate change related issues, which is driving increased changes within various levels of the operating environment for steel companies - from local and regional government enacting legislation related to climate change, to customers and local communities demanding that steel production involve lower emissions. Efforts to counter the effects of climate change in the steel industry, which typically focus on the reduction of carbon emissions in the production of steel, could generate higher operating costs in the near term, and higher requirements for capital investment over the medium to long term. Whilst operating costs for steelmakers could increase in the near term as a result of emissions reduction measures, end users of steel may not agree to higher steel prices, and therefore profit margins could decrease until such costs are lowered or successfully passed through to end users.

The structure of the global steel industry relies on a consistent supply of materials to steel mills and a consistent offtake of finished steel by customers. As a consumer of bulk commodities, such as iron ore and coal, the timely and reliable delivery of these materials is required for stable steel prices, since any disruption in the delivery process can create short and medium-term spikes in steel prices. Equally, a scenario whereby global markets encounter an excessive supply of steel, either through an unforeseen downturn in end-user demand, or disruptive increases in steel supply, could have a negative effect on steel prices.

Global steel markets also rely on the consistent availability of logistics pathways, and events such as the ongoing attacks on shipping in the Red Sea since October 2023, serve to demonstrate the possibility of short-term pricing fluctuations in shipping freight rates (both positive and negative) when global logistics chains are not functioning optimally.

Risk mitigation

Under normal circumstances, the Group has the ability to mitigate risks around demand for steel through its global customer base, with the Group having the ability to geographically arbitrage its products. During 2023, the Group had no access to Ukrainian Black Sea ports, resulting in a shift to European customers accessible by rail. When the Group has been able to access alternative Black Sea ports, the size of shipments have been lower at higher costs.

Other risk mitigation activities include the Group's ability to produce high quality forms of iron ore, which typically command higher premiums with customers and also tend to be more in demand throughout the economic cycle.

Ferrexpo operates in a country whereby the local currency, the Ukrainian hryvnia, is a currency which is correlated to the performance of commodity prices, and historically the Group has experienced depreciation in the hryvnia at times of lower commodity prices, which in turn reduces the Group's dollar-denominated cost base. Movements in the hryvnia-dollar exchange rate can, however, be influenced by other factors and may not necessarily reduce costs at times of low iron ore prices.

3. Risks related to realised pricing

3.1. Changes in pricing methodology (external risk)

Pricing formulas for iron ore pellets are governed by multiple factors, including the iron ore fines prices, a premium for additional ferrum content, pellet premiums, freight rates and additional quality premiums and discounts depending on the type of iron ore pellet or concentrate supplied and its chemistry.

Industry-wide factors, which are outside of the Group's control, can influence the methodology for pricing iron ore products, in addition to the various premiums and discounts that are applied by individual customers and regions. Premiums or discounts paid for specific characteristics may change and adversely affect the Group's ability to market specific products.

Should the standard industry pricing methodology change in the future, it could have a positive or negative impact on the Group in the form of realised prices for iron ore pellets and concentrates, and therefore affect the Group's financial performance. Additional potential impacts of changing perceptions around pricing methodology could include a restriction in the Group's ability to sell its products to specific customers and geographic regions, should such stakeholders elect to pursue a different pricing methodology with an alternative of iron ore products suppliers.

As a producer of high-grade forms of iron ore (grading 65% Fe and above), over time, the Group has developed customer pricing agreements with customers on the basis of high-grade benchmark fines indices (grading 65% Fe). Such agreements enable the Group to realise the value of the iron content in its products, with high-grade (65% Fe) fines index trading an average of US$12 per tonne above the medium grade (62% Fe) in 2023 (2022: US$19 per tonne)[10]. The premiums paid for material priced using the high-grade benchmark index reflect the more restricted supply of higher grade iron ores into the global market, with the majority of supply being either low or medium grade iron ores. Premiums paid for higher grade iron ores (referred to as the "ferrum premium") also reflect the operational benefits to steel mills through higher blast furnace productivity and lower emissions profiles associated with higher grade input materials.

The Group also relies on pricing structures for its pellets to include a pellet premium, which reflects the high quality, pelletised nature of the iron ore delivered to customers. Given the benefits of pellets to steelmakers (namely improved furnace productivity and lower greenhouse gas emissions), it is accepted practice that steelmakers pay an additional premium for iron ore pellets (referred to as the "pellet premium"). Pellet premiums have varied significantly in recent years, which reflects both supply and demand-related factors. Given the scale of the pellet premium relative to the iron ore fines index and pelletising costs, significant shifts in pellet premiums would have a significant impact on profitability and product differentiation. A number of pellet premiums are quoted by third parties, which are computed in a variety of ways. Any switch from using one specified pellet premium to another quoted pellet premium, could also result in a difference in realised pricing for the Group.

Risk mitigation

The Group aims to price its products through clear and consistent engagement with customers, with the Group seeking to develop mutually beneficial long-term relationships. Through consistent supply and consistent high quality of the Group's products, Ferrexpo aims to maintain strong relationships with its customers.

Through strong customer relationships, the Group aims to ensure that the net realised prices received for its iron ore products are in line with the international benchmarks for pricing of similar products, in addition to premiums paid for the quality and specification of the product being sold.

Ferrexpo endeavours to achieve the prevailing market price at all times, and the Group aims to be a low cost producer and therefore cash flow positive throughout the commodities cycle.

3.2. Lower iron ore prices (external risk)

This factor is one that is connected to risks related to the global demand for steel, since demand for steel directly impacts the pricing of raw materials used to produce steel, such as iron ore.

As a company that derives the majority of its revenues from iron ore products, Ferrexpo is inherently exposed to iron ore prices, either in the form of benchmark iron ore fines prices, or pellet premiums. Variations in iron ore prices come in a number of forms, from the underlying iron ore price, the ferrum and pellet premium in addition to discounts and premiums applied for the naturally occurring trace elements in ores such as silica and alumina.

The iron ore fines price is the largest component of pricing for the Group's products, which averaged US$132 per tonne in 2023 (65%Fe[11], 2022: US$139 per tonne). Iron ore fines prices are predominantly affected by Chinese demand, which is the largest import market globally.

The quoted price for iron ore fines is called the benchmark index, and is applicable for forms of iron ore that have a specified chemistry that is amenable for steelmaking, such as the percentage of each trace element contained (e.g. silica, alumina and phosphorus). The Group's products typically conform to the requirements of the benchmark index, and therefore tend not to have penalties applied. Iron ores that do not comply with the benchmark index, however, will be subject to a range of penalties, which may vary significantly depending on a range of market factors and technical requirements of each steel mill. Any variation in the quality and chemistry of the Group's iron ore that is sold in any given period could therefore result in penalties being incurred.

A secondary component of the pricing structure of the Group's products is the pellet premium, which is applied to the sale of iron ore pellets. This premium is significant to the Group, and historically can represent up to an additional 50% on top of the benchmark iron ore fines index. Should reputational issues concerning the Group and its UBO affect existing or potential relationships in steelmaking regions that demand Ferrexpo's high-grade product offerings, the Group may no longer be able to realise the same level of product pricing as previously experienced.

The Group aims to mitigate price risk through producing high-grade, low impurity iron ore products, which receive premiums when sold to customers, rather than penalties or discounts. Through such products, the Group has been able to build a higher-margin business, which in turn enables further investment in the Group's production facilities.

In addition, the Group aims to be a low cost producer of iron ore products. Through operating with a lower cost base than the Group's peers, particularly when the premiums paid for pellet quality and specification are considered, Ferrexpo aims to remain competitive on a global basis.

Ferrexpo's operating costs are partly correlated with commodity prices. When the commodities cycle is in a downward phase, Ferrexpo typically receives a lower selling price, but the Group's cost base also tends to decline as a result of local currency devaluation. The Ukrainian hryvnia is a commodity-related currency and has historically depreciated during periods of low commodity prices, although movements of the Ukrainian hryvnia against the US dollar can also be influenced by short-term geo-political and other factors.

Ferrexpo regularly reviews its options in respect of hedging sales. The Group's current strategy is to not enter into such hedging agreements due to the relatively low liquidity of this market and high costs involved. The Group will continue to review this strategy as the market for hedging iron ore pellets evolves, which may increase the attractiveness of hedging.

Risk mitigation

The Group aims to mitigate price risk through producing high-grade, low impurity iron ore products, which receive premiums when sold to customers, rather than penalties and/or discounts. Through such products, the Group has been able to build a high-margin business, which in turn enables further investment in the Group's production facilities.

In addition, the Group aims to be a low cost producer of iron ore products. Through operating with a lower cost base than the Group's peers, particularly when the premiums paid for grade and form (pellets) are considered, Ferrexpo aims to remain competitive on a global basis.

Furthermore, Ferrexpo's operating costs are partly correlated with commodity prices. When the commodities cycle is in a downward phase, Ferrexpo typically receives a lower selling price, but the Group's cost base also tends to decline as a result of local currency devaluation. The Ukrainian hryvnia is a commodity-related currency and historically over the long-term it has depreciated during periods of low commodity prices, although movements of the Ukrainian hryvnia against the US dollar can also be influenced by short-term political factors, in addition to other factors.

Ferrexpo regularly reviews its options in respect of hedging the price of its output. The Group's current strategy is to not enter into such hedging agreements due to the relatively low liquidity of this market and high cost of entering into such arrangements. The Group will continue to review this strategy as the market for hedging iron ore pellets develops over time, which may eventually reduce the effective cost of such arrangements.

3.3. Pellet premiums

The pricing of the Group's products includes a pellet premium. This references the pelletised nature of Ferrexpo's products and the benefits they offer in the steel making process. Consequently iron ore pellets customers will pay a premium over and above the prevailing iron ore fines price. The pellet premium is one of the principal factors that enables the Group to generate higher-margins.

Factors governing the pellet premium in any given year include supply and demand for iron ore pellets. Demand factors can be related to the global macro-economy and steelmakers desire to optimise their production and productivity, which tends to result in demand from steelmakers. Pellet demand can also be affected by emissions reduction legislation. Iron ore pellets remove the need for sintering in steel making, a process that typically uses coal. Steelmakers that utilise a greater proportion of pellets in a blast furnace can therefore reduce the overall emissions footprint of steel production.

The overall supply of iron ore pellets is relatively constrained, with existing producers typically producing at their nameplate capacity and the construction of new pelletiser capacity usually requiring significant capital investment to establish production facilities and the associated infrastructure required to support the production and transportation of bulk commodities to customers. Consequently, there has been limited new pelletising capacity come on line in the past five years. Supply-side disruption has been prominent factor in recent years, with the failure of two tailings dams in Brazil resulting in significant volatility in supply from two of the largest pellets exporters to the global steel industry. Both of the companies involved in these incidents have now resumed production from the affected production facilities, and therefore the market is absorbing the return of this production at increasing rates.

Should reputational concerns over the Group and its UBO affect existing or potential relationships, the Group may no longer be able to realise the same level of pellet premiums as previously experienced.

Risk mitigation

Despite being one of the largest iron ore pellet exporters, the Group's market share is not sufficient to be a price setter. Consequently, therefore the Group realised pellet premiums tend to follow the level set by larger market participants.

To mitigate this, the Group's strategy is to be a low cost producer. Historically, the Group has operated as one of the lower costs pelletising operators, and therefore swing producers have tended to moderate the pellet premium at times of low pricing by withdrawing from the market supporting a floor in prices due to a tightening in supply. The Group has had to operate below its nameplate capacity during 2023 due to the ongoing war in Ukraine. As such, pelletising costs marginally increased to US$30 per tonne in 2023 (2022: US$29 per tonne). Despite this increase, the Group has managed to keep pelletising costs below the prevailing pellet premium for the year.

The strategy of targeting low cost production is enhanced through Ferrexpo's location in Ukraine, with the Ukrainian hryvnia having a close correlation to commodity pricing, which therefore tends to devalue at times of low commodity pricing, reducing the Group's cost base.

3.4. Freight rates (external risk)

The pricing of a bulk commodity, such as Ferrexpo's iron ore products, typically includes a component of the net realised pricing that considers the cost of transporting material to the customer. For Ferrexpo, this pricing typically refers to either the C3 or C2 freight indices (published by the Baltic Exchange), as these are reflective of the shipping cost for accessing either the Asian or European market (respectively). Freight rates are a deduction from the pricing received from the pellet, and therefore higher freight rates will result in lower net realised pricing for the Group, and vice versa.

The factors driving freight rates include the prevailing fuel cost for ships, the availability of vessels at a given point in time, and insurance policies required for ships to service the required route (the latter being a significant factor for chartering parties looking to ship via the Black Sea during the present time).

As a guide, the C3 freight index (representing a seaborne Brazil-China trade route on a capesize vessel) was US$24.99 per tonne at the end of 2023 compared to US$20.07 per tonne at the end of 2022[12].

Additionally, the war in Ukraine has had an impact on the Group's ability to charter vessels with ship owners, as the limited availability of Ukrainian Black Sea ports has reduced the Group's access to the seaborne market. Whilst the increased costs associated with trading within the Black Sea have been reflected in Black Sea freight rates since the outset of the war, the Group has on occasion chartered vessels from alternative Black Sea ports due to the Group's strong relationships with ship owners. Only recently, since January 2024, the Group has resumed shipments from the Port Pivdenniy in Ukraine, while continuing to closely monitor the risk of access to the Black Sea ports in Ukraine. Further freight-related realised effects, or potential risks, of the war in Ukraine include an increase in the insurance premiums required for vessels travelling to Black Sea ports (Ukrainian ports or otherwise), and the delayed loading and unloading times which can result in increased demurrage costs.

The Group is also aware of potential risks that relate to recent events with the Group's UBO which may affect Ferrexpo's ability to conduct business relationships with freight providers. Should third party concerns relating to these matters prevent Ferrexpo from engaging in business relationships with specific freight providers, then the Group may incur higher freight rates and a smaller pool of ship owners prepared to work with the Group.

Risk mitigation

The Group has its own in-house freight specialist, which helps the Group to receive a competitive rate for freight cargoes. The Group's management team regularly visit and speak with ship owners around world and it is therefore possible to maintain a detailed understanding of both the global freight market and ship owners.

As a result of the Group's operations being located in Ukraine, seaborne freight chartering has been reduced in 2023 (following Russia's closure of the Black Sea to Ukrainian ports), and as such the Group has increasingly relied on its European customer network for sales. Despite this, the international freight rate is still relevant for the business, as many contracts reference a quoted freight rate and the Group has maintained some seaborne sales.

The Group currently does not enter into hedging arrangements for freight rates, which is an approach consistent with the Group's strategy on other forms of hedging. This approach is continually reviewed by the Group's management team, and such arrangements may be entered into if it is deemed to be beneficial to the Group.

The Group's freight department regularly monitors freight-related risks associated with the war in Ukraine, or otherwise, with an aim of ensuring effective decision making in light of changes to the operating landscape.

4. Operating risks

4.1. Risks relating to producing our products

The Group's operations involve the mining of iron ore, which requires detailed planning of blasting, excavation and haulage activities, to deliver sufficient quantities of iron ore in a timely manner to the Group's processing plant, which crushes, grinds and beneficiates the material from in-situ iron ore grades (ranging approximately 25-30% Fe) to high-grade concentrate (either 65% or 67% Fe) for Ferrexpo's direct sale or pelletising. In the pelletising facilities, the concentrate is converted into pellets via a series of kilns, operating at approximately 1,300^{o}C. The above processes are complex and carry inherent risks as a result. The Group is able to mitigate such risks through a range of activities and the collective experience of the Group's executive management and operating teams, but it may not be possible to eliminate all risk factors.

As a business with its main operating assets located in Ukraine, the Group has faced significant risks relating to the ongoing war in Ukraine. The Group has also faced a number of indirect consequences of the war in its operations, such as a number of skilled personnel departing Ferrexpo's operations to either serve in the Armed Forces of Ukraine or relocating away from the conflict, the Ukrainian authorities requiring the delivery of specific equipment for military use (typically light vehicles), interruptions in the availability of specific materials relevant for the conflict such as detonators, nitre, fuel and restrictions on operating practices, such as scheduled blasting in the pits.

Outside of risks that directly relate to the war in Ukraine, the Group faces material risks relating to its mining operations that include (but are not limited to) health and safety related risks, the risk of a pit wall failure or fall of ground incident in the Group's mines, equipment failure (either due to operator oversight, failures in maintenance practices or failure despite acceptable levels of maintenance), weather events preventing access to the Group's operations, poor planning processes resulting in a lack of high-grade iron ore for processing, or the failure of drilling to optimise face availability or identify the correct location of ore and waste material. Risks in the processing plant, covering the beneficiation and pelletisation of material, also include (but are not limited to) equipment failure and unscheduled equipment downtime, a lack of spare parts, a lack of key input materials, unsuitable equipment for processing of certain ore types, operating restrictions and extreme weather events (or other events potentially related to climate change) that may impact the ability to produce or store the Group's products. As operations continue to be modernised, the Group also faces cybersecurity-related risks from cyber threats and other factors that may impair the Group's ability to operate its electronic equipment.

The risks described above are typically short-term events and the Group also faces longer-term risks, such as climate change and country risks related to Ukraine. Potential risks related to climate change are also detailed in this report, and have been identified through the Group's recent collaboration with environmental consultants Ricardo Plc.

The Group is also aware of potential risks that relate to recent events with the Group's UBO, which may affect Ferrexpo's ability to source key input materials and labour either within Ukraine or overseas. Should third party concerns relating to these matters prevent Ferrexpo from engaging in business relationships with specific providers of materials and labour, then the Group may have challenges in its ability to produce, or incur higher costs relating to the sourcing of the same inputs from a smaller group of providers or group of people. Despite the current limitations, the Group continues to maintain production and retains the ability to increase production depending on logistics availability. The availability of skills however, is becoming more challenging due to conscription and emigration.

Risk mitigation

The Group employs an experienced management team and has a management structure in place to monitor, and where necessary, manage risks as and when these risks escalate. The Group's business model is in a sector that has inherent risk in the mining and processing of materials, with these risks being manageable and, where possible, mitigation measures are utilised to ensure the safe operation of the Group's facilities to ensure the efficient production of the Group's iron ore products. The Group maintains a risk register of more than 40 risk areas, which is monitored on a frequent basis by the Group's operational teams and reported to the relevant management committees. Where an operational risk is deemed to be sufficiently significant in terms of potential impact or likelihood, appropriate risk mitigation measures are sought, often with the assistance of third party specialists, where relevant.

Efforts aimed at maintaining equipment include ongoing repairs, keeping stocks of replacement parts and materials, and supporting contractors. To ensure stable energy supply, the Group cooperates with governmental organisations through joint projects to upgrade of the energy structure. The Group also has its own solar power plant capacity to meet its minimum power requirements.

To manage the availability of skills, the Group has expanded its recruitment and training programmes to attract and train more people.

4.2. Risks relating to delivering our products to customers

The Group is a producer of a bulk commodity, meaning that its business model relies on timely and consistent access to a logistics network with sufficient capacity to transfer a large volume of material to the Group's customer base around the world. Any interruption to the scale, availability or reliability of this logistics network has the potential to significantly affect the Group's ability to operate its business model and generate cash flow. The nature of being a producer of a bulk commodity means that should an interruption of logistics occur, there may be limited time or sufficient funding available to efficiently remedy the situation or stockpile excess material, potentially resulting in a temporary suspension of the Group's production facilities and an associated effect on the Group's ability to generate revenues and maintain a strong balance sheet.

The Group's logistics network is multi-nodal, including the Group's use of the railway network in Ukraine and further afield across Europe, a stake in a berth at a port facility in south west Ukraine (used for loading vessels for the seaborne market), and an inland waterway logistics business along inland waterways.

Examples of risks relating to the Group's logistics network, aside from those specifically relating to the ongoing Russian invasion of Ukraine, range from those potentially affecting railway logistics, which include (but are not limited to) the unexpected closure or suspension of sections of the railway network in Ukraine or Europe required for deliveries, a reduction in rail capacity related to the phasing out of outdated equipment and insufficient investment in replacement equipment, potential political interference in the Group's ability to book railway access and wagons (including the restriction on the use of one type of FPM's rail cars noted in Note 14 Commitments, contingencies and legal disputes to the Consolidated Financial Statements). Extreme weather events (either related to climate change or otherwise) and a lack of personnel to operate rail locomotives and infrastructure effectively. The Group faces similar risks relating to its use of inland waterway logistics, including on the River Danube, and in addition includes risks relating to abnormally high and low water levels, which may impede passage of vessels. Such risks are expected to be exacerbated in the future by the potential impact of climate change. Similar risks are posed to the Group and its ability to access seaborne markets should extreme weather events (either climate change related or otherwise) affect operations at the Port of Pivdennyi or other ports used by the Group, or shipping routes such as the Suez Canal and Red Sea.

The Group is also aware of potential risks that relate to recent events with the Group's UBO, which may affect Ferrexpo's ability to secure bookings on key logistics routes either within Ukraine or overseas. Should third party concerns relating to these matters prevent Ferrexpo from engaging in business relationships with specific logistics providers, then the Group may incur difficulties in its ability to ship products, or may incur higher costs relating to the sourcing of logistics options along alternative routes.

It should be noted that during 2023 the Group benefited from more stable rail transportation within Ukraine. Also, the Group operated from its own pellet trans-shipment site on the Ukrainian border, in addition to various warehouses in Ukraine and in other countries to endure the stable supply of its goods to its customers.

Risk mitigation

Since listing in 2007, the Group has sought to invest in its logistics capabilities and overall capacity, to ensure cost effective and sufficient access to a logistics network. This has involved the purchase of railcars, including a fleet of over 3,000 wagons, which helps ensure availability, despite the freeze of part of own wagons (as disclosed in Note 14 Commitments, contingencies and legal disputes to the Consolidated Financial Statements), reduce operating costs and ensure product quality whilst pellets are in transit to customers. Similarly, the Group owns a 49.9% stake in a berth at the Port of Pivdennyi in south-west Ukraine, along with a trans-shipment vessel ("Iron Destiny"), which permits the Group to load trans-shipment vessels for the seaborne market. Iron Destiny was outside of Ukrainian waters undergoing routine maintenance at the time of Russia's invasion of Ukraine on 24 February 2022, ensuring safe ownership. The Group also owns its inland waterway logistics provider (First-DDSG), which is based in Vienna, Austria, and has locations along the River Danube and other inland waterways.

To maintain timely access to its logistics network, the Group maintains close working relationships with logistics

To maintain timely access to its logistics network, the Group maintains close working relationships with logistics providers and related parties that are key players in the Group's logistics operations.

4.3. Risks relating to health and safety

Effective management of health and safety related risks is important due to the inherent risks involved in the nature of mining and processing operations. The processes involved in the mining and processing of metalliferous rock has progressed significantly in recent years, but risks remain if policies and procedures are not followed correctly, or if equipment is not maintained and used correctly.

Mining activities involve the use of large scale heavy equipment, such as haul trucks, excavators and bulldozers, with each item of equipment weighing a considerable number of tonnes and which are expected to regularly move around to a number of locations throughout a shift. The operation of mining equipment is inherently dangerous if operators are not correctly trained, or if due care and attention are not applied when operating each item of equipment. Activities within a mine include the drilling and blasting of rock, excavation and transport of ore to either the processing plant or waste dumps, watering of surfaces to reduce dust emissions and the construction of waste dumps to a specified design. Activities are typically conducted 24 hours a day, at which during certain time, poor weather and low light conditions are a risk for operators, even though the Group has extensive lighting on equipment during dark hours.

Risk mitigation

The Group's approach to mitigating safety risks is to understand the causal factors of safety incidents, through creating risk registers for each activity being undertaken or area within the Group's main operations. The Group also records leading indicators of safety, with an aim to monitor and improve these factors, to reduce the risk of a safety-related incident occurring. Examples of leading indicators include the number of training courses undertaken, high visibility safety tours by senior managers, safety inspections and hazard reports completed. In the instance of a safety-related event occurring, the Group aims to learn from each event, to reduce the risk of a repeat occurrence. Lagging indicators of safety help the Group's management team to record the effectiveness of safety measures being implemented, and the main indicators used to track performance are the Group's lost time injury frequency rate ("LTIFR"), total recordable injury frequency rate and fatalities.

Throughout its operations, the Group is seeking to implement modern forms of technology, including autonomous equipment, which help to remove operators from hazardous working environments.

4.4. Risks relating to operating costs

The Group's business comprises a number of open-pit mining operations, an iron ore processing complex and a range of ancillary activities that support the safe production of the Company's products, which requires a range of input goods and services. The Group's costs are subject to a range of factors, some of which are controlled by the Group, whilst others are outside of the Group's control, meaning that resulting profitability may fluctuate.

The Group operates in an energy intensive industry, and therefore requires a range of commodity-based inputs such as diesel and natural gas, as well as electricity, which are subject to market factors outside of Ferrexpo's control and can influence the Group's overall profitability. Examples include natural gas prices which increased significantly during 2022, though have abated in 2023.

Further to energy costs, inflationary pressures continued to be absorbed during 2023. Cost inflation has the potential to affect a wide range of the Group's input costs at its operations, with the Group potentially not able to effectively counter such pressures due to the benchmark pricing of the Group's products.

A primary cause of cost inflation has been the Group's inability to operate at its nameplate capacity due to the war in Ukraine, resulting in the absorption of fixed cost on lower production, i.e. increasing unit costs. Additionally, inflationary pressures have been seen on a global basis since 2022, a reflection in energy prices, though in turn equipment and maintenance costs, salaries and wages. Consumer price inflation in Ukraine in 2023 is estimated to have slowed to 12.9% (2022: 26.6%), reflecting the exceptional circumstances experienced since 2022 in Ukraine, but also globally. Given that the Russian invasion of Ukraine remains ongoing, it is expected that the negative impacts of the war will continue to be experienced by the Group, such as lower production and higher unit costs.

The use of natural gas is a key component of the Group's pelletising operations and its use is therefore essential for the production of iron ore pellets.

The Group is also aware of potential risks that relate to recent events with the Group's UBO, which may affect Ferrexpo's ability to source key input materials and labour either within Ukraine or overseas. Should third party concerns relating to these matters prevent Ferrexpo from engaging in business relationships with specific providers of materials and skills, then the Group may incur difficulties in its ability to produce, or incur higher costs relating to the sourcing of the same inputs from a smaller group of providers or people.

The Group benefits open access to the energy market, allowing it to obtain energy resources at market prices. Additionally, the cost of production is supported by the depreciation of the national currency and long-term relationships with suppliers of key standardised materials.

Risk mitigation

The Group has operated through a number of commodity cycles and the Group's operations have been in production for over 50 years, and through this experience of operating, the Group's management team has developed an understanding of cost effective production and the required level of goods and services to optimise the Group's profitability at any given level of production.

The Group has a number of measures in place to reduce and minimise operating costs, where possible, to maintain profitability throughout any given commodity cycle. For input goods that are a requirement of the production of pellets, the Group aims to minimise use and develop substitutes for use in the Group's operations, which may help reduce reliance on a single input (or limited number of inputs), and thereby reduce risks relating to the cost and supply of individual inputs. As an example, a partial substitute would be the use of sunflower husks in the Group's pelletiser, which is used to fuel the pelletiser. In 2023, the Group successfully sourced 32% of the pelletiser's heating energy from sunflower husks (2022: 21%). Other examples of substitution of goods within the Group's operations include the use of different manufacturers of mining equipment, with different suppliers of spare parts, which reduces operational risks and can reduce operational costs.

4.5. Risks relating to information technology ("IT") systems and cybersecurity

4.5. Risks relating to information technology ("IT") systems and cybersecurity

The Group is increasingly adapting to modern technologies for the safe, efficient and cost effective production of its products and the associated ancillary services. With IT systems becoming increasingly important to the Group's business activities, the risks associated with IT security and the continued availability of IT systems have increased in recent years, particularly in light of the increased complexity of cyberattacks on IT systems. Cybersecurity threats may take the form of, but are not limited to malware, ransomware, phishing, denial-of-service attacks, and password attacks.

Cyberattacks, such as malware and ransomware, are often unreported in the mainstream media by companies and governments wishing to avoid negative publicity. It is therefore difficult to ascertain the full extent to which the Group is facing cybersecurity risks. In the past, published cyberattacks affecting companies and governments have closed or limited a company's ability to produce, or have withheld or disclosed confidential information, and have withheld access to key operational infrastructure.

A consequence of the war is a shortage of IT personnel due to conscription. The availability of skilled IT people is becoming a challenge in Ukraine and replacing people can take longer than before the war.

The Group is exposed to heightened risks related to cybersecurity at the present. The war takes place in a number of environments, including attacks on IT systems in Ukraine. Attacks can be expected on any IT system in Ukraine as a result of the war, and therefore, organisations such as Ferrexpo may be the target of an attack due to its location, or as part of a hybrid war to damage the economy of Ukraine. Consequently, it is difficult for the Group to predict the source, scale or nature of any cyberattack.

Risk mitigation

The Group's IT department conducts regular reviews of the general IT landscape and provides regular cyber awareness training for employees as well as ad hoc notification when new threats are identified. The Group also regularly reviews requirements on data protection, with email security bulletins circulated to ensure internal IT users are provided with up-to-date information on cybersecurity. The Group has also implemented a dynamic approach to anti-malware policies, to ensure an adaptive approach for new threats as they emerge.

In 2023, the Group's IT infrastructure was adapted to meet the needs of longer war. The Group invested resources and efforts in strengthening cross-backup infrastructure to meet updated Group disaster recovery policies.

Following a series of cyberattacks on different corporate networks this year, the Group's IT department initiated a project to upgrade the Group's global network connectivity links and their underlying technology. As a result of these efforts, the Group was able to withstand a DoS attack this year with minimal disruption to its production and communication processes. Additionally, the IT department, together with the executive committee, constantly assess the need of ISO 2700x compliance audits on bi-quarterly or quarterly term. In parallel, the Group must respond to the possibility of cyberwarfare and conventional warfare tactics, for example by commissioning of additional IT infrastructure in bomb shelters. Other examples of vigilance include the deployment of extensive power control systems, and urgent upgrades and migrations due to vulnerabilities.

Further to existing practices and protocols, the Group regularly updates the software and hardware in use throughout its business, to reduce the Group's exposure to known weaknesses in cybersecurity.

5. Risks relating to climate change

Climate change represents a challenge for the modern world, with multiple stakeholders seeking to adapt to a low-emissions future.

Climate change poses a number of physical and transition risks as the world seeks to reduce emissions and its reliance on technologies and activities that are relatively intensive for the emission of greenhouse gases. See Note 2 Basis of preparation to the Consolidated Financial Statements for details on potential impact on the consolidated financial statements. Physical risks are those that affect the physical environment - such as increased heat events, prolonged droughts and low water levels, dust emissions, and the increased severity of precipitation events. Transition risks are those that relate to society's shift to a low emissions future, such as reputational risks and the risk of technologies becoming redundant in a lower emissions future. A review of potential climate change related risks was conducted as part of the work carried out with environmental consultants Ricardo Plc in 2022, with this work detailed in the Group's Climate Change Report. A materiality assessment as part of this work identified the following as the main risk areas facing Ferrexpo: (a) demand for low carbon emissions steelmaking, (b) shipping: targets and regulations on carbon emissions and (c) carbon pricing/tax: targets and regulations on carbon emissions. Further details of the work completed in collaboration with Ricardo Plc are available in Ferrexpo's Climate Change Report on the Group's website.

At this stage in the global development curve on climate change science and decarbonisation efforts, there is a heightened degree of stakeholder focus on decarbonisation efforts. Given this focus, there is an associated expectation of progress being made that may not match the availability of relevant technology and equipment, or the financial viability of any technology, and therefore there is a risk of rising stakeholder concern if a company's decarbonisation plans and targets are not effectively communicated, or are deemed insufficient. Should stakeholders require further action or increased efforts for decarbonisation of a business, this may create additional financial, operational and reputational risks for the business.

Risk mitigation

The Group understands the importance of climate change, both in its impact on the business, as well as the Group's potential impact on climate change. The Group aims to reduce its emissions over time and has set a series of reduction targets for its greenhouse gases (principally carbon dioxide) for the medium and long term (2030 and 2050, respectively). In December 2022, the Group published its inaugural standalone Climate Change Report, which represents the first phase of work completed with environmental specialists Ricardo Plc. This report details a number of measures that the Group is either utilising today to reduce emissions, or plans to use in the future, in order to achieve these emissions targets.

The Group has a streamlined approach to reducing emissions, focusing where possible on activities that generate the greatest emissions, as well as identifying low cost solutions that may reduce the impacts of the Group's activities. The main source of the Group's overall emissions (being Scopes 1, 2 and 3 collectively) is the downstream use of iron ore pellets in steelmaking, which accounted for 85% of total emissions in the Group's baseline year of 2019. In order to reduce this aspect of emissions, one of the Group's objectives is to increase its focus on production of direct reduction ("DR") pellets, which are used in an alternative method of steelmaking (the direct reduced iron - electric arc furnace process), which results in DR pellets generating 37% lower emissions when converted to steel, compared to the Group's blast furnace pellets, as assessed by Ricardo plc. With regard to Scope 1 and 2 emissions, the Group has initiated a number of projects to reduce these categories of emissions, including a clean power purchasing strategy. The Group is continuing to study options to reduce diesel consumption by installing clean electricity powered pantograph-trolley-assist technology to haul trucks out of the open pit mines.

Through these projects, the Group stated objective was to produce iron ore pellets on a net zero basis by 2050. For further details of the net zero pathway identified through working with Ricardo Plc, as well as the Group's carbon emissions reduction targets.

The Board and management team understand that further reductions in these emissions are possible in the coming years, however, due to a protracted war there is no certainty that these can be fully achieved. This means that the Board will need to assess its targets and possibly restate the Group's Net Zero pathway.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement by the Directors under the UK Corporate Governance Code

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted in the United Kingdom ("UK adopted IFRS") and have also chosen to prepare the Parent Company financial statements in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, and applicable law).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of their profit or loss for that period.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK adopted International Financial Reporting Standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

We confirm that to the best of our knowledge:

(a) the Group financial statements, prepared in accordance with UK adopted IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the subsidiary undertakings included in the consolidation taken as a whole and attention is drawn to the material uncertainty in terms of the Group's ability to continue as a going concern in Note 2 Basis of preparation of the Consolidated Financial Statements on pages 46 to 48;

(b) the Parent company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, give a true and fair view of the Company's assets, liabilities and financial position of the Parent Company;

(c) the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the subsidiary undertakings included in the consolidation taken as a whole, together with a description of the Principal Risks and uncertainties that they face; and

(d) the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's and Company's position, performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 17 April 2024 and is signed on its behalf by:

Lucio Genovese
Executive Chair

Nikolay Kladiev
Executive Director/Chief Financial Officer
17 April 2024

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FERREXPO PLC ON THE PRELIMINARY ANNOUNCEMENT OF FERREXPO PLC

As the independent auditor of Ferrexpo Plc we are required by UK Listing Rule LR 9.7A.1 (2) to agree to the publication of Ferrexpo Plc's preliminary statement of annual results for the year ended 31 December 2023.

The preliminary statement of annual results for the year ended 31 December 2023 includes the 2023 full year results and the disclosures required by the Listing rules including:

- Financial Highlights and 2023 Financial Summary;
- Executive Chair Statement;
- Chief Financial Officer Statement;
- Management commentary included under the following headings; Operating During a Time of War, Operational Review, Market Review, Financial Review, Responsible Business Review Sections, Risk Management, Principal Risks Sections;
- Statement of Directors' Responsibilities;
- Consolidated Income Statement;
- Consolidated Statement of Comprehensive Income;
- Consolidated Statement of Financial Position;
- Consolidated Statement of Cash Flows;
- Consolidated Statement of Changes in Equity;
- Notes to the Consolidated Financial Statements; and
- Alternative Performance Measures.

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

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

Status of our audit of the financial statements

Our audit of the annual financial statements of Ferrexpo plc for the year ended 31 December 2023 is complete and we signed our auditor's report on 17 April 2024. Our auditor's report is not modified although included a separate section with regard to material uncertainties related to going concern as a result of the ongoing war and the application of local legislation in Ukraine in respect of the outcome of the proceedings in which the Group is involved. The audit report also drew attention to the uncertainty in the application of local legislation in Ukraine in respect of the outcome of the proceedings in which the Group is involved and to the uncertainty related to the estimate of the recoverable amount of certain assets of the Group as result of the ongoing war and ongoing legal proceedings in Ukraine.

Procedures performed to agree to the preliminary announcement of annual results

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

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

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

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

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

- Fair, balanced and understandable
- Materially consistent with the financial statements and with the contents of the annual report
- Consistent with the information and our knowledge obtained in the course of the audit of the financial statements of Ferrexpo Plc for the year ended 31 December 2023.

Considered if for Alternative Performance Measures (APMs) and associated narrative:

- APMs are clearly defined and have been given meaningful labels
- The use and relevance of APMs is explained
- APMs have been reconciled to the most relevant figures in the financial statements
- Comparatives have been included

Considering whether the financial information in the preliminary announcement is misstated, either because it is stated incorrectly or because it is presented in a misleading manner.

Rakesh Shaunak FCA

Senior Statutory Auditor

For and on behalf of MHA,

Statutory Auditor

London

17 April 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Consolidated Income Statement

US$000	Notes	**Year ended 31.12.23**	Year ended 31.12.22
Revenue	4	**651,795**	1,248,490
Operating expenses	3/5	**(616,107)**	(1,192,046)
Other operating income		**4,067**	9,233
Operating foreign exchange gains	6	**31,371**	339,439
Operating profit		**71,126**	405,116
Recognition of provisions for legal disputes	14	**(131,117)**	–
Share of (loss)/profit from associates		**(372)**	557
(Loss)/profit before tax and finance		**(60,363)**	405,673
Net finance expense	7	**(104)**	(3,517)
Non-operating foreign losses	6	**(7,934)**	(63,497)
(Loss)/profit before tax		**(68,401)**	338,659
Income tax expense	8	**(16,352)**	(118,662)
(Loss)/profit for the year		**(84,753)**	219,997
(Loss)/profit attributable to:			
Equity shareholders of Ferrexpo plc		**(84,775)**	219,995
Non-controlling interests		**22**	2
(Loss)/profit for the year		**(84,753)**	219,997
(Loss)/earnings per share:			
Basic (US cents)	9	**(14.41)**	37.41
Diluted (US cents)	9	**(14.41)**	37.35

Consolidated Statement of Comprehensive Income

US$000	Notes	**Year ended 31.12.23**	Year ended 31.12.22
(Loss)/profit for the year		**(84,753)**	219,997
Items that may subsequently be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(54,855)**	(664,296)
Income tax effect	8	**1,479**	13,036
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(53,376)**	(651,260)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement gains on defined benefit pension liability		**899**	5,336
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**899**	5,336
Other comprehensive loss for the year, net of tax		**(52,477)**	(645,924)
Total comprehensive loss for the year, net of tax		**(137,230)**	(425,927)
Total comprehensive loss attributable to:			
Equity shareholders of Ferrexpo plc		**(137,244)**	(425,919)
Non-controlling interests		**14**	(8)
		(137,230)	(425,927)

Consolidated Statement of Financial Position

US$000	Notes	As at 31.12.23	As at 31.12.22
Assets			
Property, plant and equipment	10	**826,034**	807,861
Right-of-use assets		**6,852**	6,342
Goodwill and other intangible assets		**6,368**	8,249
Investments in associates		**4,616**	5,167
Inventories	11	**5,883**	6,277
Other non-current assets		**38,104**	37,451
Deferred tax assets	8	**10,149**	14,471
Total non-current assets		**898,006**	885,818
Inventories	11	**201,429**	224,454
Trade and other receivables		**82,321**	24,699
Prepayments and other current assets		**21,380**	13,352
Income taxes recoverable and prepaid	8	**2,432**	4,674
Other taxes recoverable and prepaid		**26,291**	88,762
Cash and cash equivalents	12	**115,241**	112,945
Total current assets		**449,094**	468,886
Total assets		**1,347,100**	1,354,704
Equity and liabilities			
Issued capital		**121,628**	121,628
Share premium		**185,112**	185,112
Other reserves		**(2,676,294)**	(2,636,891)
Retained earnings		**3,482,883**	3,580,329
Equity attributable to equity shareholders of Ferrexpo plc		**1,113,329**	1,250,178
Non-controlling interests		**81**	67
Total equity		**1,113,410**	1,250,245
Interest-bearing loans and borrowings	3/13	**1,009**	1,354
Defined benefit pension liability		**16,518**	16,456
Provision for site restoration		**2,780**	4,284
Deferred tax liabilities	8	**2,729**	1,347
Total non-current liabilities		**23,036**	23,441
Interest-bearing loans and borrowings	3/13	**5,939**	5,194
Trade and other payables		**35,310**	30,509
Provisions	14	**128,050**	–
Accrued and contract liabilities		**17,328**	19,593
Income taxes payable	8	**15,202**	20,564
Other taxes payable		**8,825**	5,158
Total current liabilities		**210,654**	81,018
Total liabilities		**233,690**	104,459
Total equity and liabilities		**1,347,100**	1,354,704

The financial statements were approved by the Board of Directors and authorised for issue on 17 April 2024 and signed on behalf of the Board.

Lucio Genovese	**Nikolay Kladiev**
Executive Chair	Chief Financial Officer and Executive Director

Consolidated Statement of Cash Flows

US$000	Notes	Year ended 31.12.23	Year ended 31.12.22
(Loss)/profit before tax		**(68,401)**	338,659
Adjustments for:			
Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets			

Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets 5		**57,669**	96,977
Net finance (income)/expense	7	**(2,536)**	746
Losses on disposal and liquidation of property, plant and equipment	5	**11**	1,665
Write-offs and impairments	5	**978**	260,308
Share of loss/(profit) from associates		**372**	(557)
Movement in allowance for doubtful receivables		**4,403**	6,729
Movement in site restoration provision		**(1,377)**	1,578
Employee benefits		**3,518**	3,745
Share-based payments		**830**	490
Recognition of provisions for legal disputes	14	**131,117**	–
Operating foreign exchange gains	6	**(31,371)**	(339,439)
Non-operating foreign exchange losses	6	**7,934**	63,497
Operating cash flow before working capital changes		**103,147**	434,398
Changes in working capital:			
(Increase)/decrease in trade and other receivables		**(71,946)**	210,267
Decrease/(increase) in inventories		**15,930**	(90,385)
Increase/(decrease) in trade and other payables (including accrued and contract liabilities)		**6,724**	(55,529)
Decrease/(increase) in other taxes recoverable and payable (including VAT)		**62,554**	(84,110)
Cash generated from operating activities		**116,409**	414,641
Interest paid		**(223)**	(918)
Income tax paid	8	**(12,779)**	(110,243)
Post-employment benefits paid		**(2,238)**	(2,220)
Net cash flows from operating activities		**101,169**	301,260
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	10	**(101,247)**	(161,010)
Proceeds from disposal of property, plant and equipment and intangible assets		**91**	103
Interest received		**4,608**	894
Dividends from associates		**–**	711
Net cash flows used in investing activities		**(96,548)**	(159,302)
Cash flows used in financing activities			
Repayment of loans and borrowings	13	**–**	(42,209)
Principal elements of lease payments	13	**(5,410)**	(5,786)
Dividends paid to equity shareholders of Ferrexpo plc	9	**(456)**	(155,095)
Net cash flows used in financing activities		**(5,866)**	(203,090)
Net decrease in cash and cash equivalents		**(1,245)**	(61,132)
Cash and cash equivalents at the beginning of the year		**112,945**	167,291
Currency translation differences		**3,541**	6,786
Cash and cash equivalents at the end of the year	12	**115,241**	112,945

Consolidated Statement of Changes in Equity

		Attributable to equity shareholders of Ferrexpo plc					
US$000	Issued capital	Share premium	Other reserves	Retained earnings	Total capital and reserves	Non-controlling interests	Total equity
At 1 January 2022	121,628	185,112	(1,986,131)	3,510,793	1,831,402	75	1,831,477
Profit for the year	–	–	–	219,995	219,995	2	219,997
Other comprehensive (loss)/income	–	–	(651,250)	5,336	(645,914)	(10)	(645,924)
Total comprehensive (loss)/income for the year	–	–	(651,250)	225,331	(425,919)	(8)	(425,927)
Share-based payments	–	–	490	–	490	–	490
Equity dividends to shareholders of Ferrexpo plc	–	–	–	(155,795)	(155,795)	–	(155,795)
At 31 December 2022	121,628	185,112	(2,636,891)	3,580,329	1,250,178	67	1,250,245
Loss for the year	**–**	**–**	**–**	**(84,775)**	**(84,775)**	**22**	**(84,753)**
Other comprehensive loss	**–**	**–**	**(53,368)**	**899**	**(52,469)**	**(8)**	**(52,477)**
Total comprehensive loss for the year	**–**	**–**	**(53,368)**	**(83,876)**	**(137,244)**	**14**	**(137,230)**
Share-based payments	**–**	**–**	**830**	**–**	**830**	**–**	**830**
Equity dividends to shareholders of Ferrexpo plc (Note 9)	**–**	**–**	**–**	**(435)**	**(435)**	**–**	**(435)**

Effect from transfer of treasury shares	–	–	13,135	(13,135)	–	–	–
At 31 December 2023	**121,628**	**185,112**	**(2,676,294)**	**3,482,883**	**1,113,329**	**81**	**1,113,410**

Although accounts are published in US dollars and dividends are declared in US dollars, the shares are denominated in UK pounds sterling and dividends are therefore paid in UK pounds sterling. See Note 9 Earnings per share and dividends paid and proposed for dividends paid during the year.

Notes to the Consolidated Financial Statements

Note 1: Corporate information

The financial information set out in this statement does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. This set of financial results was approved by the Board on 17 April 2024. The financial information for the years ended 31 December 2023 and 31 December 2022 has been extracted from the statutory accounts for each year.

The auditors' report on the 2023 statutory accounts was (i) unqualified, (ii) did not contain a statement under section S498(2) or S498(3) of the Companies Act 2006, but (iii) included a separate section with regard to material uncertainties related to going concern as a result of the ongoing war and the application of local legislation in Ukraine in respect of the outcome of the proceedings in which the Group is involved. The audit report also drew attention to the uncertainty in the application of local legislation in Ukraine in respect of the outcome of the proceedings in which the Group is involved and to the uncertainty related to the estimate of the recoverable amount of certain assets of the Group as result of the ongoing war and ongoing legal proceedings in Ukraine. Further details on those uncertainties are provided in Note 2 Basis of preparation, Note 10 Property, plant and equipment and Note 14 Commitments, contingencies and legal disputes included in this announcement.

The audited statutory accounts for the year ended 31 December 2022 have been delivered to the Registrar of Companies. The auditors' report on those accounts was (i) unqualified, (ii) did not contain a statement under section S498(2) or S498(3) of the Companies Act 2006, but (iii) included a separate section with regard to material uncertainties related to going concern as a result of the ongoing war and the application of local legislation in Ukraine in respect of the outcome of the proceedings in which the Group is involved. The audit report also drew attention to the uncertainty in the application of local legislation in Ukraine in respect of the outcome of the proceedings in which the Group is involved and to the uncertainty related to the estimate of the recoverable amount of certain assets of the Group as result of the ongoing war and ongoing legal proceedings in Ukraine.

Ferrexpo plc will publish on or around 30 April 2024 its Annual Report and Accounts for the year ended 31 December 2023 on its corporate website *www.ferrexpo.com.* The audited statutory accounts for the year ended 31 December 2023 will be delivered to the Registrar of Companies following the Company's annual meeting convened for 23 May 2024.

Organisation and structure

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

The ongoing war in Ukraine continued to have a serious impact on the Group's activities in the 2023 financial year, as the Ukrainian Black Sea ports were unavailable for a large part of the year. Following Russia's withdrawal from the Black Sea Grain Agreement, a new alternative corridor for shipments from the Ukrainian Black Sea ports was established, which was also used for non-grain shipments. Although it does have a significant impact on the Group's revenue and its ability to commit to sales volumes to customers in other markets than Europe, the Group has refrained from using this new corridor during the financial year 2023. The Group has managed to continue its operations throughout the 2023 financial year, albeit at a significantly lower level, and had to align its mining and processing plans with the logistics network available for sales to its customers in the various markets as it was done during the financial year 2022. The power supply stabilised in the second quarter of the financial year 2023 and no longer had an adverse effect on the Group's production. As at the date of the approval of these consolidated financial statements, the war is still ongoing and poses a significant threat to the Group's mining, processing and logistics operations within Ukraine. See Note 2 Basis of preparation, Note 4 Revenue and Note 10 Property, plant and equipment for further information.

The largest shareholder of the Group is Fevamotinico S.a.r.l. ("Fevamotinico"), a company incorporated in Luxembourg. Fevamotinico is ultimately wholly owned by The Minco Trust, of which Kostyantin Zhevago and two other members of his family are the beneficiaries. At the time this report was published, Fevamotinico held 49.3% (49.5% as at the time of publication of the 2022 Annual Report and Accounts) of Ferrexpo plc's issued voting share capital (excluding treasury shares).

Note 2: Basis of preparation

Whilst the preliminary announcement has been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted for use in the United Kingdom ("UK adopted IFRS") and with the Companies Act 2006, as applicable to companies reporting under international accounting standards, this announcement does not itself contain sufficient information to comply with IFRS. The Board approved the full financial statements that comply with IFRS on 17 April 2024. The financial statements have been prepared under the historical cost convention as modified by the recording of pension assets and liabilities and the revaluation of certain financial instruments.

The Group's principal risks likely to affect its future development, performance and position are set out on pages 25 to 38. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 15 to 20.

Going concern

As at the date of the approval of these consolidated financial statements, the war in Ukraine is still ongoing and the duration is difficult to predict. During the financial year 2023, the Group continued to demonstrate a high level of commitment and resilience that enabled it to operate at a constant, but lower capacity, with a high degree of flexibility to adapt its operations to such changing circumstances.

The ongoing war and the situation in the country continues to represent a material uncertainty in terms of the Group's ability to continue as a going concern. In addition to the war-related material uncertainty, the Group is also exposed to the risks associated with operating in a developing economy, which may or may not be exacerbated by the war and/or the current circumstances facing the Group's controlling shareholder (see Ukraine country risk on pages 26 to 29). As a result, the Group is exposed to a number of risk areas that are heightened compared to those expected in a developed economy, such as an environment of political, fiscal and legal uncertainties, which represents another material uncertainty as at the date of the approval of these consolidated financial statements.

The war related material uncertainty is predominantly related to the provision and availability of logistics capacity required for the delivery of the Group's products to customers in its key markets, subject to the availability of Black Sea ports in Ukraine. As in the previous financial year, the Group had to adjust during the financial year 2023 its production level to the sales currently possible, which continues to have an impact on the Group's cash flow generation and profitability. However, the Group continued to adapt within the difficult environment by proactively planning how to manage existing uncertainties throughout the year in order to ensure the production of the volumes committed to the Group's customers. The Group's ability to operate its assets also depends on sufficient supply of key input materials required for the mining and production process as well as maintaining an adequate number of experienced and skilled members of the workforce in Ukraine. Further details are outlined in the Principal Risks on pages 25 to 38.

The adverse impact on the Group's cash flow generation from the ongoing war is reflected in the periods covered by the Group's long-term model used for the going concern assessment. As mentioned above, the level of the Group's production remains predominantly dependent on the access to logistic routes within Ukraine as production volume needs to be aligned to possible sales to minimise working capital outflow and maintain a solid net cash position.

As at 31 December 2023, the Group had produced 3,845 thousand tonnes of iron ore pellets, representing a decrease of 36% compared to the year ended 31 December 2022, and sold 4,174 thousand tonnes of its products, compared to 6,183 thousand tonnes during the financial year 2022, which included two months of operations at pre-war levels.

Despite the challenging situation during the financial year 2023, the Group's net cash position increased from US$106,397 thousand at the beginning of the year to US$108,293 thousand as at 31 December 2023, demonstrating the Group's capability to adjust its business operation to the changed environment in order to preserve the available liquidity as much as possible. As at the date of the approval of these consolidated financial statements, the Group is in a net cash position of approximately US$91,300 thousand with an available cash balance of approximately US$96,200 thousand. The decrease of the net cash position is driven by the increase of the Group's production during the first quarter of 2024 to benefit from favourable market conditions and the available alternative shipping corridor in the Black Sea. In addition to the available cash balance, the Group has an outstanding trade receivable balance of approximately US$48,900 thousand from its pellet and concentrate sales in the first quarter of 2024, which are expected to be collected in the next few months, and finished goods already stockpiled at different ports or storage locations other than the plant of 668 thousand tonnes.

The Group's volume of finished goods inventory is expected to reduce over the next few months, but is dependent on the number of shipments using the alternative shipping corridor.

As part of management's going concern assessment, the Group continuously adjusts its long-term model in order to reflect the latest developments in terms of possible production and sales volumes as well as latest market prices and production costs, which are adversely affected by the lower production volumes. This long-term model is also used for the impairment test of the Group's non-current operating assets and the key assumptions used when preparing this model are disclosed in Note 10 Property, plant and equipment on pages 56 and 57.

The latest base case of the long-term model shows that the Group has sufficient liquidity to continue its operations at a reduced level for the entire period of the management's going concern assessment, covering a period of 18 months from the date of the approval of these consolidated financial statements, even allowing for reasonably possible or plausible adverse changes in respect of realised prices, lower production and sales volumes as well as higher production costs. This base case assumes a production volume of 45% of the pre-war level for the financial year 2024, before an increase to approximately 80% in 2025 and an expected recovery to pre-war levels in 2026. However, as mentioned above, the production and sales volumes are dependent on the logistics network available to the Group and other potential adverse effects on the Group's operation as a result of the ongoing war. The sensitivities prepared for reasonable adverse changes show tighter available liquidity under some scenarios, but sufficient available liquidity to operate as planned for the next 18 months.

The Group also prepared reverse stress tests for more severe adverse changes, such as a combination of all reasonably possible or plausible adverse changes in respect of realised prices and production costs, which is unlikely to happen in combination as a result of the historical adverse changes in respect of realised prices and production costs, which is unlikely to happen in combination as a result of the historical natural hedge between iron ore prices and prices for key input materials, as well as lower production and sales volumes, but also for a further delay of the full recovery by another year. The stress test for the most severe adverse changes shows that the Group would deplete its available cash balance by September 2024, without making use of any available mitigating actions within its control, such as further reductions of uncommitted development capital expenditure and operating costs.

As disclosed in the Group's 2022 Annual Report & Accounts, the ongoing war in Ukraine and other circumstances facing the Group have led to an escalation of a number of risks, including risks relating to the political environment and the independence of the legal system in Ukraine, which could have a material negative impact on the Group's business activities and reputation, although the financial impact cannot be reasonably quantified. The Group announced on 29 January 2024 that a Ukrainian court of appeal has confirmed a claim against Ferrexpo Poltava Mining ("FPM") in the amount of UAH4,727 million (US$124,450 thousand as at 31 December 2023), in respect of contested sureties (see Note 14 Commitments, contingencies and legal disputes for further details). The claim and court decision are another example of the risk of operating in a dynamic and adverse political landscape in Ukraine, which creates additional challenges for both the Group's subsidiaries in Ukraine and also for the Group itself. Although the Group's management is of the opinion that this claim is without merit and FPM has appealed this decision to the Supreme Court of Ukraine, considering the magnitude of this specific claim and the risks associated with the judicial system in Ukraine, the outcome of this ongoing legal dispute represents a material uncertainty in terms of the Group's ability to continue as a going concern. In accordance with the requirements of IAS 37 *Provisions, contingent liabilities and contingent assets,* the Group recorded a full provision for this claim as at 31 December 2023, with a consequent significant impact on the Group's result for the financial year 2023. A future cash outflow, which also depends on the details and technicalities of a possible enforcement in the event of a negative decision by the Supreme Court, is likely to have a significant impact on the Group's future cash flow generation and available liquidity.

The Group has assessed that, taking into account:

i) its available cash and cash equivalents;

ii) its cash flow projections, adjusted for the effects caused by the war in Ukraine, for the period of management's going concern assessment covering a period of 18 months from the date of the approval of these consolidated financial statements;

iii) the feasibility and effectiveness of all available mitigating actions within the Group management's control for identified uncertainties; and

iv) the legal merits in terms of the ongoing legal dispute mentioned above and potential future actions available to protect the interests of the Group
in case of a negative decision from the Supreme Court,

there remains a material uncertainty in respect of the ongoing war and the legal dispute in Ukraine, which are outside of the Group management's control, with the duration and the impact of the war still unable to be predicted, and the uncertainty in relation to the independence of the judicial system and its immunity from economic and political influences in Ukraine.

In respect of the contested sureties claim mentioned above, no enforcement procedures have commenced as at the date of the approval of these consolidated financial statements. Furthermore, on 1 April 2024 the Supreme Court suspended the possible enforcement of the decision of the Ukrainian court of appeal, so that such enforcement procedures cannot be initiated by the claimant until a final decision is made by the Supreme Court, or the Supreme Court's suspension order is otherwise lifted. As at the date of the approval of these consolidated financial statements, no decision has been made by the Supreme Court in the contested sureties claim and the next hearing is scheduled for 27 May 2024. The commencement of the enforcement procedures could potentially have a material negative impact on the Group's business activities and its ability to continue as a going concern. See Note 14 Commitments, contingencies and legal disputes for further information, which should be read in conjunction with this note.

A supplier and related party to the Group filed in February 2024 an application to open bankruptcy proceedings ("creditor protection proceedings") against FPM for an amount of UAH2.2 million, which subsequently increased to UAH4.6 million (c. US$117 thousand as at 15 April 2024). It is the Group's intention to settle this debt or seek to extend the payment terms, but noting a previous extension request has been refused by the supplier prior, to avoid the opening of such creditor protection proceedings. However, a possible opening of the creditor protection proceedings might affect FPMs ability to continue as a going concern and, as a consequence, also the Group. See Note 14 Commitments, contingencies and legal disputes for further information, which should be read in conjunction with this note.

As at the date of the approval of these consolidated financial statements, the Group's operations, located adjacent to the city of Horishni Plavni, have not been directly affected by the ongoing war, but this remains a risk. Should the area surrounding the Group's operations become subject to the armed conflict, there would be a significant risk posed to the safety of the Group's workforce and the local community, as well as a significant risk to key assets and the infrastructure required for the Group to operate effectively. See the update on the Group's Principal Risks section on pages 25 to 38 for further information.

Considering the current situation of the ongoing war and legal disputes in Ukraine, mainly the contested sureties claim, the Group's ability to swiftly adapt to the changing circumstances, as demonstrated during the financial years 2023 and 2022, and the results of the management's going concern assessment, the Group continues to prepare its consolidated financial statements on a going concern basis. However, as explained above, many of the identified uncertainties in respect of the ongoing war and legal disputes in Ukraine are outside of the Group management's control and are unpredictable, which may cast significant doubt upon the Group's ability to continue as a going concern, including a potential seizure or forced sale of the Group's assets in Ukraine, including movable, immovable and financial assets, in respect of the contested sureties claim. See Note 10 Property, plant and equipment and Note 11 Inventories for further information.

For more information on critical judgements made by management in preparing these consolidated financial statements, see also Note 14

Commitments, contingencies and legal disputes in respect of other ongoing legal proceedings and disputes.

If the Group is unable to continue to realise assets and discharge liabilities in the normal course of business, it would be necessary to adjust the amounts in the statement of financial position in the future to reflect these circumstances, which may materially change the measurement and classification of certain figures contained in these consolidated financial statements.

Impact of climate change on the Group's financial statements

The Group acknowledges the potential impact of climate change on its operations and understands that there are potential direct and indirect financial implications from the climate change in future periods.

As published in the Group's Responsible Business Reports, the Group has committed to reduce its Scope 1 and Scope 2 carbon emissions by 50% by 2030, compared to the baseline year of 2019, and is targeting a net zero production for Scope 1 and Scope 2 carbon emissions by 2050.

Despite the ongoing war in Ukraine, the Group remains committed to its net zero pathway, however, it is important to acknowledge that the Group is operating in a challenging environment, which requires the fast adaption to new circumstances and uncertainties that are outside of the Group's control. As a result, there is a risk that the Group may also need to adapt its carbon emission reduction and net zero targets, depending on the duration and impact of the ongoing war in Ukraine. See Going concern on pages 46 to 48 for further information.

The ongoing war in Ukraine continues to have an impact on the Group's cash flow generation and profitability. As a result, certain projects related to the Group's Scope 1 and Scope 2 carbon emission targets and the net zero pathway have been halted at the start of the war in February 2022 and, as a consequence, the Group has not entered into any significant commitments for the renewal and replacement of its processing and mining equipment at Ukrainian operations.

Physical risks

The Group is aware of the potential increased risks that climate change could pose to its assets in Ukraine. However, there is no immediate risk at this time and the Group will continue to monitor and consider these risks when planning the renewal and replacement of its existing non-current operating assets.

Transition risks

The Group is aware of a potential shift towards a low-carbon economy and the potential implications for its business models, which could affect market demand for its iron ore products in the medium to long term. The Group is already in the position to produce Direct Reduction ("DR") pellets and continues to monitor the market and invests in customer relationships in order to secure fixed supply volumes in the short, medium and long term. The shift does not affect the Group's finished goods on stock as at 31 December 2023 as these are still in demand and expected to be sold in the coming months.

The transition risks as well as the Group's Scope 1 and Scope 2 carbon emission targets and the net zero pathway could also have an impact on the Group's processing and mining equipment required in the future. In absence of any significant commitments for processing and mining equipment as at 31 December 2023, there is no significant impact on the expected remaining useful lives of the Group's non-current operating assets at this time. Furthermore, the Group assumes that its critical non-current operating assets will continue to be an essential part of the Group's business activities in the future. The Group will continue to monitor and consider these risks when planning the renewal and replacement of its existing non-current operating assets.

At the time of approval of these consolidated financial statements, no significant changes to the Group's mine plan are expected that could have a material impact on the Group's non-current operating assets, which are amortised using the unit of production method, or on the recognised site restoration provisions.

There are a number of work streams underway to develop the Group's decarbonisation pathway and creating a structure on which to plan and prioritise future investments. This pathway is however also dependent on the duration and impact of the ongoing war in Ukraine. The Group's business model will be updated as soon as there is more clarity about the current situation in Ukraine and the exact path of the Group's decarbonisation pathway, including commitments made for the renewal and replacement of processing and mining equipment.

For further information see Risks relating to climate change in the Group's Principal Risk section on page 38.

Changes in accounting policies

New standards and interpretations adopted

The accounting policies and methods of computation adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022 except for the adoption of new standards, interpretations and amendments to UK adopted IFRS effective as at 1 January 2023.

All new standards, interpretations and amendments adopted as of 1 January 2023 did not have a material impact on the Group's consolidated financial statements for the year ended 31 December 2023. Full disclosure of the list of new standards, interpretations and amendments adopted during the year will be provided in Note 3 New accounting policies included in the Group's 2023 Annual Report and Accounts.

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

Use of critical estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make estimates and judgements that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and judgements are based on information available as at the date of authorising the consolidated financial statements for issue. Actual results could therefore differ from those estimates and judgements.

The Group identified a number of areas involving the use of critical estimates and judgements made by management in preparing the consolidated financial statements and supporting information is embedded within the following disclosure notes:

Critical estimates

Note 10 Property, plant and equipment - impairment consideration as a result of the ongoing war in Ukraine

The most critical estimate made by the management is in respect of the timing when the Group's operation is expected recover to pre-war levels. As disclosed in Note 10 Property, plant and equipment, there is a risk of material adjustments in future periods in case of a delay of the recovery to pre-war levels. In addition, the duration and impact of the ongoing war in Ukraine could pose a further risk for significant adjustments in future periods.

Critical judgements

Note 2 Basis of preparation - going concern assumption

Note 8 Taxation - transfer pricing claims, tax legislation in Ukraine and development in international tax environment

Note 14 Commitments, contingencies and legal disputes - assessment of matters in an environment of political, fiscal and legal uncertainties

The consideration of the impact of climate change on the Group's financial statements did not require critical estimates and judgements when preparing the consolidated financial statements as at 31 December 2023. See Note 2 Basis of preparation for further details.

Note 3: Segment information

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

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

Underlying EBITDA and gross profit

The Group presents the underlying EBITDA as it is a useful measure for evaluating its ability to generate cash and its operating performance.

US$000	Notes	**Year ended 31.12.23**	Year ended 31.12.22
(Loss)/profit before tax and finance		**(60,363)**	405,673
Losses on disposal and liquidation of property, plant and equipment		**11**	1,665
Share-based payments		**830**	490
Write-offs and impairments	5	**978**	260,308
Recognition of provisions for legal disputes	14	**131,117**	–
Depreciation and amortisation		**57,669**	96,977
Underlying EBITDA		**130,242**	765,113

In agreement with the Group's definition of the underlying EBITDA (see page 66 in the Alternative Performance Measures "APMs" section), the Group's underlying EBITDA includes operating foreign exchange gains of US$31,371 thousand as of 31 December 2023 (2022: US$339,439 thousand). These foreign exchange differences are predominantly dependent on the fluctuation of the exchange rate of the Ukrainian hryvnia against the US dollar. See Note 6 Foreign exchanges losses and gains for further information.

US$000	Notes	**Year ended 31.12.23**	Year ended 31.12.22
Revenue	4	**651,795**	1,248,490
Cost of sales	5	**(362,495)**	(582,445)
Gross profit		**289,300**	666,045

Net cash

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

US$000	Notes	**As at 31.12.23**	As at 31.12.22
Cash and cash equivalents	12	**115,241**	112,945
Interest-bearing loans and borrowings - current	13	**(5,939)**	(5,194)
Interest-bearing loans and borrowings - non-current	13	**(1,009)**	(1,354)
Net cash		**108,293**	106,397

Net cash is an APM. Further information on the APMs used by the Group, including the definitions, is provided on pages 66 and 67.

Disclosure of revenue and non-current assets

The Group does not generate significant revenues from external customers attributable to the UK, the Company's country of domicile. The information on the revenues from external customers attributed to the individual foreign countries is given in Note 4 Revenue. The Group does not have any significant non-current assets that are located in the country of domicile of the Company. The vast majority of the non-current assets are located in Ukraine.

Note 4: Revenue

Revenue for the year ended 31 December 2023 consisted of the following:

US$000	**Year ended 31.12.23**	Year ended 31.12.22
Revenue from sales of iron ore pellets and concentrate	**598,909**	1,144,079
Freight revenue related to sales of iron ore pellets and concentrate	**652**	43,557
Total revenue from sales of iron ore pellets and concentrate	**599,561**	1,187,636
Revenue from logistics and bunker business	**45,343**	54,491
Revenue from other sales and services provided	**6,891**	6,363
Total revenue	**651,795**	1,248,490

The sales through the Black Sea port of Pivdennyi to the markets outside of Europe have represented approximately half of the Group's sales prior to the Russian invasion into Ukraine in February 2022. As a result of the ongoing war in Ukraine, the Group's seaborne sales through the port of Pivdennyi have still been suspended as the port was unavailable for a large part of the year. The Group continued to divert its iron ore pellet sales during the financial year 2023 to the European market through the available railway network and its barging operations on the Danube. The market in Europe was, however, not able to absorb all the volumes that would have been sold to other markets with ocean-going vessels. Following Russia's withdrawal from the Black Sea Grain Agreement, a new alternative corridor for shipments from the Ukrainian Black Sea ports was established, which was also used for non-grain shipments. Although it does have a significant impact on the Group's revenue and its ability to commit to sales volumes to customers in other markets than Europe, the Group has refrained from using this new corridor during the financial year 2023 due to the associated risks.

Revenue for the year ended 31 December 2023 includes the effect from the derecognition of contract liabilities of US$75 thousand (2022: US$7,648 thousand) deferred as revenue in the comparative year ended 31 December 2022 as the performance obligations were not fulfilled and were included in the balance of the contract liabilities. There was no deferral of freight related revenue for the year ended 31 December 2023 due to the absence of sales under the Incoterms CFR.

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

US$000	**Year ended 31.12.23**	Year ended 31.12.22
Europe, including Turkey	***599,869***	*944,859*
Austria	***258,853***	*460,492*
Czech Republic	***115,873***	*148,128*
Slovakia	**–**	*138,302*
Turkey	***122,556***	*86,640*
Germany	***64,981***	*38,195*
Others	***37,606***	*73,102*
China & South East Asia	**(83)**	164,397
North East Asia	**–**	47,496
Middle East & North Africa	**(225)**	29,982
North America	**–**	902
Total sales of iron ore pellets and concentrate	**599,561**	1,187,636

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. The Group's sales of iron ore pellets and concentrate were significantly impacted by the ongoing war in Ukraine during the financial years 2023 and 2022. Due to the start of the war at the end of February 2022, the Group's operations in the financial year 2022 include two months at pre-war levels, as the Group's seaborne sales through the port of Pivdennyi have been suspended and sales had to be diverted to the market in Europe at the point of time of the Russian invasion into Ukraine.

During the year ended 31 December 2023, sales made to four customers accounted for 81% of the revenues from sales of iron ore pellets and concentrate (2022: 70%).

Sales to customers that individually represented more than 10% of total sales in either current or prior year are as follows:

US$000	**Year ended 31.12.23**	Year ended 31.12.22
Customer A	**258,853**	461,394
Customer B	**115,873**	148,128
Customer C	**–**	138,302

Customer C	–	138,362
Customer D	**109,661**	86,633

Considering the constraints imposed by the ongoing war, the Group was not able to fulfil the demands from all its customers since the beginning of the war in Ukraine in February 2022 and sales volumes were therefore allocated to markets and customers based on logistics and market considerations. Relationships with long-standing customers are maintained and the Group expects to be able to meet their demand again as soon as the geopolitical situation in Ukraine improves.

Note 5: Operating expenses

Operating expenses for the year ended 31 December 2023 consisted of the following:

US$000	**Year ended 31.12.23**	Year ended 31.12.22
Cost of sales	**362,495**	582,445
Selling and distribution expenses	**161,315**	236,085
General and administrative expenses	**63,509**	63,847
Other operating expenses	**28,788**	309,669
Total operating expenses	**616,107**	1,192,046

Total operating expenses include:

US$000	**Year ended 31.12.23**	Year ended 31.12.22
Inventories recognised as an expense upon sale of goods	**339,349**	540,010
Employee costs (excl. logistics and bunker business)	**73,924**	92,144
Inventory movements	**3,910**	(52,953)
Depreciation of property, plant and equipment and right-of-use assets	**56,294**	95,127
Amortisation of intangible assets	**1,375**	1,851
Royalties	**24,693**	43,461
Costs of logistics and bunker business	**57,739**	55,916
Audit and non-audit services	**1,924**	2,073
Community support donations	**3,781**	14,536
Write-offs and impairments	**978**	260,308
Losses on disposal and liquidation of property, plant and equipment	**11**	1,665

US$000	Notes	**As at 31.12.23**	As at 31.12.22
Write-off of inventories		**177**	269
Write-off of property, plant and equipment	10	**606**	5,562
Write-off of receivables and prepayments		**195**	–
Total write-offs		**978**	5,831
Impairment of property, plant and equipment	10	**–**	219,931
Impairment of goodwill and other intangible assets		**–**	29,103
Impairment of other non-current assets		**–**	5,443
Total impairments		**–**	254,477
Total write-offs and impairments		**978**	260,308

Impairment of property, plant and equipment, goodwill and other intangible assets as well as of other non-current assets for the comparative year ended 31 December 2022 are caused by the Russian invasion into Ukraine in February 2022. See Note 10 Property, plant and equipment for further information.

Auditor remuneration

US$000	**Year ended 31.12.23**	Year ended 31.12.22
Audit services		
Ferrexpo plc Annual Report and Accounts	**1,334**	1,631
Subsidiary entities	**317**	185
Total audit services	**1,651**	1,816
Audit-related assurance services	**273**	255
Total audit and audit-related assurance services	**1,924**	2,071
Non-audit services		
Other services	**–**	2
Total non-audit services		2

Total non-audit services	**–**	2
Total auditor remuneration	**1,924**	2,073

Auditor remuneration paid is in respect of the audit of the financial statements of the Group and its subsidiary companies and, when applicable, for the provision of other services not in connection with the audit. Audit services for the comparative year ended 31 December 2022 include US$242 thousand relating to year-end audit for the financial year 2021 for additional costs incurred as a result of the war in Ukraine.

Note 6: Foreign exchange gains and losses

Foreign exchange gains and losses for the year ended 31 December 2023 consisted of the following:

US$000	**Year ended 31.12.23**	Year ended 31.12.22
Operating foreign exchange gains		
Conversion of trade receivables	**31,685**	340,189
Conversion of trade payables	**(177)**	(623)
Other	**(137)**	(127)
Total operating foreign exchange gains	**31,371**	339,439
Non-operating foreign exchange losses		
Conversion of interest-bearing loans	**(11,740)**	(77,678)
Conversion of cash and cash equivalents	**1,895**	9,711
Other	**1,911**	4,470
Total non-operating foreign exchange losses	**(7,934)**	(63,497)
Total foreign exchange gains	**23,437**	275,942

The translation differences and foreign exchange gains and losses were in the past predominantly dependent on the fluctuation of the exchange rate of the Ukrainian hryvnia against the US dollar and the outstanding US dollar denominated receivable balances in Ukraine. A devaluation of the local currency has generally a positive effect on the Group's production costs and results in operating foreign exchange gains on the conversion of the Ukrainian subsidiaries' trade receivables denominated in US dollar. The effect arising on the translation of non-US dollar functional currency operations, mainly in Ukrainian hryvnia, are included in the translation reserve.

The Ukrainian hryvnia remained unchanged at 36.568 to the US dollar from 21 July 2022 to 30 September 2023, when the National Bank of Ukraine ("NBU") lifted the peg that had been in place since the devaluation of the local currency from 29.255 to 36.568 (34%). As a result of the significant balance in foreign currencies currently held by the NBU, the local currency remained relatively stable until the end of the financial year 2023, compared to a depreciation of the Ukrainian hryvnia of c. 34% during the financial year 2022 resulting in significant foreign exchange gains and reduction of the Group's net assets as assets and liabilities of the Ukrainian subsidiaries are denominated in the local currency.

The table below shows the closing and average rates of the most relevant currencies of the Group compared to the US dollar.

	Average exchange rates		Closing exchange rates	
Against US$	**As at 31.12.23**	As at 31.12.22	**Year ended 31.12.23**	Year ended 31.12.22
UAH	**36.574**	32.342	**37.982**	36.569
EUR	**0.925**	0.951	**0.906**	0.934

Note 7: Net finance expense

Finance expense and income for the year ended 31 December 2023 consisted of the following:

US$000	**Year ended 31.12.23**	Year ended 31.12.22
Finance expense		
Interest expense on loans and borrowings	**–**	(479)
Less capitalised borrowing costs	**–**	479
Net interest on defined benefit plans	**(2,640)**	(2,678)
Bank charges	**(1,118)**	(871)
Interest expense on lease liabilities	**(85)**	(233)
Other finance costs	**(859)**	(664)
Total finance expense	**(4,702)**	(4,446)
Finance income		
Interest income	**4,602**	888
Other finance income	**(4)**	41
Total finance income	**4,598**	929
Net finance expense	**(104)**	(3,517)

With the exception of lease liabilities, the Group does not have any outstanding interest-bearing loans and borrowings and borrowing costs are therefore no longer capitalised.

Note 8: Taxation

Critical judgements

Tax legislation

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

Two audits were initiated by the State Tax Service of Ukraine ("STS"), formerly known as State Fiscal Service of Ukraine ("SFS"), on 18 February 2020 in relation to the sale of iron ore products by the Group's major subsidiary in Ukraine during the financial years 2015 to 2017. On 14 June 2021, the STS commenced another tax audit for the financial years 2015 to 2017 for cross-border transactions of another Ukrainian subsidiary with the same two subsidiaries of the Group outside of Ukraine. The Group's two major subsidiaries in Ukraine received the tax audit reports on 13 September 2023 and 8 November 2023, stating potential claims for underpayment of corporate profit taxes in Ukraine of UAH2,162 million (US$56,921 thousand as at 31 December 2023), including fines and penalties, and UAH259 million (US$6,819 thousand as at 31 December 2023), without fines and penalties, respectively. Both subsidiaries filed the objections against the potential claims stated in the tax audit reports received. The amount stated in one of the tax audit reports is excluding potential fines and penalties and the magnitude of fines and penalties for this specific claim will be known only once the final tax reports are issued by the tax authorities.

Based on past experience, it is to be expected that no agreements will be reached with the tax authorities and that the claims will be heard by the courts in Ukraine.

In relation to claims made by the SFS regarding a tax audit of cross-border transactions for the period from 1 September 2013 to 31 December 2015 at the Group's major subsidiary in Ukraine, the Supreme Court of Ukraine ruled on 27 June 2022 partially in favour of the SFS, despite two favourable verdicts received by the Group's subsidiary from lower courts. As a result of this court decision, an amount of UAH234 million (US$7,999 thousand) became a legally binding obligation and was paid in July 2022.

Despite the partially negative verdict of the Supreme Court mentioned above, the Group continues to believe that it has complied with the applicable legal provisions in all its cross-border transactions based on the relevant technical grounds, including those during the financial years 2015 to 2017 for which substantial claims have been received. It is the Group's position that the STS used the previous verdict of the Supreme Court as a precedent for the claims made, although the court did not appropriately consider relevant technical grounds and the applicable legislation when ruling on this specific case.

In terms of the new claims received, the Group will continue to defend its methodology applied to determine the prices between its subsidiaries in the Ukrainian courts, but there is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld. As at the date of the approval of these consolidated financial statements, no final court decisions have been made for the claims received by two of the Group's Ukrainian subsidiaries totalling UAH2,162 million (US$56,921 thousand as at 31 December 2023) and UAH259 million (US$6,819 thousand as at 31 December 2023) and, as a consequence, no provisions have been recorded as at 31 December 2023, neither for the claims received nor for any subsequent years, which might also be material, as it is impossible to reasonably quantify the potential exposure. See Note 14 Commitments, contingencies and legal disputes on page 59 for further information.

Separate from the cases mentioned above, on 23 June 2020 Ferrexpo Poltava Mining ("FPM") received a court ruling, which grants access to information and documents to the State Bureau of Investigation in Ukraine ("SBI") in relation to the sale of iron ore products to two subsidiaries of the Group outside of Ukraine during the years 2013 to 2019. FPM cooperated with the SBI and provided the requested information as per the court ruling in order to support these investigations. There had been no actions or any new requests from the SBI until 20 October 2023, when the SBI raided the offices of FPM with the intention to collect documents and information for ongoing transfer pricing investigations.

As required by IFRIC 23 *Uncertainty over income tax treatments*, the Group reviewed and reassessed its exposure in respect of all uncertain tax positions, including the claims received and for cross-border transactions in subsequent years under the provisions of this interpretation. The Ukrainian legislation and regulations on taxation are not always clearly written and are therefore subject to varying interpretations and inconsistent enforcement by local, regional and national tax authorities. Considering the uncertainties of the legal and tax framework in Ukraine, the Group will defend its pricing methodology applied during all the years in the courts in Ukraine. An unfavourable outcome of any future court proceedings would have an adverse impact on the Group's total income tax expense and effective tax rate in future periods, as it was the case during the financial year 2022 in respect of the legally binding decision of the Supreme Court. See also the Principal Risks section on pages 26 to 29 for further information on the Ukraine country risk.

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

The income tax expense for the year ended 31 December 2023 consisted of the following:

US$000	**Year ended 31.12.23**	Year ended 31.12.22
Current income tax		
Current income tax charge	**12,672**	100,064
Amounts related to previous years	**(1,601)**	6,389

Total current income tax	**11,071**	106,453
Deferred income tax		
Origination and reversal of temporary differences	**5,281**	12,209
Total deferred income tax	**5,281**	12,209
Total income tax expense	**16,352**	118,662

The net balance of income tax payable changed as follows during the financial year 2023:

US$000	Year ended 31.12.23	Year ended 31.12.22
Opening balance	**(15,890)**	(36,502)
Charge in the consolidated income statement	**(11,071)**	(106,453)
Booked through other comprehensive (loss)/income	**1,479**	13,036
Tax paid	**12,779**	110,243
Translation differences	**(67)**	3,786
Closing balance	**(12,770)**	(15,890)

The net income tax payable as at 31 December 2023 consisted of the following:

US$000	**As at 31.12.23**	As at 31.12.22
Income tax receivable balance	**2,432**	4,674
Income tax payable balance	**(15,202)**	(20,564)

The weighted average statutory corporate income tax rate is calculated as the average of the statutory tax rates applicable in the countries in which the Group operates, weighted by the profits and losses before tax of the subsidiaries in the respective countries, as included in the consolidated financial information. The weighted average statutory corporate income tax rate for the financial year 2023 was 11.7%, before the effect of the recognised provisions for legal disputes in the amount of US$131,177 thousand in the consolidated income statement (2022: 13.8%).

The Group operates across a number of jurisdictions and its effective tax rate is subject to various factors outside of the Group's control. This includes the volatility in the global iron ore pellet market and foreign exchange rate movements, primarily between the Ukrainian hryvnia and the US dollar. The effective tax rate of the financial year 2023 was 26.1%, before the effect of the recognised provisions for legal disputes in the amount of US$131,177 thousand in the consolidated income statement, compared to 35.0% for the comparative year ended 31 December 2022.

The effective tax rate for the financial year 2023, before the effect of the recognised provisions for legal disputes, was affected by the release of a tax provision for a previous year of US$7,174 thousand, an additional allowance on deferred tax assets of US$10,145 thousand and withholding tax expense on intercompany dividends of US$3,943 thousand to be included in the corporate profit tax expense of the financial year 2023. Without these effects, the effective tax rate for the financial year 2023 would have been 15.1%. The effective tax rate for the comparative year ended 31 December 2022 was affected by the fact that no deferred tax asset was recognised for the temporary differences resulting from a recorded impairment loss of US$254,477 thousand on the Group's non-current operating assets, which is not tax deductible in Ukraine. Further to that, the Group recorded an allowance of US$10,749 thousand on deferred tax assets recognised by two of the Group's subsidiaries in Ukraine. Without these two effects, the effective tax rate for the financial year 2022 would have been 18.2%.

The net deferred income tax assets as at 31 December 2023 consisted of the following:

US$000	**As at 31.12.23**	As at 31.12.22
Total deferred tax assets	**10,149**	14,471
Total deferred tax liabilities	**(2,729)**	(1,347)
Net deferred tax assets	**7,420**	13,124

The net deferred tax asset balance of US$7,420 thousand (2022: US$13,124 thousand) includes net deferred tax assets totalling US$9,524 thousand (2022: US$14,448 thousand) related to temporary differences of the Group's two major subsidiaries in Ukraine, with the remaining balance reflecting deferred tax liabilities of subsidiaries outside of Ukraine. The recoverability of these deferred tax assets depends on the level of taxable profits realised by the two subsidiaries in future periods and the duration of the unwind of the temporary differences. Considering the material uncertainty in terms of the Group's going concern, the relevant period for the recovery of the recognised net balance of deferred tax assets has been aligned to the period of the going concern assessment. Considering the expected taxable profits of the Ukrainian subsidiaries for the period covered by the going concern assessment, additional allowances of US$10,145 thousand were booked during the financial year 2023 as a result of uncertainties in terms of the timing of the unwind of some of the temporary differences. The level of taxable profits in Ukraine depends on many factors, such as the volatility in the global iron pellet market and foreign exchange rate changes, but also on the implications of the ongoing war in Ukraine, mainly in terms of the available logistics network.

As at 31 December 2023, the Group had available tax loss carry forwards in the amount of US$86,883 thousand (2022: US$83,105 thousand) for which no deferred tax assets were recognised. US$41,614 thousand (2022: US$39,585 thousand) of those losses do not expire and are related to losses incurred in Ukraine and Hungary. US$38,406 thousand (2022: US$30,252 thousand) expires after seven years or more and are related to losses incurred in Hungary and Ukraine. The remaining balance of US$6,863 thousand (2022: US$13,268 thousand) expires in less than seven years and is primarily related to losses incurred in Hungary.

No deferred tax liabilities have been recognised on temporary differences in the amount of US$517,838 thousand (2022: US$663,536 thousand) arising from undistributed profits from subsidiaries as no distributions are planned. Other temporary differences of US$442,192 thousand have not been recognised as at 31 December 2023 (2022: US$270,939 thousand). The vast majority relates to provisions for legal disputes totalling US$128,050 thousand recognised as at 31 December 2023 in Ukraine and to an impairment loss of US$254,477 thousand recorded during the comparative year ended 31 December 2022, mainly in Ukraine, on property, plant and equipment.

BEPS - Pillar Two

Whilst the Group's consolidated revenues are less than EUR750 million for the financial year 2023, it is considered to be in the scope of the BEPS Pillar Two Model Rules as the consolidated revenues for the financial years 2022 and 2021 were well above the threshold set.

The Group makes use of the temporary exception issued by the IASB in May 2023 in respect of the accounting requirements for deferred taxes under IAS 12. As a result, the Group does neither recognise nor disclose any information on deferred tax assets and liabilities related to Pillar Two income taxes in its consolidated financial statements for the financial year 2023.

Although the Group's effective tax rate for the financial year 2023 is well above the minimum tax rate of 15.0%, there are still some jurisdictions with enacted statutory tax rates where the Group is operating below the minimum tax rate set under the BEPS Pillar Two Model Rules. The Group currently operates in two key jurisdictions with relevant statutory income tax rates below 15.0%. On 22 December 2023, the Swiss government, where Ferrexpo plc, the parent company of the Group, has its tax domicile, enacted the Pillar Two income taxes legislation effective from 1 January 2024. The legislation in Switzerland currently only provides for the Qualifying Domestic Minimum Top-up Tax ("QDMTT") and the implementation of the other elements of the BEPS Pillar Two Rules, including the Income Inclusion Rule ("IIR") and the Undertaxed Profits Rule ("UTPR") is postponed.

As a result of the legislation enacted in Switzerland, the Group's subsidiaries in Switzerland will become subject to the QDMTT for the taxable profits from the financial year 2024 onwards. Based on the BEPS Pillar Two Global Anti-Base Erosion ("GloBE") Model Rules, the parent company of the Group, Ferrexpo plc with its tax domicile in Switzerland, is considered to be the Ultimate Parent Entity ("UPE"). Considering the fact that Switzerland postponed the implementation of the IIR, profits generated in jurisdictions with tax rates below the global minimum tax rate of 15.0% are expected to be taxed by another jurisdiction in which the Group operates, until the IIR is also implemented by Switzerland. Considering the circumstances under which the Group has to operate due to the ongoing war in Ukraine, it is currently impossible to reasonably forecast the profit split by jurisdiction for the financial year 2024 and beyond.

Based on the profit split for the financial year 2023 and considering the effects from the QDMTT and the IIR under the BEPS Pillar Two GloBE Model Rules, the impact on the Group's income tax expense is expected to be insignificant.

The Group's future effective tax rate, before any special items included in the profit before tax for the period and the income tax expense, is expected to be in a range of 16.0% to 19.0%. The Group's effective tax rate is also dependent on the volatility in the global iron ore pellet market and on foreign exchange rate movements, primarily between the Ukrainian hryvnia and the US dollar, and any one-off events, such as impairment losses that might not be tax deductible in some jurisdictions.

Note 9: Earnings per share and dividends paid and proposed

Distributable reserves

Ferrexpo plc (the "Company") is the Group's holding company, with no direct operating business, so its ability to make distributions to its shareholders is dependent on its ability to access profits held in the subsidiaries. The Group's consolidated retained earnings shown in the consolidated statement of changes in equity do not reflect the profits available for distribution in the Group as at 31 December 2023.

	Year ended 31.12.23	Year ended 31.12.22
(Loss)/earnings for the year attributable to equity shareholders - per share in US cents		
Basic	**(14.41)**	37.41
Diluted	**(14.41)**	37.35
(Loss)/profit for the year attributable to equity shareholders - US$000		
Basic and diluted (loss)/earnings	**(84,753)**	219,997
Weighted average number of shares - thousands		
Basic number of Ordinary Shares outstanding	**588,274**	588,017
Effect of dilutive potential Ordinary Shares	**8,847**	931
Diluted number of Ordinary Shares outstanding	**597,121**	588,948

Dividends proposed and paid

The Group announced on 18 January 2024 an interim dividend of 3.3 US cents, which was due for payment to the shareholders on 23 February 2024. Following subsequent and unexpected events in Ukraine relating to a claim against one of the Group's Ukrainian subsidiaries (see Note 14 Commitments, contingencies and legal disputes for further information), the Group announced on 20 February 2024 the decision to withdraw the interim dividend. Taking into account the provisions of the Companies Act 2006 and relevant thin capitalisation rules, the total available distributable reserves of Ferrexpo plc is US$119,520 thousand as at 31 December 2023 (2022: US$118,624 thousand).

Future distributable reserves at the Ferrexpo plc level are also dependent on the payment of dividends by the subsidiaries to the respective parent companies within the Group. Distributable profits at subsidiaries' level are also subject to potential impairment losses to be or already recorded in the respective stand-alone statutory financial statements as a result of war-related uncertainties. Certain Group companies are currently restricted from paying dividends outside of Ukraine as a result of Ukrainian currency control measures imposed under Martial Law.

Furthermore, the uncertainties related to the political environment and the independence of the legal system and other circumstances facing the Group (see Note 14 Commitments, contingencies and legal disputes) could also have a negative impact on Ferrexpo plc's ability and potential for future dividend payments. As at 31 December 2023, one of the Group's subsidiaries in Ukraine recognised provisions for legal disputes totalling US$128,050 thousand reducing the distributable profits of this subsidiary by this amount. Although this subsidiary still has a considerable amount of distributable profits, an outflow of funds in this amount would have an adverse impact on the Group's available liquidity for potential future dividend payments.

US$000	**Year ended 31.12.23**
Dividends paid during the year	
Dividends on vested awards	**456**
Total dividends paid during the year	**456**

Dividends paid during the financial year 2023 totalled US$456 thousand and related to the Group's share-based scheme.

Although accounts are published in US dollars and dividends are declared in US dollars, the shares are denominated in UK pounds sterling and dividends are therefore paid in UK pounds sterling.

US$000	Year ended 31.12.22
Dividends paid during the year	
Final dividend for 2021: 6.6 US cents per Ordinary Share	38,679
Interim dividend for 2022: 13.2 US cents per Ordinary Share	76,899
Interim dividend for 2021: 6.6 US cents per Ordinary Share	39,517
Total dividends paid during the year	155,095

Note 10: Property, plant and equipment

During the year ended 31 December 2023, the additions to property, plant and equipment totalled US$112,093 thousand (31 December 2022: US$200,329 thousand) and the net book value of the disposals of property, plant and equipment totalled US$4,216 thousand (31 December 2022: US$22,799 thousand). The total depreciation charge for the year was US$58,888 thousand (31 December 2022: US$94,162 thousand).

The carrying value of property, plant and equipment includes capitalised borrowing costs on qualifying assets totalling US$32,110 thousand (31 December 2022: US$35,694 thousand).

See Note 2 Basis of preparation in respect of the impact of climate change on the Group's financial statements.

Critical estimates

As at the date of the approval of these consolidated financial statements, the war in Ukraine is still ongoing and the duration is difficult to predict.

During the financial year 2023, the Group continued to demonstrate a high level of commitment and resilience that enabled it to operate at a constant, but lower capacity, with a high degree of flexibility to adapt its operations to changing circumstances.

The ongoing war continues to have an adverse impact on the Group's production volume and cash flow generation and it is expected that this will continue to be the case until the war comes to an end. The unavailability of the Port of Pivdennyi in Ukraine had a significant adverse impact on the Group's seaborne sales and consequently on its cash flow generation during the financial year 2023.

The Group's impairment test is based on cash flow projections over the remaining estimated lives of the GPL and the Yerystivske deposits, which are expected to expire in 2058 and 2048, respectively, according to the current approved mine plans. The cash flow projection is based on a financial long-term model approved by senior management and the estimated future production volumes do not take into account the effects of expected future mine life extension programmes. Several significant judgements and estimates are used when preparing the financial long-term model of the Group, which are, together with the key assumptions used, reviewed by the Audit Committee with specific consideration given to the realistically plausible production volumes in light of the current situation in the country, sales price and production cost forecasts as well as the discount rate used to discount the cash flows.

The long-term model was updated in January 2024 using management's best estimate of reasonably conservative key assumptions, taking also into account the current circumstances the Group has to operate in. In terms of the key assumptions used, an average iron ore price of US$105 per tonne of 65% Fe fines CFR North China was used in the assumptions for the cash flow projection for the next five years. When assessing its expected future long-term selling price, the Group considers external and internal analysis of the short-term and longer-term supply and demand dynamics on the international market for iron ore products as well as more specific local supply and demand balances affecting its major customers. The level of the Group's production remains predominantly dependent on the access to logistic routes within Ukraine as the production volume is still to be aligned to currently possible sales to minimise working capital outflow and maintain a solid net cash position. As a result, the production capacity used for the base-case cash flow projection is expected to be approximately 45% of the pre-war level for the financial year 2024, before an increase to approximately 80% in 2025 and an expected recovery to pre-war levels in 2026. The increase of the future production capacity planned for years covered by the long-term model before the war started has been adversely affected as the work on certain growth projects had to be slowed down or even halted to preserve the Group's available liquidity in light of the lower cash flow generation. There is no perpetual growth rate applied for the cash flow projections beyond the last year covered by the Group's long-term model. Expected production and shipping costs are determined by considering local inflationary pressures, major exchange rate developments between the Ukrainian hryvnia and the US dollar, the short-term and longer-term trends in energy supply and demand and the expected movements in steel-related commodity prices, which affect the cost of certain production input materials. An average devaluation of the hryvnia of 6.5% per year was assumed over the next five years in the Group's cash flow projection, with the expected local inflation having an offsetting effect.

The key assumptions used for the preparation of the Group's long-term model are:

Key assumptions	Basis
Future sales and production	Proved and probable reserves and available logistics capacity and power supply
Commodity prices	Contract prices and longer-term price estimates
Capital expenditures	Future sustaining capital expenditures
Cost of raw materials and other production/distribution costs	Expected future cost of production
Exchange rates	Longer-term predictions of market exchange rates
Nominal pre-tax discount rate	Cost of capital risk adjusted for the resource concerned

The outcome of the Group's impairment test is predominantly dependent on the forecasted cash flow generation and the nominal pre-tax discount rate to be applied. The WACC of 23.0% (31 December 2022: 23.4%) is still significantly higher than the pre-war WACC of 13.8% as at 31 December 2021 and reflects the current situation in the country as underlying macro-economic data is still adversely affected by the war in Ukraine. Based on the base case of the Group's impairment test prepared for the 2023 year-end accounts, there is no additional impairment loss on the Group's single cash-generating unit's operating non-current assets, including property, plant and equipment as well as other intangibles assets and other non-current assets, to be recognised as at 31 December 2023. The key assumptions in respect of production and sales volumes, and of production costs, are largely dependent on the easing of the war-related risks facing the Group's business in Ukraine, and therefore a wide range of alternative outcomes are possible, reflecting a high level of uncertainty.

A delay of the recovery of the production and sales volumes to a pre-war level by another year, with all other assumptions remaining unchanged, would reduce the value in use of the Group's non-current operating assets by approximately US$393,500 thousand. A reduction of the realised price by 10% in 2024 and 5% for each year until 2048 would reduce the value in use by approximately US$227,100 thousand and a decrease of the production and sales volume by 10%, combined with an increase of the production costs by 5%, again for the entire period of the assessment, would reduce the value in use by approximately US$274,300 thousand whereas every 1.0% increase of the nominal pre-tax discount rate would impact the value in use by approximately US$52,600 thousand, with all other assumptions remaining unchanged.

As at the end of the comparative year ended 31 December 2022, the Group recorded an impairment loss of US$254,477 thousand, reflecting the difference between the computed value in use of the Group's non-current operating assets and the carrying value as at this date. Of the total impairment loss recorded, US$219,931 thousand was allocated to various asset categories within property, plant and equipment, US$29,103 thousand to Goodwill and other intangible assets and US$5,443 thousand to other non-current assets. The impairment losses recorded during the financial year 2022 will be re-assessed again at the end of any future reporting periods. If there are positive developments in the Group's future cash flow generation and the relevant macro-economic data, the impairment loss or a portion of it might reverse in future periods. Conversely, an adverse change in the above key assumptions might further reduce the value in use of the Group's operating non-current assets. As at 31 December 2023, there is no partial or full reversal of the impairment loss recognised during the financial year 2022 to be recorded.

As disclosed in Note 2 Basis of preparation and Note 14 Commitments, contingencies and legal disputes, the Group announced on 29 January 2024 that a Ukrainian court of appeal has confirmed a claim against Ferrexpo Poltava Mining ("FPM") in the amount of UAH4,727 million (US$124,450 thousand as at 31 December 2023), in respect of contested sureties. Despite the fact that it is management's view that FPM has compelling arguments to defend its position in the Supreme Court of Ukraine, given the magnitude of this specific claim and the underdeveloped and fragile judicial system in Ukraine, the Group recorded a full provision for this claim as at 31 December 2023 in accordance with IAS 37 *Provisions, contingent liabilities and contingent assets*. If the ruling of the Supreme Court is not in favour of FPM, there is a risk that some of the Group's property, plant and equipment will be seized or subject to a forced sales process as part of the enforcement proceedings. Although the Group has recognised a provision for the full amount of the contested sureties claim, there is a risk that any assets subject to seizure or a forced sales process are valued at an amount which is different than their current carrying values as at 31 December 2023. Note 2 Basis of preparation provides further information in terms of the possible implications on the Group's ability to continue as a going concern.

Note 11: Inventories

At 31 December 2023, inventories comprised:

US$000	**As at 31.12.23**	As at 31.12.22
Raw materials and consumables	**47,302**	51,437
Spare parts	**88,000**	91,334
Finished ore pellets	**45,040**	52,625
Work in progress	**18,844**	25,832
Other	**2,243**	3,226
Total inventories - current	**201,429**	224,454
Weathered ore	**5,883**	6,277
Total inventories - non-current	**5,883**	6,277
Total inventories	**207,312**	230,731

Inventories classified as non-current comprised low-grade and weathered ore that were, based on the Group's processing plans, not planned to be processed within the next 12 months. The balances of weathered ore as at 31 December 2023 and 2022 are net of impairment losses of US$231,111 thousand recorded as at 31 December 2021, as it could not be reliably predicted when additional processing capabilities will be available to specifically process the stockpiled low-grade and weathered ore. The stockpiled low-grade ore is still considered as an asset for the Group and some or all of the impairment losses might reverse in the future, once changed facts and circumstances can be considered in the net realisable value test of this asset. However, the ongoing war in Ukraine makes it currently difficult to accelerate the commenced engineering studies for the exploration of possible options for new processing capabilities for the specific purpose of processing low-grade ore, so that there are no changes in facts and circumstances to be considered as at 31 December 2023.

During the comparative year ended 31 December 2022, low-grade ore totalling US$9,690 thousand was extracted and directly recognised in the consolidated income statement, included in the cost of sales. No such ore was extracted during the year ended 31 December 2023, also a result of the lower mining activity due to the ongoing war and the reduced operating activity.

As disclosed in Note 2 Basis of preparation and Note 14 Commitments, contingencies and legal disputes, there is a risk that some of the Group's inventories are seized or subject to a forced sales process, if enforcement procedures in respect of an ongoing legal dispute commence. Although the Group has recognised a provision for the full amount of the contested sureties claim, there is a risk that the future net realisable value of finished goods subject to any potential seizure or forced sales process is different than the value recognised at cost in the consolidated statement of financial position as at 31 December 2023.

Note 12: Cash and cash equivalents

As at 31 December 2023, cash and cash equivalents comprised:

US$000	**As at 31.12.23**	As at 31.12.22
Cash at bank and on hand	**115,241**	112,945
Total cash and cash equivalents	**115,241**	112,945

The debt repayments net of proceeds during the period ended 31 December 2023 totalled US$5,562 thousand (31 December 2022: US$48,249 thousand) affecting the balance of cash and cash equivalents.

Further information on the Group's gross debt is provided in Note 13 Interest-bearing loans and borrowings.

The balance of cash and cash equivalents held in Ukraine amounts to US$11,175 thousand as at 31 December 2023 (31 December 2022: US$45,229 thousand). Despite the foreign exchange control measures imposed under Martial Law in Ukraine (see Note 14 Commitments, contingencies and legal disputes), this balance is fully available to the Group for its operations in Ukraine and is therefore not considered restricted.

Note 13: Interest-bearing loans and borrowings

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

US$000	**As at 31.12.23**	As at 31.12.22
Current		
Lease liabilities	**5,939**	5,194
Total current interest-bearing loans and borrowings	**5,939**	5,194
Non-current		
Lease liabilities	**1,009**	1,354
Total non-current interest-bearing loans and borrowings	**1,009**	1,354
Total interest-bearing loans and borrowings	**6,948**	6,548

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

US$000	Year ended 31.12.23	Year ended 31.12.22
Opening balance of interest-bearing loans and borrowings	**6,548**	50,349
Cash movements:		
Principal and interest elements of lease payments	**(5,562)**	(6,103)
Change of trade finance facilities, net	**-**	(42,146)
Total cash movements	**(5,562)**	(48,249)
Non-cash movements:		
Additions to lease liabilities	**5,812**	5,340
Others (incl. translation differences)	**150**	(892)
Total non-cash movements	**5,962**	4,448
Closing balance of interest-bearing loans and borrowings	**6,948**	6,548

The interest elements of lease payments are included in the cash flows from operating activities and not in the cash flows used in financing

The interest elements of lease payments are included in the cash flows from operating activities and not in the cash flows used in financing activities.

Note 14: Commitments, contingencies and legal disputes

Commitments

Commitments as at 31 December 2023 consisted of the following:

US$000	Year ended 31.12.23	Year ended 31.12.22
Total commitments for the lease of mining land (out of the scope of IFRS 16)	**52,739**	50,963
Total capital commitments on purchase of property, plant and equipment	**128,934**	134,842
Commitments for investment in a joint venture	**6,064**	6,064

Legal

In the ordinary course of business, the Group is subject to various legal actions and ongoing court proceedings. There is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld, and consequently Ukrainian legislation might be inconsistently applied to resolve the same or similar disputes. See also the Principal Risks section on pages 26 to 29 for further information on the Ukraine country risk and Note 16 Events after the reporting period in terms of another court order received.

Critical judgements

The Group is exposed to the risks associated with operating in a developing economy, which may or may not be exacerbated by the war and/or the current circumstances facing the Group's controlling shareholder (see Ukraine country risk on pages 26 to 29). As a result, the Group is exposed to a number of risk areas that are heightened compared to those expected in a developed economy, such as an environment of political, fiscal and legal uncertainties, which require a significant portion of critical judgements to be made by the management team, mainly in respect of the contested sureties claim, for which a provision was recorded as at 31 December 2023, and the other matters listed under critical judgements below.

Critical judgements for ongoing legal proceedings and disputes with corresponding provisions

Contested sureties claim

On 7 December 2022, FPM received a claim in the amount of UAH4,727 million (US$124,450 thousand as at 31 December 2023) in respect of contested sureties. These contested sureties relate to Bank F&C, a Ukrainian bank owned by the Group's controlling shareholder and which the Group previously used as its main transactional bank in Ukraine. Bank F&C is still going through the liquidation process after having been declared insolvent by the National Bank of Ukraine and put under temporary administration on 18 September 2015.

The counterparty in this claim alleges that it acquired rights under certain loan agreements originally concluded between Bank F&C and various borrowers, some of which are associated entities of the Group's controlling shareholder, by entering into the assignment agreement with the State Guarantee Fund on 6 November 2020. The counterparty further claims that Ferrexpo Poltava Mining ("FPM") provided sureties to Bank F&C to ensure the performance of obligations under these loan agreements. On 9 August 2023, the court of first instance ruled in favour of the claimant and FPM filed an appeal in September 2023. On 26 January 2024 a Ukrainian court of appeal confirmed the claim against FPM in the amount of UAH4,727 million (US$124,450 thousand as at 31 December 2023). On 30 January 2024, FPM filed a cassation appeal to the Supreme Court of Ukraine and the first hearing was scheduled for 20 March 2024, but the hearing did not take place as the presiding judge recused himself. Following the appointment of a new panel of judges, on 1 April 2024 the Supreme Court suspended the possible enforcement of the decision of the court of appeal. A Supreme Court hearing on 17 April 2024 considered primarily procedural matters and the next court hearing is scheduled for 27 May 2024.

Notwithstanding the two negative court decisions of the lower courts and based on legal advice obtained, management remains of the view that these claims are without merit and FPM has compelling arguments to defend its position in the Supreme Court. However, considering the magnitude of this claim and the risks associated with the judicial system in Ukraine as further described above, the Group recorded a full provision for this claim as at 31 December 2023, in accordance with the requirements of IAS 37 *Provisions, contingent liabilities and contingent assets*.

As at the date of the approval of these consolidated financial statements, no enforcement procedures have commenced and, further to the Supreme Court's order of 1 April 2024 suspending possible enforcement of the decision of the court of appeal, such procedures cannot be initiated by the claimant until a final decision is made by the Supreme Court, or the current suspension order is otherwise lifted. If the final ruling of the Supreme Court is not in favour of FPM, the claimant may take steps to appoint either a state or a private bailiff and request the commencement of the enforcement procedures, which could have a material negative impact on the Group's business activities and its ability to continue as a going concern, as the assets of FPM could be seized or subject to a forced sale. The potential seizure or forced sale of FPMs assets, including moveable, immovable and financial assets, may have a material adverse impact on the Group's cash flow generation, profitability and available liquidity in future periods. As at the date of the approval of these consolidated financial statements, it is not possible reasonably to assess the implications of a potential seizure or forced sale of assets on the Group's business activities, as the timing, scope and impact are unknown and outside of the Group's control. However, the Group is considering and preparing a number of mitigating actions and responses within its control in order to seek to ensure continuation of production and generation of revenue streams. Beyond that, in case of an enforcement, FPM will in order to seek to ensure continuation of production and generation of revenue streams. Beyond that, in case of an enforcement, FPM will challenge orders and actions of the bailiff in the court, which will allow the Group to continue to trade and generate resources to meet its other liabilities as they fall due. See Note 2 Basis of preparation, Note 10 Property, plant and equipment and Note 11 Inventories for further information.

Critical judgements for ongoing legal proceedings and disputes without corresponding provisions

Creditor protection application against Ferrexpo Poltava Mining ("FPM")

In February 2024, a supplier and related party to the Group filed an application to open bankruptcy proceedings ("creditor protection proceedings") against FPM, which was accepted by the relevant court for further consideration. The amount of debt claimed by the supplier of FPM was initially UAH2.2 million. The operation of FPM is not affected by this application and the supplier continued to provide its services to FPM. The amount of debt claimed by the supplier subsequently increased to UAH4.6 million (c. US$117 thousand as at 15 April 2024). A preparatory court hearing was scheduled by the court for 12 March 2024. This hearing did not take place and a further hearing scheduled for 9 April 2024 was also postponed. A new hearing is scheduled for 30 April 2024. The creditor protection proceedings are a lengthy process, which is not expected to limit the Group to continue to trade and generate resources to meet its other liabilities as they fall due. Furthermore, it is the Group's intention to settle this debt or seek to extend the payment terms, but noting a previous extension request has been refused by the supplier, to avoid the opening of such creditor protection proceedings. See Note 2 Basis of preparation for further information.

Shares freeze in relation to claim from the Ukrainian Deposit Guarantee Fund ("DGF")

As announced on 7 March 2023 on the Regulatory News Service of the London Stock Exchange, the Group became aware of a press release by the DGF suggesting that a restriction has been placed on shares held by Ferrexpo AG ("FAG"), the Group's Swiss subsidiary, in three main operating subsidiaries of the Group in Ukraine, covering 50.3% of the shares held in each subsidiary. According to the subsequently published court order in the Ukrainian official register of court decisions, the Kyiv Commercial Court ordered the arrest (freeze) of 50.3% of FAG's shareholding in each of Ferrexpo Poltava Mining ("FPM"), Ferrexpo Yeristovo Mining ("FYM") and Ferrexpo Belanovo Mining ("FBM"). The court order also prohibits each of FPM, FYM and FBM from making changes to the amount of its authorised capital. The court order does not affect ownership of the shares in these three subsidiaries of the Group in Ukraine, but prohibits the disposal by FAG of 50.3% of its shareholding in each named subsidiary.

This court order was issued by the Kyiv Commercial Court during a hearing in the commercial litigation between the DGF and Mr. Zhevago, the Group's controlling shareholder, in relation to the liquidation of Bank F&C in 2015.

In addition to the restriction covering 50.3% of FAG's shareholding in each of FPM, FYM and FBM, the court order also contains a prohibition on Fevamotinico S.a.r.l. disposing of its shares in Ferrexpo plc and Ferrexpo plc disposing of any of its shares in FAG. As at the date of the approval of these consolidated financial statements, the Group has no intention, and never has had any intention, of transferring the shares in FPM, FYM, FBM or FAG. The Group does not expect an impact on its operations as a result of this court order.

The Group's subsidiaries affected by this court order, including FAG, filed appeals in Ukraine in March 2023 to remove the restrictions. A hearing at the Northern Commercial Court of Appeal took place on 21 June 2023 and the court accepted FAG and the three Ukrainian subsidiaries as third parties to this litigation. On 26 July 2023, the court of appeal dismissed the appeals of FAG, FPM, FYM and FBM in relation to the restrictions covering 50.3% of the corporate rights in FPM, FYM and FBM so that the imposed restrictions remain effective. The Group's subsidiaries filed cassation appeals to the Supreme Court of Ukraine in August 2023 and a first hearing of the case at the Supreme Court took place on 8 November 2023, without any decision being taken. On 10 January 2024, the Supreme Court rejected the cassation appeals from the Group's subsidiaries and the restrictions remain effective. After a review by the Supreme Court of other cassation appeals related to the main dispute between the DGF and Mr. Zhevago, to which the Group is not a party, the case is expected to be sent to the court of first instance, the Kyiv Commercial Court, to proceed with consideration of the main dispute between the DGF and Mr. Zhevago.

Based on advice from Ukrainian legal counsel, management considers that the court order was made in contradiction to Ukrainian law because the restricted 50.3% of corporate rights in the three Ukrainian subsidiaries are the property of FAG and not of any other person as a matter of Ukrainian law. The Group will file new applications and motions to challenge the validity of these restrictions once the case is returned to the Kyiv Commercial Court.

However, as with other ongoing legal proceedings in Ukraine, there is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld and in that case the Group might not be successful in procuring the cancellation of such restrictions.

Shares freeze in relation to claim from the National Bank of Ukraine ("NBU")

In addition to the case initiated by the Ukrainian Deposit Guarantee Fund ("DGF") as described above, there is a commercial litigation between the NBU and Mr. Zhevago, the Group's controlling shareholder, in relation to the personal surety given by Mr. Zhevago for the loan provided by the NBU to Bank F&C prior to its insolvency. In respect of this commercial litigation, the Chief State Bailiff of the Ministry of Justice of Ukraine issued in September 2023 a resolution on arrest (freeze) of property of Mr. Zhevago as part of intended enforcement proceedings.

As part of this September 2023 resolution, the State Bailiff imposed an order to arrest (freeze) 50.3% of the issued share capital of FYM and FBM, owned by FAG, based on the incorrect assumption that these corporate rights are owned by Mr. Zhevago. In reaching this decision to arrest these corporate rights, the State Bailiff relied on conclusions made by the Northern Commercial Court of Appeal that Mr. Zhevago is the ultimate beneficial owner of the Ukrainian subsidiaries and that all companies in the Group are just nominal owners of the assets ultimately owned by Mr. Zhevago. FAG filed a civil claim in October 2023 seeking to cancel the order and to block the enforcement procedure initiated by the State Bailiff. On 30 November 2023, the Komsomolskyi Town Court of Poltava Region, a court of first instance, suspended the enforcement procedure, prohibiting the State Bailiff from taking any actions to forcefully sell FAG's corporate rights in FYM and FBM. The State Bailiff filed an appeal, but the Poltava Court of Appeal has not opened appeal proceedings to date. The date of the first hearing at the Poltava Court of Appeal in these proceedings is currently unknown. In parallel, the NBU made an application to stay the main proceeding. On 9 January 2024, the court of first instance suspended the court proceedings until there is a written decision from the Supreme Court of Ukraine in respect of the restrictions imposed in the above-mentioned case initiated by the DGF.

Shares freeze in relation to investigation in connection with Bank F&C

As part of the ongoing investigation in connection with Bank F&C, on 25 March 2024, the Group became aware of a court order dated 18 January 2024 in the Ukrainian Register of Court Decisions regarding restrictions on certain corporate rights in all of the Group's Ukrainian subsidiaries. These restrictions are imposed on 49.5% of the shares in all of the Group's Ukrainian subsidiaries, except for Nova Logistics LLC and TIS-Ruda LLC, an associated company of the Group, where the relevant percentages restricted are 25.2% and 24.7%, respectively.

The restrictions do not affect ownership of the relevant shares, but prohibit their transfer and restrict the right to use corporate rights of such shares, including the right to vote. The Group is not a party to the proceedings in which the restrictions have been imposed and these restrictions were imposed without official notification to the Group and/or its subsidiaries. The Group plans to file an appeal to seek the cancellation of these restrictions on the corporate rights.

Currency control measures imposed in Ukraine

With the start of the Russian invasion into Ukraine on 24 February 2022, the Ukrainian government introduced Martial Law affecting, among others, aspects relating to lending agreements, foreign exchange and currency controls and banking activities.

As a result of the introduced Martial Law, the National Bank of Ukraine ("NBU") has introduced significant currency and capital control restrictions in Ukraine. These measures are affecting the Group in terms of its cross-border payments to be made, which are restricted and may be carried out only in exceptional cases. The maximum period for settlements of invoices under export and import contracts was decreased as of 1 April 2022 from what was previously 360 days to 180 days.

These measures put additional pressure on the Group's liquidity management as the Ukrainian subsidiaries are currently not in the position to make cash transfers outside of Ukraine. As it is essential to the Group that sufficient liquidity is held outside of Ukraine in order to ensure that the Group's liabilities can be settled when falling due, intercompany receivable balances due to the Ukrainian subsidiaries have historically only been paid when falling due and after considering the local cash requirements for the operating activities and the capital expenditure programmes.

The currently lower operating activities and the reduced capital expenditure programmes due to the ongoing war have reduced the local cash requirements and consequently increased the imbalance between payments to be made into Ukraine and local cash requirements. As a result of the imposed currency control measures, the Group has to carefully manage the payments to be made into Ukraine, as the local subsidiaries cannot transfer any surplus funds back to the Group entities outside of Ukraine, if required.

Failure to comply with the currency control regulations can result in fines. The offence against the currency control regulations would result in fines of 0.3% per day calculated on the cumulative overdue receivable balances. The Group has implemented various measures to mitigate the impact of the currency control regulations and reduce the risk of material fines, but there exists legal uncertainty in the application of the currency control regulations during the application of Martial Law in Ukraine. The currency control regulations may also be subject to change in the future (including with retrospective effect). Therefore, there is a risk that the Group may become subject to challenges from regulatory authorities in connection with the application of the regulations.

Given the amount of outstanding receivable balances between Group companies, there is a risk of material fines becoming payable in the future. However, as a result of different interpretations of the currency control regulations during the application of Martial Law and the measures initiated by the Group to mitigate the risk of potential fines, it is currently not possible to reliably estimate the amount of a potential exposure.

Share dispute

On 23 November 2020, the Kyiv Commercial Court reopened court proceedings in relation to an old shareholder litigation.

This old shareholder litigation started in 2005, when a former shareholder in Ferrexpo Poltava Mining ("FPM") brought proceedings in the Ukrainian courts seeking to invalidate the share sale and purchase agreement concluded in 2002 pursuant to which a 40.19% stake in FPM was sold to nominee companies that were previously ultimately controlled by Mr. Zhevago, amongst other parties. After a long period of litigation, all old claims were fully dismissed in 2015 by the Higher Commercial Court of Ukraine.

In January 2021, Ferrexpo AG ("FAG") received a claim from a former shareholder in FPM seeking to invalidate the share sale and purchase agreement concluded in 2002.

In February 2021, FAG became aware that an additional three new claims had been filed by three other former shareholders in FPM. Taken together, four claimants sought to invalidate the share sale and purchase agreement concluded in 2002 pursuant to which a 40.19% stake in FPM was sold, similar to the previous claims made back in 2005. The Kyiv Commercial Court ruled on 27 May 2021 in favour of FAG and the opposing parties filed their appeals in June 2021. The Northern Commercial Court of Appeal opened the appeal proceedings. After several hearings, in September 2022 the Group received a judgment from the appeal court, which stated that the share sale and purchase agreement concluded in 2002 was invalid and ordered that 40.19% of the current share capital in FPM should be transferred to the claimants.

Following the identification of numerous errors in the application of Ukrainian law in the judgment of the Northern Commercial Court of Appeal by the Group's Ukrainian legal advisors, FAG filed a cassation appeal and requested the Supreme Court of Ukraine to review the ruling made by the Northern Commercial Court of Appeal. During the hearing on 19 April 2023, the judges of the Grand Chamber of the Supreme Court ruled in favour of the Group.

of the Group.

Allegations of bribery against the Head of the Supreme Court made by the National-Anti-Corruption Bureau of Ukraine ("NABU") and the Specialised Anti-Corruption Prosecutor's Office ("SAPO") in May 2023 make reference to the ruling made by the Supreme Court on 19 April 2023 and the Group's controlling shareholder. Following the subsequent removal of the Head of the Supreme Court, investigations by NABU and SAPO are underway into the conduct of the former Head of the Supreme Court and a lawyer who allegedly acted as the intermediary in the alleged bribery. On 3 August 2023, NABU announced that the Group's controlling shareholder had been issued with a notice of suspicion in NABU's and SAPO's investigation.

If the Ukrainian Anti-Corruption Court concludes that a judge received a bribe for the favourable decision in the share dispute case, and such verdict of the Anti-Corruption Court remains valid after any potential appeal, then the claimants may apply to the Supreme Court to review the decision of the Grand Chamber of the Supreme Court given on 19 April 2023 due to exceptional circumstances. In February 2024, all four claimants were dissolved according to the records at the UK Companies House. As at the date of the approval of these consolidated financial statements, no allegations have been made against the Group in connection with the alleged bribery and it is currently not possible to anticipate future developments in this case with any certainty.

If the case were to be reviewed by the Grand Chamber of the Supreme Court once again, management remains of the view that FAG has compelling legal arguments to defend its position. Based on the legal considerations and arguments in the case and taking into account the advice received from the Group's Ukrainian legal advisors, management remains of the view that the decision should be in favour of the Group, but there is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld. A hypothetical reversal of the decision by the Grand Chamber of the Supreme Court would result in the loss of a significant proportion of the shareholding in the Group's main operating subsidiary in Ukraine, which holds approximately 65% of the Group's non-current operating assets, and would have a material adverse impact on the shareholders' equity attributable to the shareholders of Ferrexpo plc. Due to the uncertainties, it is currently not possible to reasonably estimate the financial impact, but it could be material. A negative decision could also have an impact on potential future dividends from FPM to FAG and, as result, on the distributable reserves of Ferrexpo plc (see Note 9 Earnings per share and dividends paid and proposed for further details).

No non-controlling interest has been recognised as of 31 December 2023 because FPM remains wholly owned by FAG as at the date of the approval of these consolidated financial statements. It is management's view that a hypothetical reversal of the decision by the Grand Chamber of the Supreme Court will not cast significant doubt on the Group's ability to continue as a going concern. However, such a decision might complicate the daily business of the Group's major subsidiary in Ukraine, as the intentions of the opposing parties, the claimants in the share dispute case, are not clear at this point in time.

Other ongoing legal proceedings and disputes

Other ongoing legal proceedings and disputes with corresponding provisions

Challenge of squeeze-out of minority shareholders

Following the completion of squeeze-out procedures in 2019 in respect of the one of the Group's subsidiaries in Ukraine, Ferrexpo Poltava Mining ("FPM"), two former minority shareholders of FPM challenged the valuation of the shares of FPM. This valuation formed the basis for the mandatory buy-out of minority shareholders according to Ukrainian law.

On 19 September 2023, a court of first instance ruled in favour of the two former minority shareholders and decided that FPM should pay UAH136 million (US$3,720 thousand as at 31 December 2023) in aggregate to the two former shareholders of FPM. Following the appeal filed by FPM, the court of appeal in Kharkiv refused on 21 February 2024 to satisfy the appeal of FPM, and FPM subsequently filed a cassation appeal to the Supreme Court of Ukraine. On 25 March 2024, the Supreme Court suspended the enforcement of the decision of the court of appeal and scheduled a court hearing for 17 April 2024. On 17 April 2024, the Supreme Court heard the arguments of the parties and scheduled another hearing for 27 May 2024.

The Group recorded a full provision for this claim as at 31 December 2023, in accordance with the requirements of IAS 37 *Provisions, contingent liabilities and contingent assets*.

Other ongoing legal proceedings and disputes without corresponding provisions

Royalty-related investigation and claim

On 3 February 2022, Ferrexpo Poltava Mining ("FPM") and Ferrexpo Yeristovo Mining ("FYM") received letters from the Office of Prosecutor General notifying them about an ongoing investigation into the potential underpayment of iron ore royalty payments during the years 2018 to 2021. The amount of underpayment was not specified in the letters. As part of the investigation, the Office of Prosecutor General requested documents related to iron ore royalty payments and requested four representatives of the Group's subsidiaries to appear as witnesses for investigations.

On 8 February 2022, FPM received a tax audit report, which claims the underpayment of iron ore royalty payments during the period from April 2017 to June 2021 in the amount of approximately UAH1,042 million (US$27,434 thousand as at 31 December 2023), excluding fines and penalties. The Group provided its objections to the claims made in the tax audit report. On 11 August 2023, FPM received a tax notification-decision, which claims the underpayment of royalty payments in the amount of UAH1,233 million (US$32,462 thousand as at 31 December 2023), which is higher than the amount initially stated in the tax audit report due to imposed fines and penalties. FPM challenged the notification received as part of administrative procedures with the tax authorities. On 20 October 2023, the tax authorities decided that the amount in the notification-decision is final and not subject to changes. In November 2023, FPM filed a lawsuit before the court to challenge the tax authorities' decision and the first court hearing took place on 29 January 2024. The hearing scheduled for 18 March 2024 did not take place due to air raid alerts and a reconvened court hearing on 15 April 2024 decided that the court proceedings are suspended until the review of another case.

On 16 November 2022, detectives from the Bureau of Economic Security of Ukraine conducted searches at FPM and FYM in connection with the royalty-related investigation. On 3 February 2023, a notice of suspicion was delivered to a senior manager of FPM, which claimed underpayment of royalty payments in the amount of approximately UAH2,000 million (US$52,656 thousand as at 31 December 2023). Bail of UAH20 million (US$527 thousand as at 31 December 2023) was approved by the court on 9 February 2023 and subsequently paid by the Group.

On 6 February 2023, the court arrested the bank accounts of FPM. Following a motion to change the scope of the arrest filed by FPM, the court on 8 February 2023 and on 16 February 2023 added exceptions to the original court order to arrest the bank accounts of FPM in order to allow FPM to make payments for salaries, local taxes, social security charges, payments for utilities as well as payments to state and municipal companies. An appeal to cancel the arrest of the bank accounts of FPM was heard by the court of appeal on 19 April 2023, but the court did not satisfy the Group's appeal and the arrest order remains in effect.

On 31 October 2023, a notice of suspicion was delivered to another senior manager of FPM. On 13 November 2023, a court of first instance approved the bail in the amount of approximately UAH800 million (US$21,062 thousand as at 31 December 2023). An appeal was filed by the Group's subsidiary and after several scheduled court hearings were postponed, the next court hearing of the court of appeal to determine the amount of the bail for this senior manager was scheduled for 20 March 2024. However, this hearing was postponed and a reconvened hearing was scheduled for 2 April 2024, but was postponed to 29 April 2024.

Based on legal advice obtained, it is management's view that FPM and FYM have compelling arguments to defend their positions in the court and, as a consequence, no associated liabilities have been recognised in relation to the claim in the consolidated statement of financial position as at 31 December 2023. However, as with other ongoing legal proceedings, there is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld and, in that case, there could be a material adverse impact on the Group.

Investigations on use of waste product and asset freeze

On 10 January 2023, the State Bureau of Investigations ("SBI") in Ukraine performed several searches in respect of investigations on alleged illegal extraction of minerals ("rubble"). The National Police of Ukraine also carried out investigations on the same matter and made searches and collected samples of the rubble on 17 January 2023 at Ferrexpo Poltava Mining ("FPM"). FPM's position is that the minerals in question are not a separate mineral resource, but that it is a waste product resulting from the crushing of iron ore during the technical process for the production of iron ore pellets.

On 29 June 2023, the SBI issued notices of suspicion to three representatives of FPM's senior management and the head of one division for allegedly selling the rubble without the appropriate permit. The FPM employees were detained by the SBI and subsequently released after FPM paid bails totalling UAH122 million (US$3,336 thousand at this point of time) that were approved by the court.

On 22 September 2023, the National Police of Ukraine searched the private residence of a senior manager of FPM and issued a notice of suspicion. The senior manager was subsequently detained by the National Police of Ukraine. On 26 September 2023, a court of first instance approved bail in the amount of UAH999 million (US$26,302 thousand as at 31 December 2023) and then on 30 October 2023 the court of appeal reduced the bail to UAH400 million (US$10,531 thousand as at 31 December 2023). Following payment of the bail by the Group, the senior manager was released.

The sales of the rubble were subject to inspections by the State Service for Geology and Subsoil of Ukraine for many years and the sales were suspended by the Group in September 2021. The position of FPM is that based on the mining license held, FPM complied with the relevant legislation. In the pre-trial investigation of the rubble case and following an application from the prosecutor to arrest (freeze) all rail cars and railway access tracks owned by FPM, a court of first instance issued the order to do so. FPM filed an appeal and at a hearing of the court of appeal on 30 October 2023 the court of appeal confirmed the arrest (freeze) of assets, but refused to provide clarifications on the exact scope of the order, which created an alleged restriction on the use of one type of FPM's rail cars. Since that time FPM has not been using this type of rail cars (totalling 1,339 units), but continues to use another type of its rail cars (totalling 1,043 units). FPM filed new applications to several courts to remove the arrest order. In the same pre-trial investigation of the rubble case, some of the real estate assets and transport vehicles of FPM were also arrested, but this arrest does not restrict the use of these assets in operations. As disclosed under the royalty-related investigation and claim on page 61, a court in Ukraine arrested on 6 February 2023 the bank accounts of FPM. Following a motion to change the scope of the arrest filed by FPM, the court on 8 February 2023 and on 16 February 2023 added exceptions to the original court order to arrest the bank accounts of FPM in order to allow FPM to make payments for salaries, local taxes, social security charges, payments for utilities as well as payments to state and municipal companies. On 5 March 2024, the same bank accounts were again arrested by another governmental body, the National Police of Ukraine, but in respect of the investigations on the use of waste products. FPM has filed again a motion to the court to change the scope of the arrest to allow certain payments to be made from these arrested bank accounts. A court of appeal hearing scheduled for 16 April 2024 did not take place and a hearing is now scheduled for 14 May 2024.

No associated liabilities have been recognised in relation to this case in the consolidated statement of financial position as at 31 December 2023 as no damage has been claimed from FPM.

Ecological claims

As discussed in detail in the 2022 Annual Report and Accounts, the State Ecological Inspection carried out an inspection of Ferrexpo Yeristovo Mining ("FYM") and on 1 October 2021 issued an order to remove a number of alleged violations of environmental rules. After the court of first instance ruled in favour of FYM on 19 July 2022 the State Ecological Inspection filed an appeal. The court of appeal returned the appeal claim to the State Ecological Inspection on 20 March 2023 due to procedural mistakes when filing the claim and the State Ecological Inspection subsequently requested an extension of the deadline for the filing of their next appeal. The State Ecological Inspection subsequently filed another appeal and on 20 July 2023 the court of appeal returned the appeal claim back to the State Ecological Inspection. There had been no actions in appeal and on 26 July 2023 the court of appeal returned the appeal claim back to the State Ecological inspection. There had been no actions in respect of this dispute until 5 October 2023, when the National Police of Ukraine reviewed land plots of FYM.

Based on legal advice obtained, it is management's view that FYM has compelling arguments to defend its position in the court and, as a consequence, no associated liabilities have been recognised in relation to these matters in the consolidated statement of financial position as at 31 December 2023.

Cancellation of licence for Galeschynske deposit

On 24 June 2021, an Order of the President of Ukraine was published on the official website of the President (the "Order"), which enacted the Decision of the National Security and Defence Council of Ukraine on the application of personal special economic and other restrictive measures and sanctions (the "Decision"). Ferrexpo Belanovo Mining ("FBM") is included in the list of legal entities which are subject to sanctions pursuant to the Decision. The Order and the Decision do not provide any legal ground for the application of sanctions. The sanction imposed on FBM is the cancellation of the mining licence for the Galeschynske deposit, which is one of two licences held by FBM.

The Galeschynske deposit is a project in the exploration phase that is situated to the north of the Group's active mining operations. Following the cancellation of this license and considering the fact that the outcome of the proceedings is currently uncertain, all capitalised costs associated with this licence totalling US$3,439 thousand were written off during the financial year 2021. A court hearing took place on 4 April 2023 and the judges considered the evidence presented, but have not yet concluded on the legal merits of this dispute. Another court hearing took place on 12 February 2024 with no decision being taken and the date of the next hearing is unknown as at the date of the approval of these consolidated financial statements.

Taxation

Tax legislation

As disclosed in Note 8 Taxation, following the completion of tax audits in respect of its cross-border transactions, the Group's major subsidiaries, Ferrexpo Poltava Mining ("FPM") and Ferrexpo Yeristovo Mining ("FYM") received tax claims in the amount of UAH2,162 million (US$56,921 thousand as at 31 December 2023), including fines and penalties, and UAH259 million (US$6,819 thousand as at 31 December 2023), still subject to potential fines and penalties, respectively. The Group's subsidiaries filed the objections to be considered by the tax authorities. Based on past experience, it is expected that no agreement will be made with the tax authorities and that the claims will need to be heard by the courts in Ukraine. On 28 February 2024, a court of first instance opened a case in relation to the lawsuit filed by FPM to challenge the tax-notification-decisions dated 27 November 2023. The first preparatory hearing took place on 1 April 2024 and the next hearing is scheduled for 20 May 2024. As at the date of the approval of these consolidated financial statements, the court preparatory hearings have just commenced and, as a result, no final decisions have been made for the claims received by the Group's subsidiaries in Ukraine. An unfavourable outcome would have an adverse impact on the Group's cash flow generation, profitability and liquidity.

See Note 8 Taxation and also the update on the Group's Principal Risks on pages 26 to 29 in terms of the Ukraine country risk.

Note 15: Related party disclosures

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

Entities under common control are those under the control of Kostyantin Zhevago. Associated companies refer to TIS Ruda LLC, in which the Group holds an interest of 49.9% (2022: 49.9%). This is the only associated company of the Group.

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

Revenue, expenses, finance income and expense

	Year ended 31.12.23			Year ended 31.12.22		
US$000	**Entities under common control**	**Associated companies**	**Other related parties**	Entities under common control	Associated companies	Other related parties
Other sales[a]	**271**	**-**	**1**	560	-	2
Total related party transactions within revenue	**271**	**-**	**1**	560	-	2
Materials and services[b]	**6,473**	**-**	**-**	6,784	-	-
Spare parts and consumables[c]	**1,730**	**-**	**-**	7,056	-	-
Other expenses[d]	**1,289**	**-**	**-**	1,948	-	-
Total related party transactions within cost of sales	**9,492**	**-**	**-**	15,788	-	-
Selling and distribution expenses[e]	**5,825**	**20**	**-**	6,542	3,819	-
General and administration expenses[f]	**200**	**-**	**691**	398	-	567
Other operating expenses[g]	**1,019**	**-**	**-**	2,019	-	-
Finance expense	**3**	**-**	**-**	8	-	-

Total related party transactions within expenses	**16,539**	**20**	**691**	24,755	3,819	567
Total related party transactions	**16,810**	**20**	**692**	25,315	3,819	569

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

Entities under common control

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

a Sales of scrap metal to OJSC Uzhgorodsky Turbogas totalling US$170 thousand (2022: US$361 thousand);

b Purchases of oxygen, scrap metal and services from Kislorod PCC for US$1,020 thousand (2022: US$1,437 thousand);

b Purchases of cast iron balls from OJSC Uzhgorodsky Turbogas for US$4,552 thousand (2022: US$4,258 thousand); and

b Purchase of maintenance and construction services from FZ Solutions LLC for US$779 thousand (2022: US$997 thousand).

c Purchases of spare parts from OJSC AvtoKraz Holding in the amount of US$2 thousand (2022: US$1,799 thousand);

c Purchases of spare parts from CJSC Kyiv Shipbuilding and Ship Repair Plant ("KSRSSZ") in the amount of US$218 thousand (2022: US$902 thousand);

c Purchases of spare parts from OJSC Uzhgorodsky Turbogas in the amount of US$746 thousand (2022: US$1,460 thousand);

c Purchases of spare parts from FZ Solutions LLC of US$372 thousand (2022: US$1,125 thousand);

c Purchases of spare parts from Kislorod PCC in the amount of US$256 thousand (2022: US$410 thousand); and

c Purchases of spare parts from Valsa GTV of US$137 thousand (2022: US$1,231 thousand).

d Insurance premiums of US$1,289 thousand (2022: US$1,948 thousand) paid to ASK Omega for insurance cover in respect of mining equipment and machinery.

e Purchases of advertisement, marketing and general public relations services from FC Vorskla of US$5,823 thousand (2022: US$6,541 thousand).

g Insurance premiums of US$804 thousand (2022: US$1,085 thousand) paid to ASK Omega for workmen's insurance and other insurances;

g Purchase of marketing services from TV & Radio Company of US$210 thousand (2022: US$212 thousand); and

g Purchase of food under the Ferrexpo Humanitarian Fund from JSC Kremenchukmyaso in the amount of US$798 thousand in the comparative year ended 31 December 2022. No such purchases as at 31 December 2023. See page 64 for further information on the Ferrexpo Humanitarian Fund.

Associated companies

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

e Purchases of logistics services in the amount of US$20 thousand (2022: US$3,819 thousand) relating to port operations, including port charges, handling costs, agent commissions and storage costs. The scope of the services procured from TIS Ruda is heavily affected by the ongoing war in Ukraine as the Group's seaborne sales through the port of Pivdennyi were suspended since the beginning of the war.

Other related parties

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

f Legal and administrative services in the amount of US$510 thousand (2022: US$387 thousand) provided by Kuoni Attorneys at Law Ltd., which is controlled by a member of the Board of Directors of one of the subsidiaries of the Group. The Directors' fees paid totalled US$100 thousand for the financial year 2023 (2022: US$100 thousand).

Purchases of property, plant and equipment

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

	Year ended 31.12.23			Year ended 31.12.22		
US$000	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Purchases in the ordinary course of business	**3,499**	**-**	**-**	11,634	-	-
Total purchases of property, plant and equipment	**3,499**	**-**	**-**	11,634	-	-

During the year ended 31 December 2023, the Group purchased major spare parts and equipment from FZ Solutions LLC totalling US$3,499 thousand (2022: US$11,598 thousand) in respect of the continuation of the Wave 1 pellet plant expansion project.

The FPM Charity Fund owns 75% of the Sport & Recreation Centre ("SRC") in Goryshnye Plavnye and made contributions totalling US$69 thousand during the year ended 31 December 2023 (2022: US$154 thousand) for the construction and maintenance of the building, including costs related to electricity, gas and water consumption. The remaining stake of 25% is owned by JSC F&C Realty, which is under the control of Kostyantin Zhevago.

Balances with related parties

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

	As at 31.12.23			As at 31.12.22		
US$000	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Other non-current assets[g]	**3,001**	**-**	**-**	3,847	-	-
Total non-current assets	**3,001**	**-**	**-**	3,847	-	-
Trade and other receivables[h]	**71**	**3,125**	**-**	38	3,245	1
Prepayments and other current assets[i]	**124**	**389**	**-**	745	120	-
Total current assets	**195**	**3,514**		783	3,365	1

		As at 31.12.23			As at 31.12.22	
Total current assets	195	3,514	-	783	3,365	1
Trade and other payables[j]	**1,219**	-	-	2,057	244	-
Total current liabilities	**1,219**	-	-	2,057	244	-

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

Entities under common control

g Other non-current assets include prepayments for property, plant and equipment totalling US$2,990 thousand (2022: US$3,787 thousand) were made to FZ Solutions LLC mainly in relation to the Wave 1 expansion project of the processing plant.

i Prepayments and other current assets to ASK Omega for insurance premiums in the amount of US$233 thousand as at the comparative year ended 31 December 2022. No such prepayments as at 31 December 2023; and

i Prepayments and other current assets totalling US$89 thousand to FZ Solutions LLC (2022: US$327 thousand) related to the purchase of spare parts and services.

j Trade and other payables of US$703 thousand (2022: US$1,603 thousand) related to the purchase of spare parts and services from FZ Solutions LLC; and

j Trade and other payables of US$317 thousand (2022: nil) related to the purchase of spare parts from Uzhgorodsky Turbogas, OJSC.

Associated companies

h Trade and other receivables included US$3,125 thousand (2022: US$3,245 thousand) related to dividends declared by TIS Ruda LLC.

i Prepayments and other current assets included US$389 thousand (2022: US$120 thousand) related to cargo storage services from TIS Ruda LLC.

j Trade and other payables to TIS Ruda LLC related to purchases of logistics services in the amount of US$244 thousand in the comparative year ended 31 December 2022. No such purchases as at 31 December 2023.

Payments on behalf of a key management member

As disclosed in Note 14 Commitments, contingencies and legal disputes, the Group is subject to various legal actions and ongoing court proceedings initiated by certain governmental bodies in Ukraine. It is current practice of these governmental bodies to issue notices of suspicion to members of the senior management of the Group's subsidiaries in Ukraine and requesting significant bail payments.

During the financial year ended 31 December 2023, the Group made bail payments totalling UAH540 million (US$14,901 thousand at the applicable exchange rates on dates of the payments) on behalf of four members of the senior management of one of the Group's subsidiaries in Ukraine.

Due to their roles as key management members of the Group, the payments made are considered to be related party transactions under the Listing Rules as the payments were made to their benefit. As a result and as required by the Listing Rules, the Group consulted its sponsor before making any of these payments.

One bail payment made in November 2023 in the amount UAH400 million (US$11,062 thousand at the applicable exchange rate on date of payment) was a smaller related party transaction for the purposes of Listing Rule 11.1.10R and, as per the requirements of Listing Rule 11.1.10R, the Group has obtained written confirmation from its sponsor that the terms of the transaction are fair and reasonable as far as the shareholders of Ferrexpo plc are concerned. Further to that, the Group made an announcement in accordance with Listing Rule 11.1.10R(2)(c) on 2 November 2023.

The Ferrexpo Humanitarian Fund

Following the Russian invasion into Ukraine in February 2022, the Group has established the Ferrexpo Humanitarian Fund with total approved funding of US$15,000 thousand in order to support local communities in Ukraine. The Group procured during the previous financial year ended 31 December 2022 medicine totalling US$404 thousand from Arterium LLC and food totalling US$798 thousand from JSC Kremenchukmyaso, both under common control of Kostyantin Zhevago, a controlling shareholder of Ferrexpo plc. During the financial year ended 31 December 2023, no procurements were made from these companies under the Ferrexpo Humanitarian Fund.

Note 16: Events after the reporting period

As disclosed in Note 14 Commitments, contingencies and legal disputes, following the end of the reporting year the Group received two negative decisions from courts of appeal in Ukraine in respect of ongoing legal proceedings and disputes that existed during the financial year 2023. The first negative court decision related to a contested sureties claim, details of which were announced on 29 January 2024 on the Regulatory News Service of the London Stock Exchange, and the second negative court decision related to a historic squeeze-out of minority shareholders in one of the Group's Ukrainian subsidiaries. As a result of these negative court decisions, the Group recorded provisions in the amount of US$124,450 thousand for the contested surety claim, and US$3,720 thousand in relation to the claim from two former minority shareholders of one of the Group's Ukrainian subsidiaries in respect of a squeeze-out of minority shareholders. The outcome of the contested sureties claim could have a material negative impact on the Group's business activities and its ability to continue as a going concern. See Note 2 Basis of preparation and Note 14 Commitments, contingencies and legal disputes for further information

As announced on 20 February 2024, the Board of Directors decided not to proceed with the interim dividend of 3.3 US cents per ordinary share, which was announced on 18 January 2024 and was due to be paid to the shareholders on 23 February 2024. The decision to withdraw this dividend followed the unexpected court decision in the contested sureties claim mentioned above. See Note 9 Earnings per share and dividends paid and proposed for further information.

As announced on 11 March 2024 on the Regulatory News Service of the London Stock Exchange, a supplier and related party to the Group filed an application to open bankruptcy proceedings ("creditor protection proceedings") against Ferrexpo Poltava Mining ("FPM"), which was accepted by the relevant court for further consideration. The initial amount of debt claimed by the supplier of FPM was UAH2.2 million, which subsequently increased to UAH4.6 million (c. US$117 thousand as at 15 April 2024). See Note 2 Basis of preparation and Note 14 Commitments, contingencies and legal disputes for further information.

The Group also announced on 11 March 2024 that FPM received a notification of a court order issued at the request of the prosecutor in Ukraine to freeze the bank accounts of FPM. The freeze of FPM's bank accounts is linked to an ongoing investigation in Ukraine concerning the alleged illegal extraction of minerals ("rubble"). See Note 14 Commitments, contingencies and legal disputes for further information.

As announced on 26 March 2024 on the Regulatory News Service of the London Stock Exchange, the Group became aware on 25 March 2024 of a court order dated 18 January 2024 in the Ukrainian Register of Court Decisions regarding restrictions on certain corporate rights in all of Group's Ukrainian subsidiaries. These restrictions are part of the ongoing investigation in connection with Bank F&C and the Group is not a party to the proceedings in which the restrictions have been imposed. See Note 14 Commitments, contingencies and legal disputes for further information.

No other material adjusting or non-adjusting events have occurred subsequent to the year-end other than the events disclosed above.

Alternative Performance Measures

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

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

C1 cash cost of production

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

US$000	Notes	**Year ended 31.12.23**	Year ended 31.12.22
C1 cash costs		**294,213**	503,975
Non-C1 cost components		**45,136**	36,035
Inventories recognised as an expense upon sale of goods	5	**339,349**	540,010
Own ore produced (tonnes)		**3,845,325**	6,053,397
C1 cash cost per tonne (US$)		**76.5**	83.3

Underlying EBITDA

Definition: The Group calculates the underlying EBITDA as profit before tax and finance plus depreciation and amortisation, adjusted for net gains and losses from disposal of investments property, plant and equipment, effects from share-based payments, write-offs and impairment losses and 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 Segment information to the consolidated financial statements for further details.

Closest equivalent IFRSs measure: Profit before tax and finance.

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

Reconciliation to closest IFRSs equivalent:

US$000	Notes	**Year ended 31.12.23**	Year ended 31.12.22
Underlying EBITDA		**130,242**	765,113
Losses on disposal and liquidation of property, plant and equipment	5	**(11)**	(1,665)
Share-based payments		**(830)**	(490)
Write-offs and impairments	5	**(978)**	(260,308)
Recognition of provisions for legal disputes	14	**(131,117)**	–
Depreciation and amortisation		**(57,669)**	(96,977)
(Loss)/profit before tax and finance		**(60,363)**	405,673

Net cash/(debt)

Definition: Cash and cash equivalents net of interest-bearing loans and borrowings.

Closest equivalent IFRSs measure: Cash and cash equivalents.

Rationale for adjustment: Net cash/(debt) is a measurement of the strength of the Group's balance sheet. It is presented as it is a useful

Rationale for adjustment: Net cash/(debt) is a measurement of the strength of the Group's balance sheet. It is presented as it is a useful measure to evaluate the Group's financial liquidity.

Reconciliation to closest IFRS equivalent:

US$000	Notes	**As at 31.12.23**	As at 31.12.22
Cash and cash equivalents	12	**115,241**	112,945
Interest-bearing loans and borrowings - current	13	**(5,939)**	(5,194)
Interest-bearing loans and borrowings - non-current	13	**(1,009)**	(1,354)
Net cash		**108,293**	106,397

Capital investment

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

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

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

Reconciliation to closest IFRSs equivalent:

US$000	Notes	**As at 31.12.23**	As at 31.12.22
Purchase of property, plant and equipment and intangible assets (net cash flows used in investing activities)	10	**101,247**	161,010

Total liquidity

Definition: Sum of cash and cash equivalents, available committed facilities and undrawn uncommitted facilities. No committed facilities outstanding as at 31 December 2023 and the end of the comparative year ended 31 December 2022. Uncommitted facilities include trade finance facilities secured against receivable balances related to these specific trades. See Note 13 Interest-bearing loans and borrowings for further information.

Closest equivalent IFRSs measure: Cash and cash equivalents.

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

Reconciliation to closest IFRSs equivalent:

US$000	Notes	**As at 31.12.23**	As at 31.12.22
Cash and cash equivalents	12	**115,241**	112,945

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[1] The Group's JORC-compliant Ore Reserves and Mineral Resources shown above are based on an independent review completed by Bara Consulting, and are shown on a depleted basis as of 1 January 2024. The Group previously reported a resource estimate of 326Mt for the Galeschynske deposit.

[2] Source: S&P Global Commodity Insights.

[3] Source: Baltic Exchange

[4] Source: World Steel Association.

[5] Source: S&P Global Commodity Insights

[6] UAH per USD as per National Bank of Ukraine

[7] Source: World Bank

[8] Source: UNDP

[9] Source: Transparency International.

[10] Bloomberg

[11] Source: S&P Global Commodity Insights.

[12] Source: Baltic Index / S&P Global

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