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# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER**
**Pursuant to Rule 13a-16 or 15d-16**
**under the Securities Exchange Act of 1934**

**For the Month of May, 2018**

**Commission File Number: 001-37668**

# FERROGLOBE PLC

**(Name of Registrant)**

2nd Floor West Wing, Lansdowne House
57 Berkeley Square
London, W1J 6ER
(Address of Principal Executive Office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No ☒

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

**2018 Annual General Meeting of Ferroglobe PLC**

On May 30, 2018, Ferroglobe PLC ("Ferroglobe" or the "Company") released its Notice of 2018 Annual General Meeting ("2018 AGM") and Annual Report and Accounts for the fiscal year ended December 31, 2017.

**Exhibits**

Reference is made to the Exhibit Index included hereto.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 30, 2018

**FERROGLOBE PLC**

By: PEDRO LARREA PAGUAGA

Name: Pedro Larrea Paguaga
Title: *Chief Executive Officer*

**EXHIBIT INDEX**

| Exhibit No. | Description |
|---|---|
| 99.1 | Notice of Annual General Meeting dated May 29, 2018 |
| 99.2 | Ferroglobe PLC Annual Report and Accounts for the fiscal year ended December 31, 2017 |
| 99.3 | Extracts from the 2017 Form 20-F |
| 99.4 | Form of Proxy Card for 2018 Annual General Meeting |

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SIGNATURES
EXHIBIT INDEX

**Exhibit 99.1**

**FERROGLOBE PLC**

(a public limited company having its registered office at 5 Fleet Place, London, EC4M 7RD, United Kingdom and incorporated in England and Wales with company number 9425113)

May 29, 2018

Dear Shareholder

**2018 Annual General Meeting of Shareholders of Ferroglobe Plc ("Ferroglobe" or the "Company")**

I am pleased to invite you to attend Ferroglobe's annual general meeting of its shareholders (the "**Annual General Meeting**"), to be held at 10:00 a.m. (British Summer Time) on Wednesday, June 27, 2018 at the Mayfair Hotel, Stratton Street, Mayfair, London, W1J 8LT, United Kingdom. The accompanying notice of Annual General Meeting describes the meeting, the resolutions you will be asked to consider and vote upon and related matters.

Your vote is important, regardless of the number of shares you own. Whether or not you intend to attend the Annual General Meeting, please vote as soon as possible to make sure that your shares are represented. You may vote via the internet, by phone or by mail by signing, dating and returning your proxy card in the envelope provided.

**Recommendation**

We consider all resolutions proposed to shareholders at the Annual General Meeting to be standard business. You will find an explanation of each resolution within the Explanatory Notes on pages three to ten of this pack. The Company's board of directors (the "**Board**") considers that all the resolutions to be put to the Annual General Meeting are in the best interests of the Company and its shareholders as a whole and are most likely to promote the success of the Company. The Board unanimously recommends that you vote in favour of each of the proposed resolutions, as the members of the Board intend to do in respect of their beneficial holdings.

Thank you for your continued support of Ferroglobe.

Yours sincerely,

Javier López Madrid
*Executive Chairman*

**FERROGLOBE PLC**

(a public limited company having its registered office at 5 Fleet Place, London, EC4M 7RD, United Kingdom and incorporated in England and Wales with company number 9425113)

**NOTICE OF 2018 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

*To the holders of ordinary shares of Ferroglobe Plc* ("**Ferroglobe**" or the "**Company**"):

Notice is hereby given that Ferroglobe's Annual General Meeting of shareholders will be held on Wednesday, June 27, 2018 at 10:00 a.m. (British Summer Time), at the Mayfair Hotel, Stratton Street, Mayfair, London, W1J 8LT, United Kingdom ("**U.K.**").

The business of the Annual General Meeting will be to consider and, if thought fit, pass the resolutions below. All resolutions will be proposed as ordinary resolutions. Explanations of the resolutions are given in the explanatory notes on pages three to ten of this Annual General Meeting notice and additional information for those entitled to attend the Annual General Meeting can be found on pages eleven to fourteen. All resolutions will be put to vote on a poll, where each shareholder has one vote for each share held.

Certain of the resolutions that shareholders of the Company will be asked to consider may not be familiar to them because, unlike many companies with shares traded on the NASDAQ market ("**NASDAQ**"), the Company is incorporated under the laws of England and Wales and is therefore subject to the U.K. Companies Act 2006 (the "**Companies Act**"). The Companies Act obliges the Company to propose certain matters to shareholders for approval that would generally not be subject to periodic approval by shareholders of companies incorporated in the United States but would be considered routine items for approval by shareholders of companies incorporated in England and Wales.

**ORDINARY RESOLUTIONS:**

**U.K. annual report and accounts 2017**

1. THAT the directors' and auditor's reports and the accounts of the Company for the financial year ended December 31, 2017 (the "**U.K. Annual Report and Accounts"**) be received.

**Directors' 2017 remuneration report (the "Directors' Remuneration Report")**

2. THAT the directors' remuneration report (excluding that part containing the directors' remuneration policy) for the year ended December 31, 2017 be received and approved.

**Directors' election**

3. THAT Pedro Larrea Paguaga be elected as a director.

4. THAT Pierre Vareille be elected as a director.

5. THAT José María Alapont be elected as a director.

**Directors' re-election**

6. THAT Javier López Madrid be re-elected as a director.

7. THAT Donald G. Barger, Jr. be re-elected as a director.

8. THAT Bruce L. Crockett be re-elected as a director.

9. THAT Stuart E. Eizenstat be re-elected as a director.

10. THAT Manuel Garrido y Ruano be re-elected as a director.

11. THAT Greger Hamilton be re-elected as a director.

12. THAT Javier Monzón be re-elected as a director.

13. THAT Juan Villar-Mir de Fuentes be re-elected as a director.

**Appointment of Auditor**

14. THAT Deloitte LLP be appointed as auditor of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next general meeting at which accounts are laid before the Company.

**Remuneration of auditor**

15. THAT the Audit Committee of the Board be authorised to determine the auditor's remuneration.

Dorcas Murray
*Company Secretary*

May 29, 2018

## Explanatory notes to the resolutions

### Resolution 1 (U.K. Annual Report and Accounts 2017)

The Board is required to present at the Annual General Meeting the U.K. Annual Report and Accounts for the financial year ended December 31, 2017, including the Directors' Report, the Auditor's Report on the U.K. Annual Report and Accounts and those parts of the Directors' Remuneration Report which have been audited.

Resolution 1 is an advisory vote and, in accordance with its obligations under English law, the Company will provide shareholders at the Annual General Meeting with the opportunity to receive the U.K. Annual Report and Accounts and ask any relevant and appropriate questions of the representative of Deloitte LLP in attendance at the Annual General Meeting.

### Resolution 2 (Directors' Remuneration Report)

Resolution 2 is an advisory vote to approve the directors' remuneration report for the year ended December 31, 2017 as required by sections 439 and 440 of the Companies Act and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The directors' remuneration report is set out on pages 27 to 56 of the U.K. Annual Report and Accounts; this advisory vote relates to those parts of the report which detail implementation of the directors' remuneration policy in the financial year ended December 31, 2017.

### Resolutions 3 to 13 (directors seeking election or re-election)

Any director appointed by the Board since the last Annual General Meeting must stand for election at the next Annual General Meeting. The following directors were appointed by the Board following the last Annual General Meeting and now stand for election:

**Pedro Larrea Paguaga**: appointed on June 28, 2017;
**Pierre Vareille**: appointed on October 26, 2017; and
**José María Alapont**: appointed on January 24, 2018.

In line with best practice in corporate governance, all our directors retire annually and, if agreed with them that they will continue in office, they offer themselves for re-election by the shareholders.

The biographies of the directors standing for election or re-election at the Annual General Meeting are set out below to enable shareholders to make an informed decision on their election or re-election, as appropriate. The dates of appointment under "Roles at Ferroglobe" show each director's date of appointment to the Board of Directors or Committees of Ferroglobe. Several of our directors have also held roles at Grupo FerroAtlántica S.A.U. (**FerroAtlántica**) or Globe Speciality Metals, Inc. (**Globe**). On December 23, 2015 FerroAtlántica merged with Globe through corporate transactions (the **Business Combination**) to form the Ferroglobe group of companies under Ferroglobe's ownership.

| **Pedro Larrea Paguaga** |
|---|
| **Roles at Ferroglobe:** |
| • Chief Executive Officer (from December 23, 2015);<br>• Director (from June 28, 2017). |

**Experience:**

- Chairman of FerroAtlántica (from 2012 to 2015);
- Chief Executive Officer (**CEO**) of FerroAtlántica (from 2011 to 2015);
- Various executive roles at Endesa, the biggest power company in Spain and Latin America, including as Chairman and CEO of Endesa Latinoamérica, with total revenues above €8 billion and EBITDA above €3 billion (from 1996 to 2009);
- Board director of Enersis (2007 to 2009) and Endesa Chile (1999 to 2002 and 2006 to 2007), both public Chilean companies listed on the NYSE;
- Management consulting roles with PwC (2010 to 2011), where he led the energy sector practice in Spain, and McKinsey & Company in Spain, Latin America and the United States (1989 to 1995).

**Qualifications and awards:**

- Mining Engineering degree (MSc equivalent) from Universidad Politécnica de Madrid (graduated with honours);
- M.B.A. from INSEAD (awarded the Henry Ford II award for academic excellence).

**Pierre Vareille**

**Roles at Ferroglobe:**

- Member of the Audit and Compensation Committees (from January 1, 2018);
- Non-executive director (from October 26, 2017).

**Other appointments:**

- Chairman of the Board of Societe BIC SA (from 2009 as a director and 2018 as Chairman);
- Board director and member of the Remuneration and Selection Committee of Etex SA (from 2017);
- Board director and member of the Audit Committee of Verallia (from 2015);
- Board director and member of the Remuneration Committee of Outokumpu Oyj (from 2018);
- Founder and Co-Chairman of the Vareille Foundation (from 2014).

**Experience**:

- CEO of Constellium NV (from 2012 to 2016);
- Chairman and CEO of FCI SA (from 2008 to 2012);
- Group Chief Executive of Wagon PLC (from 2004 to 2007);
- Extensive experience in the metals and manufacturing sectors and in the management of global industrial companies.

**Qualifications and awards:**

- Graduate of the Ecole Centrale de Paris, the French engineering school;
- Degree in Economics and Finance from the Sorbonne University, Paris, France.

**José María Alapont**

**Roles at Ferroglobe:**

- Member of the Audit and Compensation Committees (from May 16, 2018);
- Non-executive director (from January 24, 2018).

**Other appointments:**

- Board director of Ashok Leyland Ltd (from 2017), where he is also a member of the Investment, Technology and Nomination and Remuneration Committees;
- Board director of Navistar Inc. (from 2016) where he is also Chair of the Nomination and Governance Committee and a member of the Finance Committee (from 2018);
- Board director of Hinduja Investments and Project Services Ltd (from 2016);
- Board director of Hinduja Automotive Ltd (from 2014).

**Experience:**

- President and CEO of Federal-Mogul Corporation, the automotive powertrain and safety components supplier (from March 2005 to 2012), Chairman of its Board (from 2005 to 2007) and member of the Board (from 2005 to 2013);
- CEO and member of the Board of Fiat Iveco, S.p.A., a leading global manufacturer of commercial trucks and other specialised vehicles (from 2003 to 2005);
- Executive, Vice President and President positions for more than 30 years at other leading global vehicle manufacturers and suppliers such as Ford Motor Company, Delphi Corporation and Valeo S.A (prior to 2003);
- Member of the Board of The Manitowoc Company Inc. (from 2016 to 2018);
- Member of the Board of Mentor Graphics Corp. (from 2011 to 2012);
- Member of the Davos World Economic Forum (from 2000 to 2011).

**Qualifications and awards:**

- Industrial Engineering degree from the Technical School of Valencia;
- Philology degree from the University of Valencia in Spain.

**Javier López Madrid**

**Roles at Ferroglobe:**

- Executive Chairman (from December 31, 2016);
- Chairman of Nominations Committee (from January 1, 2018);
- Executive Vice-Chairman (from December 23, 2015 to December 31, 2016);
- Director (from February 5, 2015).

**Other appointments:**

- CEO of Grupo Villar-Mir, S.A.U (**Grupo VM**), former owner of FerroAtlántica and the Company's largest shareholder (from 2008);
- Member of the World Economic Forum, Group of Fifty;
- Member of the Board of Fundación Juan Miguel Villar Mir and various institutions, including Patronato Fundacion Principe Asturias and Fundacion Codespa.

**Experience:**

- Founder and largest shareholder of Financiera Siacapital, S.L.U.;
- Founder of Tressis Sociedad de Valores, S.A., Spain's largest independent private bank.

**Qualifications and awards:**

- Master in Law and Business from ICADE University.

**Donald G. Barger Jr.**

**Roles at Ferroglobe:**

- Chairman of the Compensation Committee and a member of Nominations Committee (from January 1, 2018);
- Non-executive director (from December 23, 2015);
- Chair of the Nominating and Corporate Governance Committee and member of the Compensation Committee (from December 23, 2015 to December 31, 2017).

**Experience:**

- Member of the Globe Board from December 2008 until the closing of the Business Combination and Chairman of Globe's Audit and Compensation Committees;
- Successful 36-year business career in manufacturing and services companies, including:
    - Vice President and Chief Financial Officer of YRC Worldwide Inc. (formerly Yellow Roadway Corporation), one of the world's largest transportation service providers (from 2000 to 2007) and advisor to the CEO until his retirement (2007 to 2008);
    - Vice President and Chief Financial Officer of Hillenbrand Industries Inc., a provider of services and products for the health care and funeral services industries (from 1998 to 2000);
    - Vice President of Finance and Chief Financial Officer of Worthington Industries, Inc., a diversified steel processor (from 1993 to 1998);
    - Member of the Board of Gardner Denver, Inc. and its Audit Committee for his entire 19-year tenure until the company's sale in July 2013, He served as Chair of the Committee for 17 of those years;
    - Member of the Board of Quanex Building Products Corporation for 16 years, retiring in February 2012. He served on its Audit Committee for 14 years and was its Chair for most of that time;
- Considered a "financial expert" for SEC purposes on all the public company boards on which he has served.

**Qualifications and awards:**

- B.S. degree from the U.S. Naval Academy;
- M.B.A. from the University of Pennsylvania.

**Bruce L. Crockett**

**Roles at Ferroglobe:**

- Member of the Compensation Committee (from January 1, 2018);
- Non-executive director and member of the Audit Committee (from December 23, 2015).

**Other appointments:**

- Chairman of the Invesco Mutual Funds Group Board of Directors and member of its Audit, Investment and Governance Committees (from 1991 in the case of the Board; 2003 as Chairman; and on the board of predecessor companies from 1978);
- Board director of (from 2013) and Audit Committee Chair of ALPS Property & Casualty Insurance Company (from 2014);

- Chairman of Crockett Technologies Associates (from 1996) and a private investor;
- Life trustee of the University of Rochester.

**Experience:**

- Member of Globe's Board from April 2014 until the closing of the Business Combination and a member of Globe's Audit Committee;
- President and CEO of COMSAT Corporation (from 1992 until 1996) and President and Chief Operating Officer (from 1991 to 1992). Held various other operational and financial positions at COMSAT from 1980, including Vice President and Chief Financial Officer;
- Member of the Board of Ace Limited (from 1995 until 2012);
- Member of the Board of Captaris, Inc. (from 2001 until its acquisition in 2008) and Chairman (from 2003 to 2008).

**Qualifications and awards:**

- A.B. degree from the University of Rochester;
- B.S. degree from the University of Maryland;
- M.B.A. from Columbia University;
- Honorary Doctor of Law degree from the University of Maryland.

**Stuart E. Eizenstat**

**Roles at Ferroglobe:**

- Member of the Corporate Governance Committee (from January 1, 2018) and the Nominations Committee (from May 16, 2018);
- Non-executive director (from December 23, 2015);
- Member of the Nominating and Corporate Governance Committee (from December 23, 2015 to December 31, 2017).

**Other appointments:**

- Senior Counsel of Covington & Burling LLP in Washington, D.C. and head of its international practice (from 2001);
- Member of the Advisory Boards of GML Ltd. (from 2003) and of the Office of Cherifien de Phosphates (from 2010);
- Trustee of BlackRock Funds (from 2001).

**Experience:**

- Member of the Globe Board from 2008 until the closing of the Business Combination and Chair of its Nominating Committee;
- Member of the Board of Alcatel-Lucent (from 2008 to 2016);
- Member of the Board of United Parcel Service (from 2005 to 2015);
- Special Adviser to Secretaries of State Clinton and Kerry on Holocaust-Era Issues (from 2009 to 2017);
- Special Representative of the President and Secretary of State on Holocaust Issues during the Clinton Administration (from 1993 to 2001);
- Deputy Secretary of the United States Department of the Treasury (from 1999 to 2001);
- Under Secretary of State for Economic, Business and Agricultural Affairs (from 1997 to 1999);

- Under Secretary of Commerce for International Trade (from 1996 to 1997);
- U.S. Ambassador to the European Union (from 1993 to 1996);
- Chief Domestic Policy Advisor in the White House to President Carter (from 1977 to 1981);
- Author of "Imperfect Justice: Looted Assets, Slave Labor, and the Unfinished Business of World War II"; "The Future of the Jews: How Global Forces are Impacting the Jewish People, Israel, and its Relationship with the United States"; and "President Carter: The White House Years".

**Qualifications and awards:**

- B.A. in Political Science, cum laude and Phi Beta Kappa, from the University of North Carolina at Chapel Hill;
- J.D. from Harvard Law School;
- Eight honorary doctorate degrees and awards from the United States, French, German, Austrian, Belgian and Israeli governments.

**Manuel Garrido y Ruano**

**Roles at Ferroglobe:**

- Member of the Corporate Governance Committee (from January 1, 2018);
- Member of the Nominating and Corporate Governance Committee (from May 30, 2017 to December 31, 2017);
- Non-executive director (from May 30, 2017).

**Other appointments:**

- Chief Financial Officer of Grupo VM (since 2003) and member of the Board or on the steering committee of a number of its subsidiaries in the energy, financial, construction and real estate sectors;
- Professor of Communication and Leadership of the Graduate Management Program at CUNEF in Spain.

**Experience:**

- Member of the steering committee of FerroAtlántica until 2015, having previously served as its Chief Financial Officer (from 1996 to 2003);
- Worked with McKinsey & Company from 1991 to 1996, specialising in restructuring, business development and turnaround and cost efficiency projects globally.

**Qualifications and awards:**

- Masters of Civil Engineering with honours from the Universidad Politecnica de Madrid;
- M.B.A. from INSEAD.

**Greger Hamilton**

**Roles at Ferroglobe:**

- Chairman of the Audit Committee (from December 23, 2015);
- Member of the Corporate Governance Committee (from January 1, 2018);
- Member of the Compensation Committee (from December 23, 2015 to December 31, 2017);
- Non-executive director (from December 23, 2015).

**Other appointments:**

- Managing Partner of Ovington Financial Partners Ltd (from 2009);
- Co-founder and director of the BrainHealth Club (from 2016).

**Experience:**

- Partner at European Resolution Capital Partners, where he assisted in the restructuring of international banks in 16 countries (from 2009 to 2014);
- Managing Director at Goldman Sachs International (1997 to 2008);
- He began his career at McKinsey and Company, where he worked from 1990 to 1997.

**Qualifications and awards:**

- B.A. in Business Economics and International Commerce from Brown University.

**Javier Monzón**

**Roles at Ferroglobe:**

- Chairman of the Corporate Governance Committee and member of the Nominations Committee (from January 1, 2018);
- Senior Independent Director (from October 26, 2017);
- Chairman of the Compensation Committee and member of the Audit Committee (from December 23, 2015 to December 31, 2017);
- Non-executive director (from December 23, 2015).

**Other appointments:**

- Member of the Board of Promotora de Informaciones SA (PRISA) (from November 2017), Vice Chairman of the Board (from February 2018) and Senior Independent Director (from April 2018). Also, Chairman of the Nominations, Compensation and Corporate Governance Committees;
- Board director of Santander Espana (from June 2015) and senior advisor to the Group Executive Chairman;
- Board director of 4IQ (from April 2017);
- Board director of ACS Servicios y Concesiones, S.A. (from 2004).

**Experience:**

- Chairman and CEO of Indra Sistemas, S.A. (from 1992 until 2015);
- Member of the Supervisory Board of Lagardere (from 2008 to 2017);
- Member of the Board of ACS (from 2004 to 2017);
- Partner at Arthur Andersen (from 1989 to 1990);
- Chief Financial Officer of Telefonica S.A. (from 1984 to 1987) and Executive Vice President and Chairman of Telefonica International, S.A. (from 1987 to 1989);
- He began his career at Caja Madrid, where he was a Corporate Banking Director.
- Not-for profit activities include:
    - Chairman of the Executive Committee of Fundación CYD (Knowledge and Development Foundation) (from 2003);
    - Member of the Board of Endeavor Spain, and of the International Advisory Council of Brookings (both from 2014);
    - Vice Chairman of the American Chamber of Commerce in Spain (from March 2010 until January 2015);
    - Vice Chairman of the Board of Carlos III University (until 2017).

**Qualifications and awards:**

- Degree in Economics from Universidad Complutense de Madrid.

**Juan Villar-Mir de Fuentes**

**Roles at Ferroglobe:**

- Non-executive director (from December 23, 2015).

**Other appointments:**

- Vice Chairman of Grupo VM (from 1999);
- Vice Chairman and CEO of Inmobiliaria Espacio, S.A.;
- Board director of Obrascón Huarte Lain, S.A. (from 1996) and Chairman (from 2016).

**Experience:**

- Member of the Board and Audit Committee of Inmobiliaria Colonial, S.A (from June 2014 to May 2017).

**Qualifications and awards:**

- Bachelor's Degree in Business Administration and Economics and Business Management.

**Resolution 14 (appointment of auditor)**

At each general meeting at which accounts are laid before the shareholders, the Company is required to appoint an auditor to serve until the next such meeting. Deloitte LLP has served as the Company's U.K. statutory auditor since February 3, 2016.

If this resolution does not receive the affirmative vote of a majority of the shares entitled to vote and present in person or represented by proxy at the Annual General Meeting, the Board may appoint an auditor to fill the vacancy.

**Resolution 15 (remuneration of auditor)**

Under the Companies Act, the remuneration of the Company's U.K. statutory auditor must be fixed in a general meeting or in such manner as may be determined in a general meeting. The Company asks its shareholders to authorise the Audit Committee to determine the remuneration of Deloitte LLP in its capacity as the Company's U.K. statutory auditor under the Companies Act.

**Further notes:**

1. Some of the resolutions are items that are required to be approved by shareholders periodically under the Companies Act and generally do not have an analogous requirement under United States laws and regulations. As such, while these resolutions may be familiar and routine to shareholders accustomed to being shareholders of companies incorporated in England and Wales, other shareholders may be less familiar with these routine resolutions and should review and consider each resolution carefully.

2. In accordance with the Articles, all resolutions will be taken on a poll. Voting on a poll will mean that each Ordinary Share represented in person or by proxy will be counted in the vote.

3. All resolutions will be proposed as ordinary resolutions, which means that such resolutions must be passed by a simple majority of the total voting rights of shareholders who vote on such resolutions, whether in person or by proxy. The results of the shareholders' vote on resolutions 1 and 2 regarding receipt of the U.K. Annual Report and Accounts and approval of the Directors' Remuneration Report will not require the Board or any Committee thereof to take (or refrain from taking) any action. The Board values the opinion of shareholders as expressed through such resolutions and will carefully consider the outcome of the votes on resolutions 1 and 2.

4. "**Shareholders of record**" are those persons registered in the register of members of the Company in respect of Ordinary Shares at 10:00 a.m. (British Summer Time) on May 4, 2018. If, however, Ordinary Shares are held for you in a stock brokerage account or by a broker, bank or other nominee, you are considered the "**beneficial owner**" of those Ordinary Shares.

5. Beneficial owners of Ordinary Shares as at 10:00 a.m. (British Summer Time) on May 4, 2018 have the right to direct their broker or other agent on how to vote the Ordinary Shares in their account and are also invited to attend the Annual General Meeting. However, as beneficial owners are not Shareholders of record of the relevant Ordinary Shares, they may not vote their Ordinary Shares at the Annual General Meeting unless they request and obtain a legal proxy from their broker or agent.

6. Any Shareholder of record attending the Annual General Meeting has the right to ask questions. The Company must cause to be answered any questions put by a Shareholder of record attending the meeting relating to the business being dealt with at the Annual General Meeting unless to do so would interfere unduly with the business of the meeting, be undesirable in the interests of the Company or the good order of the meeting, involve the disclosure of confidential information or if the information has already been given on the Company's website.

7. In accordance with the provisions of the Companies Act, and in accordance with the Articles, a Shareholder of record who is entitled to attend and vote at the Annual General Meeting is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the Annual General Meeting and to appoint more than one proxy in relation to the Annual General Meeting (provided that each proxy is appointed to exercise the rights attached to different Ordinary Shares). Such proxies need not be Shareholders of record, but must attend the Annual General Meeting and vote as the

Shareholder of record instructs. Further details regarding the process to appoint a proxy, voting and the deadlines therefor are set out in the "Voting Process and Revocation of Proxies" section below.

8. The results of the polls taken on the resolutions at the Annual General Meeting and any other information required by the Companies Act will be made available on the Company's website as soon as reasonably practicable following the Annual General Meeting and for a period of two years thereafter.

9. A copy of this Annual General Meeting notice can be found at the Company's website, www.ferroglobe.com.

10. Recipients of this notice and the accompanying materials may not use any electronic address provided in this notice or such materials to communicate with the Company for any purposes other than those expressly stated.

11. To be admitted to the Annual General Meeting, please bring the Admission Ticket that you will have received through the post. You will need to be able to provide your photo identification at the registration desk.

12. On arrival at the Annual General Meeting venue, all those entitled to vote will be required to register and collect a poll card. In order to facilitate these arrangements, please arrive at the Annual General Meeting venue in good time. You will be given instructions on how to complete your poll card at the Annual General Meeting.

**VOTING PROCESS AND REVOCATION OF PROXIES**

If you are a Shareholder of record, there are three ways to vote by proxy:

- By Internet – You can vote over the Internet at www.envisionreports.com/FGLO by following the instructions at such web address. You will need to enter your control number, which is a 15-digit number located in a box on your proxy card. We encourage you to vote by Internet even if you received this Annual General Meeting notice in the mail.

- By Telephone – You may vote and submit your proxy by calling toll-free 1-800-652-8683 in the United States and providing your control number, which is a 15-digit number located in a box on your proxy card.

- By Mail – If you received this Annual General Meeting notice by mail or if you requested paper copies of the Annual General Meeting notice, you can vote by mail by marking, dating, signing and returning the proxy card in the postage-paid envelope.

Telephone and Internet voting facilities for Shareholders of record will be available 24 hours a day and will close at 10:01 a.m. (British Summer Time) on Monday, June 25, 2018. Submitting your proxy by any of these methods will not affect your ability to attend the Annual General Meeting in-person and vote at the Annual General Meeting.

If your shares are held in "street name", meaning you are a beneficial owner with your shares held through a bank or brokerage firm, you will receive instructions from your bank or brokerage firm, which is the Shareholder of record of your shares. You must follow the instructions of the Shareholder of record in order for your shares to be voted. Telephone and Internet voting may also be offered to shareholders owning shares through certain banks and brokers, according to their individual policies.

The Company has retained Computershare to receive and tabulate the proxies.

If you submit proxy voting instructions and direct how your shares will be voted, the individuals named as proxies must vote your shares in the manner you indicate.

A shareholder who has given a proxy may revoke it at any time before it is exercised at the Annual General Meeting by:

- attending the Annual General Meeting and voting in person;

- voting again by Internet or Telephone (only the last vote cast by each Shareholder of record will be counted), provided that the shareholder does so before 10:01 a.m. (British Summer Time) on Monday, June 25, 2018;

- delivering a written notice, at the address given below, bearing a date later than that indicated on the proxy card or the date you voted by Internet or Telephone, but prior to the date of the Annual General Meeting, stating that the proxy is revoked; or

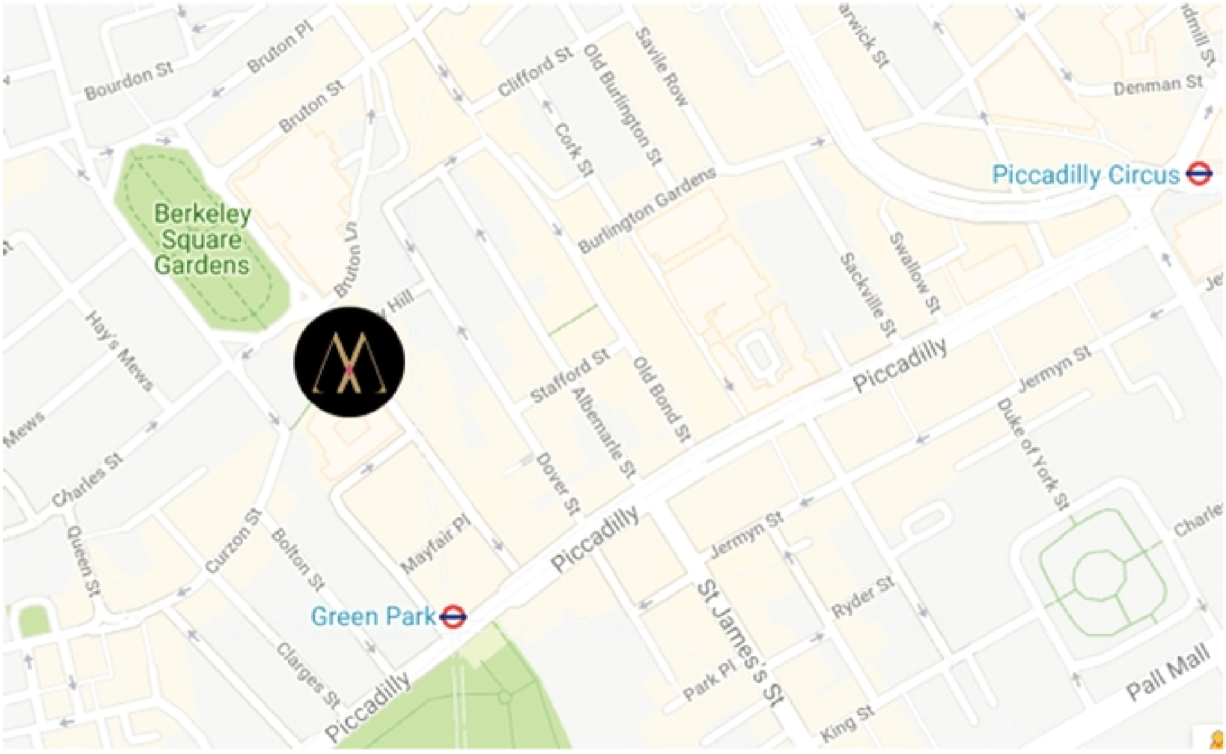
- signing and delivering a subsequently dated proxy card prior to the vote at the Annual General Meeting.

You should send any written notice or new proxy card to Proxy Services, c/o Computershare Investor Services, PO Box 30202 College Station, TX 77842-9909, USA.

If you are a registered shareholder you may request a new proxy card by calling Computershare at 1-866-490-6057 if calling from the United States, or +1-781-575-2780 from outside the United States, or you may also send a request via email to ***web.queries@computershare.com***.

**ANY SHAREHOLDER OWNING SHARES IN STREET NAME MAY CHANGE OR REVOKE PREVIOUSLY GIVEN VOTING INSTRUCTIONS BY CONTACTING THE BANK OR BROKERAGE FIRM HOLDING THE SHARES OR BY OBTAINING A LEGAL PROXY FROM SUCH BANK OR BROKERAGE FIRM AND VOTING IN PERSON AT THE ANNUAL GENERAL MEETING. YOUR LAST VOTE, PRIOR TO OR AT THE ANNUAL GENERAL MEETING, IS THE VOTE THAT WILL BE COUNTED.**

**Location of Annual General Meeting:**




## DOCUMENTS AVAILABLE FOR INSPECTION

Forms of appointment of the non-executive directors, as well as a memorandum setting out the terms of the executive directors' contracts, will be available for inspection at the Company's registered office during normal business hours and at the place of the Annual General Meeting from at least 15 minutes prior to the start of the meeting until the end of the Annual General Meeting.

By order of the Board,

Dorcas Murray
*Company Secretary*

May 29, 2018

Exhibit 99.2

# Ferroglobe PLC

## Annual Report and Accounts 2017

# Company Registration No. 9425113

# Ferroglobe PLC

# Report and Financial Statements

# Period ended December 31, 2017

**Ferroglobe PLC**

**Report and financial statements 2017**

| Contents | Page No. |
|---|---|

**Ferroglobe PLC**

## GLOSSARY AND DEFINITIONS

Unless the context requires otherwise, the following definitions apply throughout this U.K. Annual Report (including the Appendix, save as set out below):

| | |
|---|---|
| **"2016"** | the financial year ended December 31, 2016; |
| **"2017"** | the financial year ended December 31, 2017; |
| **"2018 AGM"** | the Annual General Meeting of the Company, to be held on June 27, 2018; |
| **"2019 AGM"** | the Annual General Meeting of the Company, to be held in 2019; |
| **"2017 Form 20-F"** | the Company's Form 20-F for the fiscal year ended December 31, 2017; |
| **"Adjusted EBITDA"** | earnings before interest, tax, depreciation and amortisation, adjusted in accordance with Company's adjustments announced as part of its earnings reports. See Appendix 1 for the calculation of non-IFRS financial metrics; |
| **"Adjusted Net Profit"** | profit (loss) attributable to the Parent, adjusted in accordance with Company's adjustments announced as part of its earnings reports. See Appendix 1 for the calculation of non-IFRS financial metrics; |
| **"Amended Revolving Credit Facility"** | the revolving credit facility previously available pursuant to the Amended Revolving Credit Facility Agreement; |
| **"Amended Revolving Credit Facility Agreement"** | the Old Revolving Credit Facility Agreement as amended on or about February 15, 2017 by the Revolving Credit Facility Amendment; |
| **"Aon"** | Aon Plc; |
| **"Articles"** | The Articles of Association of the Company, from time to time; |
| **"Auditor"** | Deloitte LLP, the Company's independent U.K. statutory auditor; |
| **"Aurinka"** | Aurinka Photovoltaic Group, S.L.; |
| **"Blue Power"** | Blue Power Corporation, S.L.; |
| **"Board"** | the Company's board of directors; |
| **"Business Combination"** | the business combination of Globe and FerroAtlántica as the Company's wholly owned subsidiaries on December 23, 2015; |
| **"Business Combination Agreement"** | the definitive transaction agreement entered into on February 23, 2015 (as amended and restated on May 5, 2015) by, among others, the Company, Grupo VM, FerroAtlántica and Globe; |
| **"Capital"** | Net Debt plus total equity. See Appendix 1 for the calculation of non-IFRS financial metrics; |

| | |
|---|---|
| **"CEO", "Chief Executive Officer" or "Chief Executive"** | The Chief Executive Officer of the Company, or where the context requires, of the relevant company or organization; |
| **"Companies Act"** | the U.K. Companies Act 2006; |
| **"Company" or "Ferroglobe"** | Ferroglobe PLC, a company incorporated in England and Wales with registered number 09425113 and whose registered office is at 5 Fleet Place, London EC4M 7RD, United Kingdom or, where the context requires, the Group; |
| **"Consolidated Financial Statements" or "Financial Statements"** | (save in the supplemental attachment when it will have the meaning given below) these consolidated financial statements for the year ended December 31, 2017; |
| **"Compensation Committee"** | the compensation committee of the Company; |
| **"DOC"** | the U.S. Department of Commerce; |
| **"EBITDA"** | earnings before interest, tax, depreciation and amortisation. See Appendix 1 for the calculation of non-IFRS financial metrics; |
| **"EIP" or "the Plan"** | the Ferroglobe PLC Equity Incentive Plan, adopted by the Board on May 29, 2016 and approved by shareholders on June 29, 2016; |
| **"EU"** | the European Union; |
| **"Exchange Act"** | the U.S. Securities Exchange Act of 1934 (as amended); |
| **"Executive Chairman"** | the executive chairman of the Company; |
| **"Executive Directors"** | the executive directors of the Company; |
| **"FerroAtlántica" or "Grupo FerroAtlántica" or "Predecessor"** | Grupo FerroAtlántica, S.A.U. a joint stock company organised under the laws of Spain, including (where the context requires) its subsidiaries and subsidiary undertakings; |
| **"Free Cash Flow"** | operating cash flow less property, plant and equipment cash flows. See Appendix 1 for the calculation of non-IFRS financial metrics; |
| **"Glencore"** | Glencore International AG and its subsidiaries; |
| **"Globe" or "GSM"** | Globe Specialty Metals, Inc., a Delaware corporation, including (where the context requires) its subsidiaries and subsidiary undertakings; |
| **"Group"** | Parent and its subsidiaries; |
| **"Grupo VM"** | Grupo Villar Mir, S.A.U.; |
| **"IASB"** | International Accounting Standards Board; |
| **"IFRS"** | International Financial Reporting Standards; |

| | |
|---|---|
| **"Indenture"** | the indenture, dated as of February 15, 2017, among Parent and Globe as co-issuers, certain subsidiaries of Parent as guarantors, and Wilmington Trust, National Association as trustee, registrar, transfer agent and paying agent; |
| **"KPI"** | key performance indicator; |
| **"NASDAQ"** | the NASDAQ Global Select Market; |
| **"NASDAQ Rules"** | the NASDAQ Stock Market Rules; |
| **"Net Debt"** | bank borrowings, debt instruments, obligations under finance leases, and other financial liabilities, less cash and cash equivalents. See Appendix 1 for the calculation of non-IFRS financial metrics; |
| **"New Revolving Credit Facility Amendment" or "RCF"** | the credit agreement, dated as of February 27, 2018, among Parent, as Borrower, certain subsidiaries of Parent from time to time party thereto as guarantors, the financial institutions from time to time party thereto as lenders, PNC Bank, National Association, as administrative agent, issuing lender and swing loan lender, PNC Capital Markets LLC, Citizens Bank, National Association and BMO Capital Markets Corp., as joint legal arrangers and bookrunners, Citizens Bank, National Association, as syndication agent, and BMO Capital Markets Corp., as documentation agent, as amended from time to time; |
| **"Non-Executive Directors"** | the non-executive directors of the Company; |
| **"Notes"** | $350,000,000 aggregate principal amount of Senior Notes due 2022; |
| **"Old Revolving Facility Agreement"** | the credit agreement, dated as of August 20, 2013, among Globe, certain subsidiaries of Globe from time to time as co-borrowers thereunder, the financial institutions from time to time party thereto as lenders, PNC Bank National Association and Wells Fargo Bank, National Association, as syndication agents for lenders, BBVA Compass Bank, as documentation agent, and Citizens Bank of Pennsylvania, as administrative agent for lenders, which has been replaced by the New Revolving Credit Facility Agreement; |
| **"Ordinary Shares"** | the ordinary shares of $0.01 each in the capital of the Company; |
| **"Parent" or "the Parent Company"** | the individual entity, Ferroglobe PLC; |
| **"the Revolving Credit Facility Amendment"** | the Third Amendment to the Old Revolving Credit Facility Agreement, among, *inter alia*, Parent and Globe as co-borrowers, the subsidiary guarantors party thereto, the financial institutions party thereto as lenders and Citizens Bank of Pennsylvania as administrative agent; |

| | |
|---|---|
| **"SHA"** | the amended and restated shareholders agreement between Group VM and Parent dated November 22, 2017, as amended on January 23, 2018; |
| **"SEC"** | the U.S. Securities and Exchange Commission; |
| **"SOX"** | The U.S. Sarbanes-Oxley of 2002; |
| **"U.K."** | the United Kingdom of Great Britain and Northern Ireland; |
| **"U.S."** | the United States of America; |
| **"Working Capital"** | inventories and trade and other receivables, less trade and other payables. See Appendix 1 for the calculation of non-IFRS financial metrics; |
| **"$"** | U.S. dollars. |

In the separate attachment hereto only (and for the avoidance of doubt, not in the remainder of this U.K. Annual Report), the following phrase has the meaning given below:

| | |
|---|---|
| **"Consolidated Financial Statements"** | the audited consolidated financial statements of Parent and its subsidiaries as of December 31, 2017, 2016 and 2015 and for each of the years ended December 31, 2017, 2016, and 2015, including the related notes thereto, prepared in accordance with IFRS as issued by the IASB, as filed on the 2017 Form 20-F. |

**Ferroglobe PLC**

**Report and financial statements 2017**
**Officers and professional advisers**

**Directors**

| | |
|---|---|
| J López Madrid | |
| J M Alapont | (appointed January 24, 2018) |
| D G Barger | |
| B L Crockett | |
| S E Eizenstat | |
| T García Madrid | (resigned May 30, 2017) |
| M Garrido y Ruano | (appointed May 30, 2017) |
| G Hamilton | |
| P Larrea Paguaga | (appointed June 28, 2017) |
| J Monzón | |
| P Vareille | (appointed October 26, 2017) |
| J Villar-Mir de Fuentes | |

**Company secretary**

| | |
|---|---|
| D Murray | (appointed January 31, 2018) |
| N Deeming | (resigned January 31, 2018) |

**Registered address**
5 Fleet Place
London
EC4M 7RD

**Auditor**
Deloitte LLP
Chartered Accountants and Statutory Auditor
London

**Ferroglobe PLC**

## Introduction

Ferroglobe PLC is a public limited company incorporated under the laws of England and Wales under Company Number: 9425113. Headquartered in London, U.K., Ferroglobe (encompassing its subsidiaries, Globe and FerroAtlántica) is one of the world's largest producers globally of silicon metals and silicon and manganese based alloys, with an expanded geographical reach building on Globe's footprint in North America and FerroAtlántica's footprint in Europe.

The Company was incorporated in 2015 and its Ordinary Shares are listed for trading on the NASDAQ in U.S. dollars under the symbol "GSM".

The Company is subject to disclosure obligations in the U.S. and the U.K. While some of these disclosure requirements overlap or are otherwise similar, some differ and require distinct disclosures. Pursuant to the requirements of the Companies Act, this document includes our strategic report, directors' report, directors' remuneration report and required financial information (including our statutory accounts and statutory auditor's report for the reporting period commencing January 1, 2017 and ending December 31, 2017), which together comprise our U.K. annual report and accounts for the period ended December 31, 2017 (the "U.K. Annual Report").

We are also subject to the information and reporting requirements of the Exchange Act, regulations and other guidance issued by the SEC and the NASDAQ listing standards applicable to foreign private issuers. In accordance with the Exchange Act, we are required to file annual and periodic reports and other information with the SEC, including, without limitation, our 2017 Form 20-F. Certain other announcements made by the Company are furnished to the SEC on Form 6-K. Our status as a foreign private issuer requires the Company to comply with various corporate governance practices under the SOX, as well as related rules subsequently implemented by the SEC. In addition, NASDAQ Rules permit foreign private issuers to follow home country practice in lieu of the NASDAQ corporate governance standards, subject to certain exemptions and except to the extent that such exemptions would be contrary to U.S. federal securities law.

We have provided as a separate attachment to the U.K. Annual Report extracts from the 2017 Form 20-F to assist shareholders in assessing the Group's strategies. This attachment does not form part of the financial statements. Investors may obtain the 2017 Form 20-F, without charge, from the SEC at the SEC's website at www.sec.gov or from our website at www.ferroglobe.com. Unless expressly stated otherwise, the information on our website is not part of this U.K. Annual Report and is not incorporated by reference herein.

The capitalised terms used throughout the U.K. Annual Report are defined in the Glossary and Definitions section of this U.K. Annual Report unless otherwise indicated. In the following text, the terms "we," "our," "the Company", "our Company" and "us" may refer, as the context requires, to Parent or, collectively, to Parent and its subsidiaries.

## Chairman's letter to shareholders

Dear shareholders

2017 was my first year in the role of Executive Chairman and only the second full year since the formation of Ferroglobe. It was a busy twelve months. The Company experienced considerable change and continued to make progress in many areas, as it emerged from an unprecedented downturn in our industry. As a result of our timely operational actions and commercial discipline, we saw a radical improvement in our financial performance and our balance sheet. A return to normal market conditions, along with the strength of our balance sheet, has enabled management to focus on growing the business.

There were also changes in the composition of our Board during the year under review and to our Articles of Association, reflecting the Company's evolution and good practice in governance. Thank you for supporting us in taking these steps.

Since December 31, 2017, the pace of change has continued unabated. We appointed a further independent director to the Board in January; our financial performance in the first quarter of 2018 showed continued improvement across our businesses; and we returned to delivering inorganic growth by completing the acquisition of two manganese alloy plants, doubling our production capacity for this product and emerging as one of the largest manganese alloys producers globally. In May 2018, we announced an interim dividend, returning value to shareholders and reflecting our confidence in the underlying strength of the business and outlook.

There have also been disappointments, as with findings of no harm in the Canadian and US silicon metal trade cases, the refusal of regulatory clearance to dispose of our hydroelectric assets in Spain and the reporting of material weakness in certain of our internal controls in our 2017 Form 20-F. I address these topics further below.

### Health and safety

Our management team takes safety and the wellbeing of all our employees very seriously. Nonetheless there are inherent risks in our business and, even under normal working conditions, there have unfortunately been several injuries at our facilities in recent months, which have ranged in severity. Bolstering our efforts on health and safety is a top priority for management and we strive for continuous improvement in this area, working towards a zero-injury rate. There are a series of measures in place to deliver thorough and appropriate training and the highest level of safety standards at all our sites.

### Financial performance in 2017

When I took over as Executive Chairman we were in the depths of an industry downturn on a scale not previously seen. The prompt actions we took and the discipline we maintained enabled us to navigate this difficult period and set the stage for a robust recovery.

That recovery came in 2017, as the Company enjoyed accelerating free cash flow, returned to operating profitability and brought net leverage close to our target of 2.0x. In February 2017, we successfully priced Ferroglobe's inaugural senior notes. The more balanced capital structure achieved provides us with the flexibility needed to manage the inherent cyclicality in our business. By mid-2017, we started to see gradual sales price improvement and volume recovery across our core products. As market sentiment further improved throughout the year, we restarted previously idle production facilities in order to capitalize on the recovery. Overall, I believe that the turnaround in our financial performance results from the return to a stable operating environment — particularly latterly in 2017 — combined with management's adroit operational decisions and planning, optimization of our flexible production platform, a disciplined commercial strategy and continued cost management.

We posted Adjusted Net Profit of $18.5 million (recording a statutory net loss of $0.7 million), with Adjusted EBITDA up 162.1% over the prior year and Adjusted EBITDA margin of 10.6% in 2017, compared with 4.5% for 2016. With an emphasis on enhancing liquidity, we decreased Working Capital by $88.6 million and finished the year with Net Debt of $386.9 million, down from $405.0 million at the end of 2016.

**Board changes**

2017 was marked by a number of changes in our governance framework and the composition of our Board of Directors.

In May 2017, Tomas García Madrid stepped down from the Board to concentrate on an executive role within Grupo VM. Tomas had been a strong contributor to the Board and I am grateful for his support. Manuel Garrido y Ruano, Grupo VM's Chief Financial Officer, was nominated to replace Tomas and we welcomed Manuel to the Board in May 2017. His financial acumen and leadership experience across the energy, financial, and industrial sectors are valued.

At our 2017 AGM, our shareholders approved changes to our Articles, enabling us to bring Pedro Larrea Paguaga onto the Board as an Executive Director in June 2017. Pedro has been our Chief Executive Officer since the Company was founded and, prior to that, was Chairman and CEO of Grupo FerroAtlántica, SAU from 2015. Pedro has in-depth knowledge and experience of our industry and has been a strong addition to the Board, bringing the number of Executive Directors on the Board to two.

Other changes approved by the shareholders reflect governance best practice in the U.K. and U.S.A. Revisions to our Articles in October 2017 removed the different categories of director and a number of redundant provisions dating back to the merger of Globe and FerroAtlántica. The Board articulated its governance policy, committing to ensure a majority of independent directors. We appointed two further independent directors and were delighted to welcome Pierre Vareille to the Board in October 2017 and José María Alapont in January 2018. Pierre and José María both have held significant chief executive and board roles in global organisations: Pierre primarily in the metals and manufacturing sectors and José María primarily in the automotive industry. Both bring proven business acumen, gravitas and extensive international experience to their roles with our Board, which include membership of the Audit and Compensation Committees.

We were also very pleased that Javier Monzon agreed to become our first Senior Independent Director with effect from October 2017. Javier has served on the Board since December 2015 and was Chair of our Compensation Committee until January 1, 2018. He is a highly respected and seasoned director, with long experience serving as chairman, CEO and independent director of large multinational organisations.

In updating our Articles we also divided the responsibilities of the Nominating and Corporate Governance Committees between two new committees, each focused on its area of specialty, and reviewed all Board committee memberships. With effect from January 1, 2018, Greger Hamilton agreed to continue to serve as Chairman of our Audit Committee, Don Barger assumed the role of Compensation Committee Chair, Javier Monzon agreed to chair the Corporate Governance Committee and I was appointed Chairman of our Nominations Committee. Details of committee membership are set out on pages 19 to 25.

**Disappointments**

While 2017 marked the turnaround we were expecting, not everything went according to plan. In February 2017, we had signed a definitive agreement to sell the hydro-electric operations of our non-core energy segment in Spain, subject to obtaining the necessary regulatory approvals. Those approvals were not granted and the sale has not proceeded. The decision to pursue the divestiture of these hydro assets was taken with the primary purpose of enhancing our liquidity during the downturn. We continue to evaluate alternative ways to divest these assets but there is less urgency to do so today.

In 2017, we filed trade cases in the United States and Canada against specific silicon metal producers. While the relevant government agencies in both countries found evidence of dumping and actionable subsidies, the agencies determined that no injury had been suffered by the domestic producers in either country. We will continue to monitor the competitive landscape and take action as necessary and appropriate to protect our business and employees.

We were also disappointed to end the year with a conclusion in our 2017 Form 20-F of material weakness in relation to our internal controls for SOX purposes. The control environment in place within the Company is considerably more robust now than in 2016 but there is more to do to ensure consistency across the Group. The entire management team is wholly committed to setting the correct tone at the top and to ensuring that the appropriate remediation activities are undertaken in 2018.

**Thus far in 2018**

In February 2018, we completed the acquisition of Glencore International AG's manganese alloy plants at Mo i Rana in Norway and Dunkirk in France. Simultaneously with the acquisition, we entered into exclusive agency arrangements with Glencore under which they act as our agent in procuring ores to supply our plants and marketing our manganese alloys worldwide. As a result of the acquisition and associated arrangements the Company has become one of the world's largest producers, with over half a million tons of sales of manganese alloys annually, and we have further diversified our production base, captured cost improvements and enhanced our ability to serve our customers with increased agility. The transaction exemplifies our focus on growth and on executing deals which are immediately accretive for the Company.

In February 2018 the Company completed a new revolving credit facility agreement with a maximum drawdown of $250 million. This new facility extends our debt maturities and provides additional flexibility.

Lastly, we welcomed a recent favourable agency determination in the "sunset review" of the current U.S. antidumping order pertaining to silicon metal imports from China. This measure will remain in place to ensure a level playing field for Chinese silicon metal imports to the United States.

**Looking ahead**

Our results for the first quarter of 2018 reflect the strong fundamentals of our Company and the markets we serve. As our cash flow generation accelerates, we will be well positioned to continue investing in growth opportunities such as those highlighted at our inaugural investor day in October 2017, ensuring we remain a market leader in our core products and create value through the cycle.

By the end of 2018, we expect to commence production of solar grade silicon at a pilot facility currently under construction in Puertollano, Spain. This project, Ferrosolar, represents the first phase towards commercialization of high quality solar grade silicon using our proprietary technology. This exemplifies our focus on innovation, a core pillar of Ferroglobe's wider strategy of leveraging our technology, expertise and leadership to develop advanced materials and access new markets, while remaining focused on delivering strong results across our core products.

In closing, I would like to express my thanks to Ferroglobe's employees for their hard work throughout 2017; our customers, suppliers and other partners for their valued contribution; and you, our shareholders, for your continued support. I look forward to a rewarding and successful 2018.

**Javier López Madrid**

**Executive Chairman**

## Strategic report

This strategic report for the financial year to December 31, 2017 has been prepared in compliance with Section 414C of the Companies Act to provide an overview of the Group's business and strategy. It contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

For a supplementary description of our business (including our model, strategy and competitive strengths), risks associated with our business and our results of operations, see the following sections of the 2017 Form 20-F: Part I, Item 3, Section D, *Risk factors;* Item 4, *Information on the Company;* Item 5, *Operating and Financial Review and Prospects;* and Item 11, *Quantitative and Qualitative Disclosures About Market Risk.* These sections are set out in a separate attachment to this U.K. Annual Report and do not form part of the financial statements.

### Nature of the business

Ferroglobe is a global leader in the growing silicon and specialty metals industry with an expansive geographical reach. It is one of the world's largest producers of silicon metal, silicon based alloys and manganese based alloys and has quartz mining activities, metallurgical coal mining activities and interests in hydroelectric power across the globe, with operating units in eleven countries across five continents.

The Group sells its products to a diverse base of customers worldwide, including manufacturers of steel, aluminium, silicones, ductile iron, automotive parts, photovoltaic (solar) cells and electronic semiconductors: key elements in the manufacture of a wide range of industrial and consumer products. Supplies to customers are made from our production centres in North America, Europe, South America, Africa and Asia. The Group's manufacturing platform is flexible, enabling it to switch production between plants and products to enhance profitability and meet customer requirements. The Group's ownership of sources of critical raw materials also contributes to its flexibility and its reduced operating costs. Ferroglobe recycles and sells most of the by-products generated in its production processes.

### Business model and strategy

We believe our vertically integrated business model and ownership of sources of raw materials provides us with a cost advantage over our competitors. We are not reliant on any single supplier for our raw materials and our ownership of sources of these materials provides us with stable, long-term access to supplies needed for our production processes, enhancing our operational and financial stability.

As part of our strategy for meeting the objectives of the Company, the Group develops new products or new specifications on a continual basis. As a consequence of these efforts, investments may be made in facilities that allow the production of new products, such as higher-grade silicon metal, solar grade silicon metal or new foundry products. One example of this is our investment in the pilot plant at Puertollano referred to on page 9.

The Group is continually pursuing growth opportunities, in particular through the acquisition of industrial facilities or companies that operate in the same sectors and are considered accretive for the Group.

There is more information on the Group's business and organizational structure in Part I, Item 4, Information on the Company of the 2017 Form 20-F (as set out in the separate attachment to this U.K. Annual Report and not forming part of our financial statements).This, together with the information in this strategic report, and the *Operating and Financial Review and Prospects* section of the 2017 Form 20-F included in the separate attachment provides a fair review of the Company's business and its development and performance in 2017.

**Key Performance Indicators**

The Board considered that the most important KPIs during 2017 were those set out below. Certain of these KPIs will also be core during 2018.

At the corporate level, the principal KPIs that we use for measuring the overall performance of our business are:

- Adjusted EBITDA;
- Adjusted EBITDA margin;
- Working Capital improvement;
- Free Cash Flow;
- Net Debt to Adjusted EBITDA;
- Net Debt to Total Assets;
- Net Debt to Capital; and
- Net Income.

Certain of the above KPIs are non-IFRS financial metrics. The calculation of non-IFRS measures is set out in Appendix 1 of this U.K. Annual Report.

Some of these measures are also part of our compensation structure for the key executives, as follows:

- Adjusted EBITDA: EBITDA, adjusted in accordance with Company's adjustments announced as part of its earnings reports. We also consider Adjusted EBITDA margin (measured as Adjusted EBITDA/revenues) as a significant indicator of our performance.
- Free Cash Flow, which represents net cash provided by operating activities less payments for property, plant and equipment.
- Improvements in Net Debt and Working Capital.
- Net Income: this is the profit (or the loss) attributable to the parent.

The following table sets out the Company's performance against its financial KPIs in 2017.

| Adjusted EBITDA | Adjusted EBITDA Margin | Working Capital Improvement | Free Cash Flow |
|---|---|---|---|
| ($m) | % | ($m) | ($m) |
| 184.5 | 10.6 | 88.6 | 75.5 |

| Net Debt to Adjusted EBITDA | Net Debt to Total Assets | Net Debt to Capital | Net Income |
|---|---|---|---|
| | % | % | ($m) |
| 2.10x | 19.3 | 29.2 | (0.7) |

Detail on how performance against the KPIs affected the bonus outcome of executive directors is contained in the directors' remuneration report on pages 48 and 49.

In addition to these financial KPIs, there are a number of non-financial performance measures which the Company uses to gauge its success. Some of these are reflected in the annual bonus objectives for senior management and are reviewed each year to ensure their continued relevance. In the financial year ended December 31, 2016, a number of these related in part to the successful integration of the Globe and FerroAtlántica businesses following the Business Combination. In 2017, the non-financial KPIs included a focus on strengthening the Company's balance sheet and, for the Executive Chairman, governance and chairmanship. Performance against these measures is reported in the directors' remuneration report on pages 48 and 49. In 2018, the annual bonus plan is subject to an underpin related to improvements in the Group's health and safety performance and details of the outcome for this measure will be reported in the Company's annual report and accounts for the year ending December 31, 2018.

Details of the Group's anti-bribery and corruption and environmental policies are below and details of its employment policies and greenhouse gas emissions are set out below and in the directors' report.

**Principal risks and uncertainties**

The Company is exposed to a number of operational risks which are monitored on an ongoing basis and which are summarised in the supplementary attachment. The key financial risks related to credit risk and liquidity risk are highlighted in Note 27.

**Employees**

As at December 31, 2017, the Group had:

- ten directors, all of whom were male;
- 275 senior managers, of whom 212 were male and 63 were female; and
- 4,049 employees, of whom 3,615 were male and 434 were female.

**Environment and other social matters**

Ferroglobe is committed to conducting its business in compliance with all applicable laws and regulations in a manner that has the highest regard for human rights, the environment and the health, safety and well-being of our employees and the general public. During the year under review the Company rolled out across the Group a new Code of Conduct which emphasizes the Group's commitment to the highest standards of integrity, ethical behavior, transparency, safety and corporate citizenship. The Code of Conduct incorporates the Group's key policies on matters including whistleblowing, anti-bribery and corruption, environmental impacts, health and safety and respect in the workplace and the conduct of national and international trade.

The strategic report for the financial period ended December 31, 2017 has been reviewed and approved by the Board on May 29, 2018.

**Dorcas Murray**

**Company Secretary**

# Directors' report

The directors present their report and the audited financial statements of the Group and Company for the year ended December 31, 2017.

The directors' report comprises these pages (14 to 18) and the other sections and pages of the U.K. Annual Report cross-referred to below which are incorporated by reference.

*As permitted by legislation, certain disclosures normally included in the directors' report have instead been integrated into the strategic report (pages 11 to 13). These disclosures include information relating to the Group's principal risks and uncertainties.*

## Directors

The directors of the Company who held office at any time during the year to December 31, 2017 were as follows:

| | |
|---|---|
| Javier López Madrid | Director and Executive Chairman |
| Donald G. Barger, Jr. | Non-Executive Director |
| Bruce L. Crockett | Non-Executive Director |
| Stuart E. Eizenstat | Non-Executive Director |
| Tomas García Madrid | Non-Executive Director |
| Manuel Garrido y Ruano | Non-Executive Director |
| Greger Hamilton | Non-Executive Director |
| Pedro Larrea Paguaga | Director and Chief Executive Officer |
| Javier Monzón | Non-Executive Director |
| Pierre Vareille | Non-Executive Director |
| Juan Villar-Mir de Fuentes | Non-Executive Director |

On May 30, 2017 Mr García Madrid resigned from the Board of Directors and on the same date Mr Manuel Garrido y Ruano was appointed as a Non-Executive Director in his place. Pedro Larrea Paguaga joined the Board on June 28, 2017 and Pierre Vareille was appointed on October 26, 2017. Mr José María Alapont was appointed after the year ended, joining the Board on January 24, 2018. The biographies of the directors standing for election or re-election at the 2018 AGM are set out on pages 19 to 25.

## Directors' indemnities

As required by the Articles, each director is indemnified in connection with his role as a director, to the extent permitted by law. As permitted by the Articles, the Company has purchased and maintained throughout the year under review directors' and officers' liability insurance.

## Share repurchases

The Company has not acquired any of its own shares during the year ended December 31, 2017 (2016: nil).

## Dividends

The Company has not declared any dividends during the period under review.

## Political donations

During the year under review the Company has not made any political donations, incurred any political expenditure or made any contributions to an EU or non-EU political party.

**Employee policies**

Ferroglobe has a culture of continuous improvement through investment in people at all levels within the organization. Its Code of Conduct, which applies to all directors and employees, sets out Ferroglobe's commitment to protecting, respecting and supporting its workforce. A new Code of Conduct was introduced in 2017 to bring together Ferroglobe's principal policies on key ethical, behavioural and compliance matters. Its roll-out across the Group was initiated in autumn 2017, supported by mandatory training for all employees, and its adoption is consistent with our evolution to an organization with an integrated approach to human relations policies globally.

Those key policies include:

- Health and safety, whereby Ferroglobe places high value on the well-being of all personnel;
- Respect in the workplace, promoting equality and diversity, rejecting harassment and bullying and supporting work-life balance;
- Striving to conduct operations in a way that respects the human rights of personnel, suppliers and others with whom Ferroglobe works, including local communities;
- Encouraging the reporting of wrongdoing or of any suspicions or concerns as to wrongdoing through the Company's whistleblowing hotline accessible from all countries in which Ferroglobe operates where it is lawful to do so.

Ferroglobe is committed to providing equal opportunities for all Group personnel and to creating an inclusive workforce by promoting employment equality. This includes pursuing equality and diversity in all its employment activities, including recruitment, training, career development and promotion and ensuring there is no bias or discrimination in the treatment of people. Ferroglobe opposes all forms of unlawful or unfair discrimination on the grounds of race, age, nationality, religion, ethnic or national origin, sexual orientation, gender or gender reassignment, marital status or disability. Wherever possible, vacancies are filled from within Ferroglobe and efforts are made to create opportunities for internal promotion.

**Greenhouse gas emissions**

The UK Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 requires UK-based quoted companies to report global greenhouse gas ("GHG") emissions data in their annual report and accounts. As 2017 is the first year that Ferroglobe has collected and reported Group-wide GHG emission data, the Company is not required by applicable regulation to present comparison year data and has not done so in this report. The 2017 GHG inventory was prepared in accordance with the Ferroglobe PLC Greenhouse Gas Inventory Management Plan (2017) (the "IMP"), prepared in consultation with ERM Group, Inc. and its UK affiliate.

The Company has selected the Operational Control approach and criteria as the basis for reporting GHG emissions data, defining "Operational Control" to encompass facilities the Group owns and operates, facilities it leases and operates and joint venture facilities it operates. All facilities within Ferroglobe's Operational Control that are material to its Group-wide GHG emission inventory are included in reported figures. This approach means that the operations for which emissions are reported are substantially coextensive with operations comprised by Ferroglobe's consolidated financial reporting. The Company does not have responsibility for any emission sources that are not included in its financial reporting.

The table below sets out the Company's consolidated greenhouse gas emissions expressed in metric tonnes of carbon dioxide equivalent ($CO_2e$). The figures reported below include all material direct (Scope 1) and indirect (Scope 2) emission sources for facilities within the Company's

Operational Control. Principal sources of Scope 1 emissions from operations at, or Scope 2 emissions imputed to, Ferroglobe-controlled facilities principally include:

- Electricity purchased or produced by Ferroglobe facilities;
- Fuels purchased for consumption in stationary sources on-site at Ferroglobe facilities (*e.g.*, natural gas, diesel, LPG);
- Fuels purchased for consumption in mobile sources owned and operated by Ferroglobe;
- Process emissions associated with electric arc furnaces used for the production of silicon metal and ferroalloys.

*Company-wide Scope 1 and Scope 2 Emissions for 2017*

Global GHG emissions data for period January 1, 2017 to December 31, 2017

| Emissions from: | Tonnes of $CO_2$e |
|---|---|
| Combustion of fuel and operation of facilities | 2,810,610(1) |
| Electricity, heat, steam and cooling purchased for own use | 2,305,089 |
| Company's chosen intensity measurement: | |
| *Emissions reported above normalized to per tonne of product output* | 5.6 |

Notes:

(1) In line with DEFRA Guidance (as defined below): 1.2 million tons of $CO_2$ are not included in the above table, due to being biogenic in nature.

*Methodology*

In preparing the IMP and this report, the Company has adhered to the World Resources Institute (WRI) and the World Business Council for Sustainable Development *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard — Revised Edition* (2004) and the UK DEFRA's *Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance* (June 2013) ("DEFRA Guidance"). The Company reports material emissions of three out of the six Kyoto GHGs, *viz.* carbon dioxide ($CO_2$), methane ($CH_4$), and nitrous oxide ($N_2O$). A fourth, sulfur hexafluoride ($SF_6$), is present in electrical breakers at some Company facilities, but no emission of $SF_6$ have been observed. The two remaining Kyoto gases, perfluorocarbons (PFCs) and hydroflurocarbons (HFCs), are not reported since Company facilities do not emit or use materials containing them.

**Financial risk management objectives/policies and hedging arrangements**

Please see Part I, Item 11 (*Quantitative and Qualitative Disclosures About Market Risk*) of the 2017 Form 20-F (as set out in the separate attachment to this U.K. Annual Report) for information on Ferroglobe's financial risk management objectives/policies and hedging arrangements. The separate attachment does not form part of these financial statements.

**Post year-end events**

On February 1, 2018, FerroAtlántica completed the acquisition from Glencore of a 100% interest in the manganese alloy plants at Mo i Rana, Norway and Dunkirk, France, owned and operated by Glencore up to the date of completion, and entered into an exclusive agency arrangement with Glencore for the marketing of the Group's manganese alloy products worldwide and the procurement of manganese ores to supply the Group's plants, in both cases for a period of ten years.

On February 27, 2018, the Company and certain of its subsidiaries entered into a revolving credit facility agreement in the maximum principal sum of $250 million with — among others — PNC Capital Markets LLC and BMO Capital Markets Corp, as joint lead arrangers and book runners, a number of lenders and PNC Bank, National Association as administrative agent and as issuing lender and swing loan lender. Subject to the terms of the New RCF Agreement, the RCF remains available until 2021.

On March 2, 2018, the U.S. Department of Commerce made its final determination in the US antidumping and countervailing duty actions against silicon metal importers from Australia, Brazil, Kazakhstan and Norway, issuing final affirmative antidumping and countervailing duty determinations against each relevant country at rates ranging from 2.44% to 134.92%. On March 23, 2018, the US International Trade Commission determined that dumped and subsidized imports of silicon metal from Australia and Brazil, dumped imports from Norway and subsidized imports from Kazakhstan are not causing material injury to the US silicon metal industry. As a result of this determination the DOC will not issue antidumping or countervailing duty orders and will terminate its investigations.

On May 21, 2018, the Board announced an interim dividend of US$0.06 per share. The dividend has a record date of June 8, 2018 and a payment date of June 29, 2018.

**Future developments**

As part of its strategy to serve customers better, the Group develops new products or new specifications on a continuous basis. As a consequence of these efforts, investments have been and continue to be made in our facilities to enable the production of new products, such as higher-grade silicon metal, solar grade silicon metal or new foundry products. Please see the details of the Elsa electrode and FerroSolar projects at Part I, Item 4, *Information on the Company* of the 2017 Form 20-F as examples of the ways in which the Group has developed proprietary technologies and continues to pursue innovation in the development of new products. Brief details of the FerroSolar project at Puertollano are also included on page 9.

The Group is continually pursuing growth opportunities, including through the acquisition of industrial facilities or companies that operate in the same sector and products and which are considered to be accretive for the Group.

**Research and development**

Please refer to Part I, Item 4, *Information on the Company* of the 2017 Form 20-F (as set out in the separate attachment to this U.K. Annual Report) for information on Ferroglobe's research and development activities and opportunities.

**Overseas branches**

The Company has no overseas branches.

**Share capital structure and change of control provisions**

The Company's share capital comprises ordinary shares of $0.01 each, all of which bear the same rights and obligations. The Company's issued share capital at December 31, 2017 is set out in Note 13 to the Consolidated Financial Statements.

The rights attaching to the Ordinary Shares are set out in the Articles, a copy of which can be obtained from the Company Secretary on request. Each Ordinary Share has one vote attaching to it for voting purposes and all holders of Ordinary Shares are entitled to receive notice of and attend and vote at the Company's general meetings. The Articles vest power in the directors to refuse to register transfers of Ordinary Shares in certain circumstances including where the instrument of transfer is in favour of more than 4 transferees or is not stamped. There are also restrictions in the Articles affecting the terms of tender offers and any scheme of arrangement, consolidation, merger or business combination designed to protect minority shareholders while Grupo VM and its associates hold ten percent or more of the Ordinary Shares. The SHA contains restrictions on the transfer of shares by Grupo VM.

**Significant agreements affected by a takeover**

There are no agreements between the Group and any of its employees or any director of the Company that provide for compensation to be paid to any employee or director for termination of employment or for loss of office as a consequence of a takeover of the Company, other than provisions that would apply on any termination of employment.

The Notes and the RCF are subject to provisions allowing the lenders to terminate the facilities and demand repayment following a change of control and include an obligation on the Company to offer redemption of the Notes at 101% of par value in the event of a change of control. Grupo VM, the Company's principal shareholder, has pledged its holding to secure its obligations to its lenders. The Company would experience a change of control and would be required to offer redemption of the Notes in accordance with their terms were this pledge to be enforced.

**Going concern**

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, as discussed in Note 3 to the Financial Statements, and have therefore prepared the Financial Statements on a going concern basis.

**Statement of disclosure to the Company's U.K. statutory auditor**

In accordance with section 418 of the Companies Act, each director at the date of this directors' report confirms that:

- so far as he is aware, there is no relevant audit information of which the Auditor is unaware; and
- he has taken all the steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act. Deloitte LLP has indicated its willingness to continue in office, and a resolution that it be re-appointed will be proposed at the 2018 AGM.

By order of the Board on May 29, 2018.

**Dorcas Murray**

**Company Secretary**

## The Board of Directors

The biographies of the members of the Board standing for election or re-election at the 2018 AGM are below.

**Javier López Madrid**

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| Roles at Ferroglobe: | • Executive Chairman (from December 31, 2016);<br>• Chairman of Nominations Committee (from January 1, 2018);<br>• Executive Vice-Chairman (from December 23, 2015 to December 31, 2016);<br>• Director (from February 5, 2015). |
| Other appointments: | • Chief Executive Officer of Grupo VM (from 2008);<br>• Member of the World Economic Forum, Group of Fifty;<br>• Member of the Board of Fundación Juan Miguel Villar Mir and various institutions, including Patronato Fundacion Principe Asturias and Fundacion Codespa. |
| Experience: | • Founder and largest shareholder of Financiera Siacapital, S.L.U.;<br>• Founder of Tressis Sociedad de Valores S.A., Spain's largest independent private bank. |
| Qualifications and awards: | • Master in Law and Business from ICADE University. |

**Pedro Larrea Paguaga**

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|---|---|
| Roles at Ferroglobe: | • Chief Executive Officer (from December 23, 2015);<br>• Director (from June 28, 2017). |
| Experience: | • Chairman of FerroAtlántica (from 2012 to 2015);<br>• Chief Executive Officer of FerroAtlántica (from 2011 to 2015);<br>• Various executive roles at Endesa, the biggest power company in Spain and Latin America, including as Chairman and CEO of Endesa Latinoamérica, with total revenues above €8 billion and EBITDA above €3 billion (from 1996 to 2009);<br>• Board director of Enersis (2007 to 2009) and Endesa Chile (1999 to 2002 and 2006 to 2007), both public Chilean companies listed on the NYSE;<br>• Management consulting roles with PwC (2010 to 2011), where he led the energy sector practice in Spain, and McKinsey & Company in Spain, Latin America and the United States (1989 to 1995). |
| Qualifications and awards: | • Mining Engineering degree (MSc equivalent) from Universidad Politécnica de Madrid (graduated with honours);<br>• M.B.A. from INSEAD (awarded the Henry Ford II award for academic excellence). |

**José María Alapont**

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| Roles at Ferroglobe: | • Member of the Audit and Compensation Committees (from May 16, 2018);<br>• Non-Executive Director (from January 24, 2018). |

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| Other appointments: | • Board director of Ashok Leyland Ltd (from 2017) where he is also a member of the Investment, Technology and Nomination and Remuneration Committees;<br>• Board director of Navistar Inc. (from 2016) where he is also Chair of the Nomination and Governance Committee and a member of the Finance Committee (from 2018);<br>• Board director of Hinduja Investments and Project Services Ltd (from 2016);<br>• Board director of Hinduja Automotive Ltd (from 2014). |
| Experience: | • President and Chief Executive Officer of Federal-Mogul Corporation, the automotive powertrain and safety components supplier (from March 2005 to 2012), Chairman of its Board (from 2005 to 2007) and member of the Board (from 2005 to 2013);<br>• Chief Executive and member of the Board of Fiat Iveco, S.p.A., a leading global manufacturer of commercial trucks and other specialised vehicles (from 2003 to 2005);<br>• Executive, Vice President and President positions for more than 30 years at other leading global vehicle manufacturers and suppliers such as Ford Motor Company, Delphi Corporation and Valeo S.A (prior to 2003);<br>• Member of the Board of The Manitowoc Company Inc. (from 2016 to 2018);<br>• Member of the Board of Mentor Graphics Corp. (from 2011 to 2012);<br>• Member of the Davos World Economic Forum (from 2000 to 2011). |
| Qualifications and awards: | • Industrial Engineering degree from the Technical School of Valencia;<br>• Philology degree from the University of Valencia in Spain. |

**Donald G. Barger Jr.**

| | |
|---|---|
| Roles at Ferroglobe: | • Chairman of the Compensation Committee and a member of Nominations Committee (from January 1, 2018);<br>• Non-Executive Director (from December 23, 2015);<br>• Chair of the Nominating and Corporate Governance Committee and member of the Compensation Committee (from December 23, 2015 to December 31, 2017). |
| Experience: | • Member of the Globe Board from December 2008 until the closing of the Business Combination and Chairman of Globe's Audit and Compensation Committees;<br>• Successful 36-year business career in manufacturing and services companies, including:<br>    • Vice President and Chief Financial Officer of YRC Worldwide Inc. (formerly Yellow Roadway Corporation), one of the world's largest transportation service providers (from 2000 to 2007) and advisor to the CEO until his retirement (2007 to 2008); |

- Vice President and Chief Financial Officer of Hillenbrand Industries Inc., a provider of services and products for the health care and funeral services industries (from 1998 to 2000);
- Vice President of Finance and Chief Financial Officer of Worthington Industries, Inc., a diversified steel processor (from 1993 to 1998);
- Member of the Board of Gardner Denver, Inc. and of its Audit Committee for his entire 19-year tenure until the company's sale in July 2013, He served as Chair of the Committee for 17 of those years;
- Member of the Board of Quanex Building Products Corporation for 16 years, retiring in February 2012. He served on its Audit Committee for 14 years and was its Chair for most of that time;
- Considered a "financial expert" for SEC purposes on all the public company boards on which he has served.

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| Qualifications and awards: | • B.S. degree from the U.S. Naval Academy;<br>• M.B.A. from the University of Pennsylvania. |

**Bruce L. Crockett**

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| Roles at Ferroglobe: | • Member of the Compensation Committee (from January 1, 2018);<br>• Non-Executive Director and member of the Audit Committee (from December 23, 2015). |
| Other appointments: | • Chairman of the Board of Invesco Mutual Funds Group and member of its Audit, Investment and Governance Committees (from 1991 in the case of the Board; 2003 as Chairman; and on the board of predecessor companies from 1978);<br>• Board director (from 2013) and Audit Committee Chair of ALPS Property & Casualty Insurance Company (from 2014);<br>• Chairman of Crockett Technologies Associates (from 1996) and a private investor;<br>• Life trustee of the University of Rochester. |
| Experience: | • Member of Globe's Board from April 2014 until the closing of the Business Combination and a member of Globe's Audit Committee;<br>• President and Chief Executive Officer of COMSAT Corporation (from 1992 until 1996) and President and Chief Operating Officer (from 1991 to 1992). Held various other operational and financial positions at COMSAT from 1980, including Vice President and Chief Financial Officer;<br>• Member of the Board of Ace Limited (from 1995 until 2012);<br>• Member of the Board of Captaris, Inc. (from 2001 until its acquisition in 2008) and Chairman (from 2003 to 2008). |
| Qualifications and awards: | • A.B. degree from the University of Rochester;<br>• B.S. degree from the University of Maryland;<br>• M.B.A. from Columbia University;<br>• Honorary Doctor of Law degree from the University of Maryland. |

**Stuart E. Eizenstat**

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|---|---|
| Roles at Ferroglobe: | • Member of the Corporate Governance Committee (from January 1, 2018) and Nominations Committee (from May 16, 2018);<br>• Non-Executive Director (from December 23, 2015);<br>• Member of the Nominating and Governance Committee (from December 23, 2015 to December 31, 2017). |
| Other appointments: | • Senior Counsel of Covington & Burling LLP in Washington, D.C. and head of its international practice (from 2001);<br>• Member of the Advisory Boards of GML Ltd. (from 2003) and of the Office of Cherifien de Phosphates (from 2010);<br>• Trustee of BlackRock Funds (from 2001). |
| Experience: | • Member of the Globe Board from 2008 until the closing of the Business Combination and Chair of the Nominating Committee;<br>• Member of the Board of Alcatel-Lucent (from 2008 to 2016);<br>• Member of the Board of United Parcel Service (from 2005 to 2015);<br>• Special Adviser to Secretaries of State Clinton and Kerry on Holocaust-Era Issues (from 2009 to 2017);<br>• Special Representative of the President and Secretary of State on Holocaust Issues during the Clinton Administration (from 1993 to 2001);<br>• Deputy Secretary of the United States Department of the Treasury (from 1999 to 2001);<br>• Under Secretary of State for Economic, Business and Agricultural Affairs (from 1997 to 1999);<br>• Under Secretary of Commerce for International Trade (from 1996 to 1997);<br>• U.S. Ambassador to the European Union (from 1993 to 1996);<br>• Chief Domestic Policy Advisor in the White House to President Carter (from 1977 to 1981);<br>• Author of "Imperfect Justice: Looted Assets, Slave Labor, and the Unfinished Business of World War II"; "The Future of the Jews: How Global Forces are Impacting the Jewish People, Israel, and its Relationship with the United States"; and "President Carter: The White House Years". |
| Qualifications and awards: | • B.A. in Political Science, cum laude and Phi Beta Kappa, from the University of North Carolina at Chapel Hill;<br>• J.D. from Harvard Law School;<br>• Eight honorary doctorate degrees and awards from the United States, French, German, Austrian, Belgian and Israeli governments. |

**Manuel Garrido y Ruano**

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|---|---|
| Roles at Ferroglobe: | • Member of the Corporate Governance Committee (from January 1, 2018);<br>• Non-Executive Director (from May 30, 2017);<br>• Member of the Nominating and Corporate Governance Committee (from May 30, 2017 to December 31, 2017). |

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|---|---|
| Other appointments: | • Chief Financial Officer of Grupo VM (since 2003) and member of the Board or on the steering committee of a number of its subsidiaries in the energy, financial, construction and real estate sectors;<br>• Professor of Communication and Leadership of the Graduate Management Program at CUNEF in Spain. |
| Experience: | • Member of the steering committee of FerroAtlántica until 2015, having previously served as its Chief Financial Officer (from 1996 to 2003);<br>• Worked with McKinsey & Company from 1991 to 1996, specialising in restructuring, business development and turnaround and cost efficiency projects globally. |
| Qualifications and awards: | • Masters of Civil Engineering with honours from the Universidad Politecnica de Madrid;<br>• M.B.A. from INSEAD. |

**Greger Hamilton**

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|---|---|
| Roles at Ferroglobe: | • Chairman of the Audit Committee (from December 23, 2015);<br>• Member of the Corporate Governance Committee (from January 1, 2018);<br>• Member of the Compensation Committee (from December 23, 2015 to December 31, 2017);<br>• Non-Executive Director (from December 23, 2015). |
| Other appointments: | • Managing Partner of Ovington Financial Partners Ltd (from 2009);<br>• Co-founder and director of the BrainHealth Club (from 2016). |
| Experience: | • Partner at European Resolution Capital Partners, where he assisted in the restructuring of international banks in 16 countries (from 2009 to 2014);<br>• Managing Director at Goldman Sachs International (1997 to 2008);<br>• He began his career at McKinsey and Company, where he worked from 1990 to 1997. |
| Qualifications and awards: | • B.A. in Business Economics and International Commerce from Brown University. |

**Javier Monzón**

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|---|---|
| Roles at Ferroglobe: | • Member of the Nominations Committee and Chairman of the Corporate Governance Committee (from January 1, 2018);<br>• Senior Independent Director (from October 26, 2017);<br>• Chairman of the Compensation Committee and member of the Audit Committee (from December 23, 2015 to December 31, 2017);<br>• Non-Executive Director (from December 23, 2015). |

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|---|---|
| Other appointments: | • Member of the Board of Promotora de Informaciones SA (PRISA) (from November 2017), Vice Chairman of the Board (from February 2018) and Senior Independent Director (from April 2018). Also, Chairman of the Nominations, Compensation and Corporate Governance Committees;<br>• Member of the Board of Santander Espana (from June 2015) and senior advisor to the Group Executive Chairman;<br>• Member of the Board of 4IQ (from April 2017);<br>• Member of the Board of ACS Servicios y Concesiones, S.A. (from 2004). |
| Experience: | • Chairman and CEO of Indra Sistemas, S.A. (from 1992 until 2015);<br>• Member of the Supervisory Board of Lagardere (from 2008 to 2017);<br>• Partner at Arthur Andersen (from 1989 to 1990);<br>• Chief Financial Officer of Telefonica S.A. (from 1984 to 1987) and Executive Vice President and Chairman of Telefonica International, S.A. (from 1987 to 1989);<br>• He began his career at Caja Madrid, where he was a Corporate Banking Director.<br>• Not-for profit activities include:<br>  ◦ Chairman of the Executive Committee of Fundación CYD (Knowledge and Development Foundation) (from 2003);<br>  ◦ Member of the Board of Endeavor Spain, and of the International Advisory Council of Brookings (both from 2014);<br>  ◦ Vice Chairman of the American Chamber of Commerce in Spain (from March 2010 until January 2015);<br>  ◦ Vice Chairman of the Board of Carlos III University (until 2017). |
| Qualifications and awards: | • Degree in Economics from Universidad Complutense de Madrid. |

**Pierre Vareille**

| | |
|---|---|
| Roles at Ferroglobe: | • Member of the Audit and Compensation Committees (from January 1, 2018);<br>• Non-Executive Director (from October 26, 2017). |
| Other appointments: | • Chairman of Societe BIC SA (from 2009 as director and 2018 as Chairman);<br>• Board director and member of the Remuneration and Selection Committee of Etex SA (from 2017);<br>• Board director and member of the Audit Committee of Verallia (from 2015);<br>• Board director and member of the Remuneration Committee of Outokumpu Oyj (from 2018);<br>• Founder and Co-Chairman of the Vareille Foundation (from 2014). |
| Experience: | • Chief Executive Officer of Constellium NV (from 2012 to 2016); |

| | |
|---|---|
| | • Chairman and Chief Executive Officer of FCI SA (from 2008 to 2012);<br>• Group Chief Executive of Wagon PLC (from 2004 to 2007);<br>• Extensive experience in the metals and manufacturing sectors and in the management of global industrial companies. |
| Qualifications and awards: | • Graduate of the Ecole Centrale de Paris, the French engineering school;<br>• Degree in Economics and Finance from the Sorbonne University, Paris, France. |

**Juan Villar-Mir de Fuentes**

| | |
|---|---|
| Roles at Ferroglobe: | • Non-Executive Director (from December 23, 2015). |
| Other appointments: | • Vice Chairman of Grupo VM (from 1999);<br>• Vice Chairman and CEO of Inmobiliaria Espacio, S.A.;<br>• Board director of Obrascón Huarte Lain, S.A. (from 1996) and Chairman (from 2016). |
| Experience: | • Member of the Board and Audit Committee of Inmobiliaria Colonial, S.A (from June 2014 to May 2017). |
| Qualifications and awards: | • Bachelor's Degree in Business Administration and Economics and Business Management. |

## Directors' responsibilities

The directors are responsible for preparing the annual reports and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and have elected to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

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

**Directors' responsibility statement**

To the best of each directors' knowledge:

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- this directors' report and the strategic report include a fair review of the development or performance of the business and the position of the Company and its subsidiaries and subsidiary undertakings taken as a whole, together with a description of the principal risks and uncertainties that they face;
- the annual report and financial statements, taken as a whole, are fair balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy; and

The responsibility statement was approved by the Board and signed on its behalf.

**By order of the Board on May 29, 2018.**

**PEDRO LARREA PAGUAGA**

**Director**

## Directors' remuneration report

### Introduction

**Dear Shareholder**

As Chairman of the Compensation Committee (the "Committee"), and on behalf of the Board, I am pleased to present the directors' remuneration report for the period ended December 31, 2017.

This report sets out the Company's annual report on remuneration (the "ARR"), only the second covering a full financial year since the Company was established as parent of Globe and FerroAtlántica on December 23, 2015. The ARR will be subject to an advisory vote at the forthcoming Annual General Meeting in June 2018. The directors' remuneration policy (the "Policy"), which was approved by a 92.09% majority at the Company's Annual General Meeting in 2016, will be brought back to the Company's shareholders for approval at the Company's Annual General Meeting in 2019 and is included in this report for reference only.

**Board and committee changes**

On January 1, 2018 I took over as Chairman of the Compensation Committee from Javier Monzón who served with distinction throughout the year under review. It was a busy year for the Company and for the Board. There were a number of other changes to the make-up and structure of the Board and its Committees, as noted in the Chairman's letter and the directors' report from pages 7 and 14 respectively.

Javier López Madrid was appointed Executive Chairman on December 31, 2016 and his service contract was adjusted with the approval of the Committee in 2017 to take account of this change in his role. No change was made to his remuneration as a result of the change in his role.

As with all the Board appointees this year, we were delighted to welcome Pedro Larrea Paguaga, to the Board when he was appointed on June 28, 2017. Pedro has been our CEO since December 2015 and his appointment increased our number of Executive Directors to two. His remuneration for the period from the date of his appointment to the Board is disclosed in the ARR. Minor adjustments were made to Pedro's service contract to bring it into line with that of our other Executive Director and clarify the potential impact of Pedro being subject to the Policy. Pedro's remuneration in place prior to his appointment to the Board was in line with the Policy and no change to his pay was made.

**Annual bonus awards for 2017**

The annual bonus objectives for the Executives in 2017 included financial objectives applicable to 75% of the award determined by reference to the Group's Adjusted EBITDA, Adjusted EBITDA margin and Free Cash Flow. For Javier López Madrid, the remaining 25% was split, with 10% payable by reference to the Company's success in reducing its leverage and 15% based on an assessment of chairmanship and governance. For Pedro Larrea Paguaga, the remaining 25% was payable by reference to the reduction in the Company's leverage. Pedro Larrea Paguaga was also subject to a performance underpin requiring that there be no finding of material weaknesses or unacceptable significant deficiencies for SOX purposes in our 2017 Form 20-F, such that a finding of material weakness would result in a reduction of 15% in the overall amount payable.

In early 2018, the Committee reviewed performance against these measures. The Company had exceeded target performance for each of its financial measures, with Adjusted EBITDA at 168% of target, Adjusted EBITDA margin at 150% and Free Cash Flow at over 200%. The achievement in respect of the non-financial metrics was also strong overall, reflecting the commitment shown to deleveraging the business and, in the case of the Executive Chairman, to governance and chairmanship. However, following a finding of material weakness for SOX purposes and the operation of the underpin, the CEO's bonus was reduced by 15% to 131% of target. The Executive Chairman volunteered the reduction of his annual bonus to the same percentage of target as that of the CEO and the Committee accepted his offer to do so. Of these awards, 100% of salary is payable in cash, while the balance is to be deferred into shares for a three-year period in accordance with the Policy.

There is more on the outturn of the 2017 annual bonus awards on pages 48 and 49 in the ARR.

**LTIPs in 2017**

As the Company first granted awards under its EIP in 2016, all of which have a three-year performance period, no awards vested in 2017.

Awards were granted to Javier López Madrid and Pedro Larrea Paguaga under the EIP, both subject to performance conditions in accordance with the commitment made by the Committee in 2017 not to grant awards without performance conditions going forward. In 2016, the Executives' remuneration had recognized the short-term imperative of integrating the business. As originally outlined in the 2015 report, for 2017 the mix of short and long-term reward was re-balanced and, as the maximum annual bonus opportunity was reduced to 230% for the Executive Chairman and 200% for the CEO, so target vesting of awards under the EIP was increased from 100% to 230% of salary for the Executive Chairman and 200% of salary for the CEO, with a maximum opportunity of twice target in each case.

The performance conditions remain unchanged from the 2016 awards: vesting of 60% of the total award continues to be determined by Ferroglobe's Total Shareholder Return ("TSR") performance with 30% measured relative to a bespoke group of peers and 30% relative to the S&P Global 1200 Metals and Mining Index. The remaining 40% is determined based on a "quality of performance assessment", comparing the Company's return on invested capital ("ROIC") over the three-year period with that of a bespoke comparator group of the Company's peers using a quarterly average for the calculation of Invested Capital and the Company's net operating profit after tax ("NOPAT") growth with that of the same bespoke comparator group of the Company's peers. The targets set are considered by the Committee to be stretching.

**Looking forward to 2018**

In setting the performance measures and targets for the Executive Chairman's and CEO's annual bonuses in 2018, the Committee continued to apply the underlying principles that the KPIs be well defined and quantifiable. As in 2017, financial metrics represent 75% of opportunity for the Executive Directors. The financial measures chosen include Adjusted EBITDA and Free Cash Flow, along with net income as a preferred measure of underlying financial performance. Operational measures relevant to the Executive's role and aligned with the strategic priorities of the Company will determine pay-out in respect of the remaining 25% of the annual bonus for 2018, with an underpin based on improvement in the Group's safety targets whereby the overall amount payable may be reduced by 20% should certain key metrics be missed. These operational measures, along with the targets for the financial KPIs and the underpin, are commercially sensitive but will be disclosed retrospectively in the ARR for 2018.

As in 2017, the target bonus opportunity for each Executive is 100% of salary, with a maximum opportunity of twice target, and any amount payable above target awarded as deferred shares, vesting after three years subject to continued employment with the Group.

In accordance with the Policy, the Company reviewed the allowances payable to the Executives in recognition of the cost and disruption incurred in their relocation to London and determined that it was appropriate to continue paying those allowances at current levels throughout 2018. The Committee will examine this area as part of its review of remuneration ahead of the Policy vote at the 2019 AGM.

The performance conditions, target vesting and maximum opportunity under the EIP in 2018 is as for 2017 for each Executive.

**Non-Executive remuneration**

As the Executive Chairman explains in his letter on page 7, the structure of the Board Committees was revised in 2017. This initiative to refresh the Company's governance framework and align it more closely with good governance practice was led by the Executive Chairman. The fees payable to the Non-Executive Directors were adjusted following this re-structuring. The fees for chairing and joining the Audit and Compensation Committee remained unchanged in 2017 and the membership and Chair's fee formerly paid in respect of the Nominating and Corporate Governance Committee is now payable to the members and Chair of the Corporate Governance Committee whose workload is unlikely to have reduced as a result of the change in structure. Given the schedule and remit of the newly-formed Nominations Committee (which meets as required and at least twice each year), it was agreed by the Board, following review and recommendation by the Committee, that fees payable be calculated on a per meeting basis and subject to a cap of £10,000 per annum, with no fee payable to its Chair while he or she is (as at present) an Executive Director.

I would like to thank you, our shareholders, for your support to date for our Policy and its implementation. I am looking forward to bringing the Directors' Remuneration Policy back to the Company's members at our 2019 AGM and trust that we will present you with a policy reflecting the Company's continuing maturity and progress and gain your continued support.

Signed on behalf of the Board.

**Donald G. Barger, Jr**

**Chairman of the Compensation Committee**

May 29, 2018

## Remuneration policy

### Objectives

The Directors' Remuneration Report has been prepared in accordance with the provisions of the Companies Act and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations"). The Policy was approved at the 2016 Annual General Meeting. The approved Policy can be found in the Report and Financial Statements for the period ended December 31, 2015 and on the Company's website. The Policy is set out below for information only. Reflecting his departure from the Board at the end of 2016, references to the legacy arrangements of Mr Kestenbaum have been removed. Other minor changes to the text of the Policy have also been made, in particular to reflect the fact that it has now been approved by shareholders and the charts showing remuneration scenarios on pages 35 and 36 have been updated to reflect the appointment of the CEO to the Board and proposed 2018 remuneration levels for both Executive Directors.

The overall aim of our remuneration strategy is to provide appropriate incentives that reflect the Company's high-performance culture and values to maximise returns for our shareholders. In summary, we aim to:

- attract, retain and motivate high calibre, high performing employees;
- encourage strong performance and engagement, both in the short and the long term, to enable the Company to achieve its strategic objectives;
- structure the total remuneration package so that a very significant proportion is linked to performance conditions measured over both the short term and longer term;
- set fixed pay levels at or around market norms to allow for a greater proportion of total remuneration opportunity to be in variable pay; and
- create strong alignment between the interests of shareholders and executives through both the use of equity in variable incentive plans and the setting of shareholding guidelines for Executive Directors.

There are no material differences in the Policy for our Executive Directors compared to that of our senior management other than in terms of quantum and levels of participation in incentive plans reflecting the higher weighting to variable pay and ability to influence performance outcomes. For our wider employee population, the Company aims to provide remuneration structures and levels that reflect market norms.

**Components of remuneration for Executive Directors**

| Element | Purpose and link to strategy | Operation and maximum opportunity | Performance framework and recovery |
|---|---|---|---|
| **Salary** | A fixed salary commensurate with the individual's role, responsibilities and experience, having regard to broader market rates. | Reviewed annually, taking account of Group performance, individual performance, changes in responsibility and levels of increase for the broader employee population and market salary levels. | Not applicable. |
| **Pension and retirement benefits** | Attraction and retention of top talent; providing mechanism for the accumulation of retirement benefits. | Executive Directors may be paid a cash allowance in lieu of pension.<br><br>The maximum cash allowance is 20% of base salary. This includes contributions to the U.S. tax-qualified defined contribution 401(k) plan. | Not applicable. |
| **Benefits** | Attraction and retention of top talent. | Benefits may include but are not limited to medical cover, life assurance and income protection insurance.<br><br>Relocation allowances may take into account a housing allowance, school fees, adviser fees for assistance with tax affairs and an expatriate allowance to cover additional expenditure incurred as a result of the relocation. Payment of such relocation allowances will be reviewed by the Committee on an annual basis.<br><br>Benefits will be provided as the Committee deems necessary including to take into account perquisites or benefits received from a prior employer or as is customary in the country in which an executive resides or is relocated from. | Not applicable. |

| Element | Purpose and link to strategy | Operation and maximum opportunity | Performance framework and recovery |
|---|---|---|---|
| | | Benefits provided by the Company are subject to market rates and therefore there is no prescribed monetary maximum. The Company and the Committee will keep the cost of the benefits under review.<br><br>The Company provides all Executive Directors with directors' and officers' liability insurance and will provide an indemnity to the fullest extent permitted by the Companies Act. | |
| **Annual bonus** | Short-term performance-based incentive to reward achievement of annual performance objectives. | The Committee will determine an Executive Director's actual bonus amount, subject to the achievement of quantitative and qualitative performance criteria.<br><br>At least two-thirds of the bonus will be based on financial metrics with the balance based on non-financial metrics.<br><br>The maximum bonus opportunity that may be awarded to an Executive Director is normally 200% of salary. In 2016 it was higher than this as the Committee determined that more focus should be given to shorter term measures for business integration reasons with a broadly equivalent reduction in long-term incentive. If the Committee provides higher annual bonus opportunities in any year its rationale will be clearly explained in the Annual Report on Remuneration for the relevant year. In these and other exceptional circumstances the limit will be 500% of salary.<br><br>No more than 25% of the maximum bonus payable for each performance condition will be payable for threshold performance. | The Committee will select the most appropriate performance measures for the annual bonus for each performance period and will set appropriately demanding targets.<br><br>Normally any bonus earned in excess of the target amount will be deferred for three years into shares in the Company. The Executive Director may be granted an additional long-term incentive award as described below of equal value (at maximum) to the amount of annual bonus deferred.<br><br>Recovery and recoupment will apply to all bonus awards for misstatement, error or gross misconduct. |

| Element | Purpose and link to strategy | Operation and maximum opportunity | Performance framework and recovery |
|---|---|---|---|
| **Long-term incentive awards** | Focus Executive Directors' efforts on sustainable strong long-term performance of the Company as a whole, and to aid retention with multi-year vesting provision. Improves alignment of Executive Directors' interests with those of the Company and shareholders. | Executive Directors are eligible for awards to be granted as decided by the Committee under the Company's long-term incentive plan. Awards would normally vest three years after the date of grant. The Committee may determine whether or not awards are subject to achievement of performance targets measured over a three-year period. Awards where the vesting is subject to achievement of performance targets will form at least two-thirds of the total long-term incentive awards granted to an Executive Directors in any financial year. The Committee has decided that all awards granted in 2017 and subsequent years to Executive Directors under the Policy will be subject to performance targets.<br><br>The annual target award limit will not normally be higher than 300% of salary (based on the face value of shares at date of grant).<br><br>Maximum vesting is normally 200% of target (based on the face value of shares at date of grant).<br><br>There is an exceptional annual target award limit in recruitment, appointment and retention situations of 500% of salary. | The Committee will select the most appropriate performance measures for long-term incentive awards for each performance period and will set appropriately demanding targets.<br><br>Recovery and recoupment will apply to all long-term incentive awards for misstatement, error or gross misconduct. |

| Element | Purpose and link to strategy | Operation and maximum opportunity | Performance framework and recovery |
|---|---|---|---|
| **Share ownership guidelines** | Increases alignment between the Executive Directors and shareholders. | Executive Directors, including the Executive Chairman, are recommended to hold a percentage of their salary in shares. This holding guideline could be achieved through the retention of shares on vesting/exercise of share awards and may also (but is not required) be through the direct purchase of shares by the Executive Directors. | Not applicable. |

**Performance criteria and discretions**

*Selection of Criteria*

The Committee annually assesses at the beginning of the relevant performance period which corporate performance measures, or combination and weighting of performance measures, are most appropriate for both annual bonus and long-term incentive awards to reflect the Company's strategic initiatives for the performance period. The Committee has the discretion to change the performance measures for awards granted in future years based upon the strategic plans of the Company. The Committee sets demanding targets for variable pay in the context of the Company's trading environment and strategic objectives and taking into account the Company's internal financial planning and market forecasts. Any non-financial goals will be well defined and measurable.

*Discretions retained by the Committee in operating its incentive plans*

The Committee operates the Group's various plans according to their respective rules. In administering these plans, the Committee may apply certain operational discretions. These include the following:

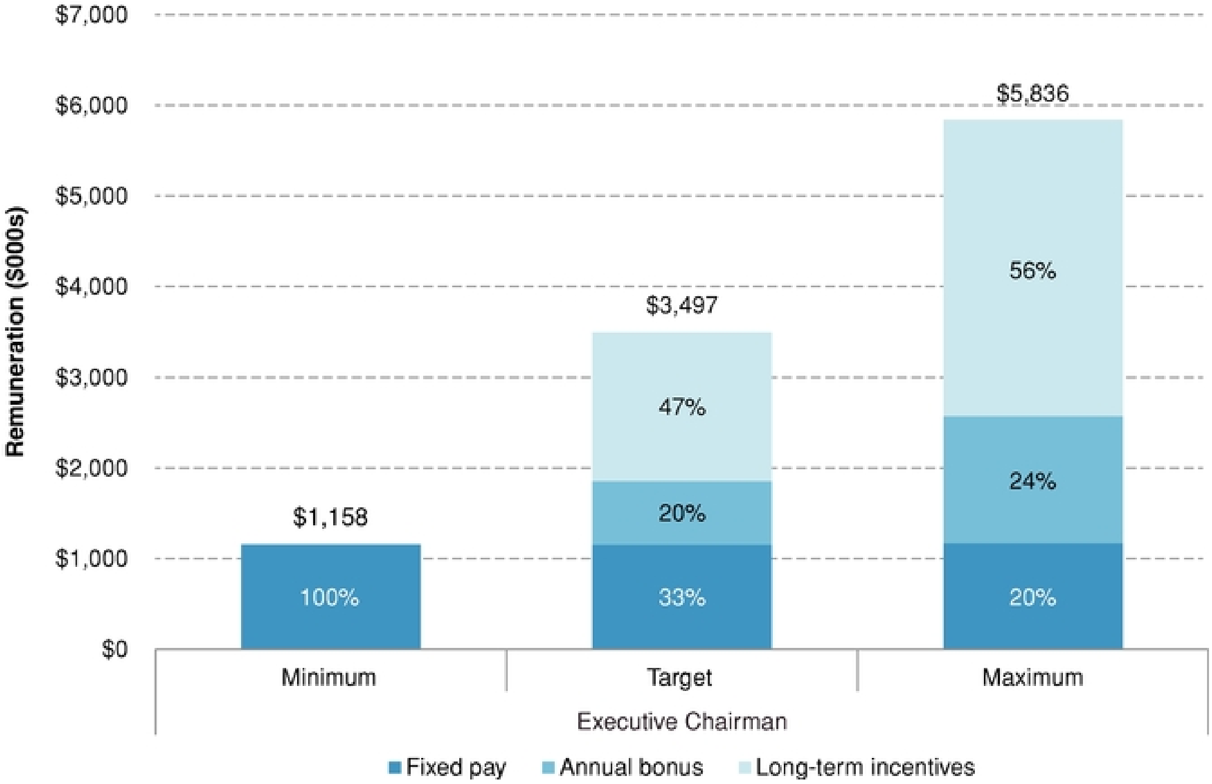
- determine the extent of vesting based on the assessment of performance;
- determine "good leaver" status (as described below) and where relevant extent of vesting;
- where relevant determine the extent of vesting in the case of share-based plans in the event of a change of control in accordance with the rules of the various plans; and
- make the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends).

The Committee, acting fairly and reasonably, and after consulting plan participants, may adjust the targets and/or set different measures and alter weightings for the variable pay awards already granted (in a way that the alterations are intended to create an equivalent outcome for plan participants) only if an unexpected event (corporate or outside event) occurs which causes the Committee to reasonably consider that the performance conditions would not without alteration achieve their original purpose and the varied conditions are materially no more or less difficult to satisfy than the original conditions. Any changes and the rationale for those changes will be set out clearly in the Annual Report on Remuneration in respect of the year in which they are made.

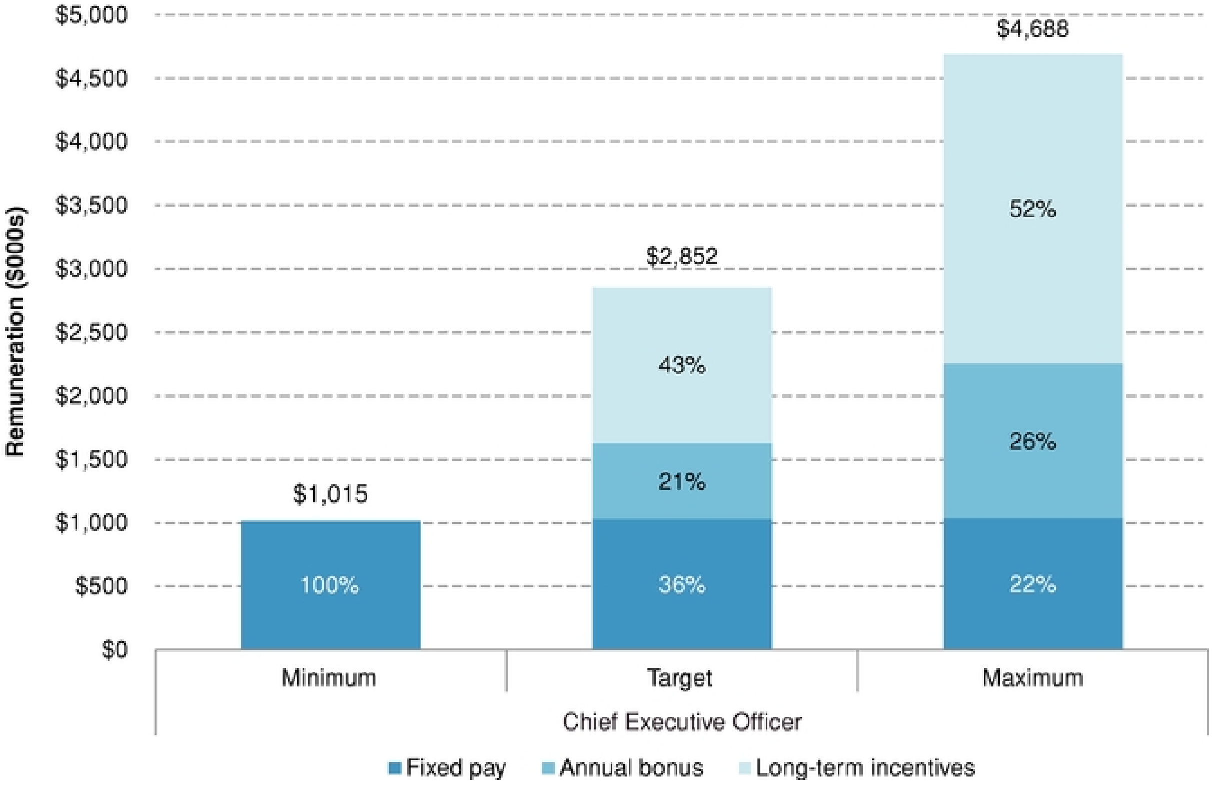
**Remuneration scenarios for the Executive Directors**

Reflecting the Board changes, the charts below have been updated to shows the level of remuneration potentially payable to each of Javier López Madrid as Executive Chairman and Pedro Larrea Paguaga as CEO under different performance scenarios for the 2018 financial year:

In respect of the remuneration of the Executive Chairman:



In respect of the remuneration of the CEO:




**Assumptions**

1. Fixed pay comprises base salary for 2018, benefits at an estimated level (3.4% of salary in the case of Javier López Madrid and 5.9% of salary in the case of Pedro Larrea Paguaga), a normal level of expatriate allowance of 20% of base salary with an exceptional additional expatriate allowance of 20% of base salary (for up to three years to 2019 — from appointment as an Executive Director in the case of Javier López Madrid and from appointment as CEO in the case of Pedro Larrea Paguaga — because of the particular circumstances of the relocation of the Ferroglobe business to London) and a pension contribution of 20% of salary in accordance with the Policy.

2. On-target performance comprises fixed pay plus annual bonus of 100% of salary and long-term incentives of 230% of salary for the Executive Chairman and 200% for the CEO.

3. Maximum performance comprises fixed pay plus annual bonus of 200% of target and long-term incentives of 200% of target.

4. No share price growth or dividends have been assumed. As described in the Policy, an additional long-term incentive award may be granted if part of the annual bonus is deferred, with the maximum value of such award equal to the amount of bonus deferred. As at December 31, 2017, no such awards have been made to the Executive Directors.

5. The exchange rate used in these charts and throughout this report, save where stated otherwise, is the Group's average GBP: USD exchange rate for the year to December 31, 2017 of GBP1=USD1.2886.

**Approach to recruitment remuneration**

The Committee expects any new Executive Directors to be engaged on terms that are consistent with the Policy as set out in the policy table above.

The Committee recognises that it cannot always predict accurately the circumstances in which any new directors may be recruited. The Committee may determine that it is in the interests of the Company and shareholders to secure the services of a particular individual which may require the Committee to take account of the terms of that individual's existing employment and/or their personal circumstances. Examples of circumstances in which the Committee expects it might need to do this are:

- where an existing employee is promoted to the Board, in which case the Company will honour all existing contractual commitments including any outstanding annual bonus or long-term incentive awards or pension entitlements and will provide other benefits consistent with those provided to senior leaders in that employee's home country;

- where an individual is relocating in order to take up the role, in which case the Company may provide certain one-off benefits in addition to benefits set out in the policy table such as reasonable relocation expenses, assistance with visa applications or other immigration issues and ongoing arrangements such as annual flights home and cost of education; and

- where an individual would be forfeiting fixed or valuable variable remuneration in order to join the Company, in which case the Committee may award appropriate additional compensation in addition to the limit set out in the policy table. The Committee would look to replicate the arrangements being forfeited as closely as possibly taking into account the nature of the remuneration, performance conditions, attributed expected value and the time over which any variable pay would have vested or been paid.

In making any decision on any aspect of the remuneration package for a new recruit, the Committee would balance shareholder expectations, current best practice and the requirements of any new recruit and would strive not to pay more than is necessary to achieve the recruitment. The Committee would give full details of the terms of the package of any new recruit in the next remuneration report. Award levels under the Company's variable incentive plans would not exceed those set out in the policy table, but their proportions can be altered for the first three years of employment.

**Executive Directors' service contracts and policy on cessation**

In order to motivate and retain the Executive Directors and other senior executives, most of whose backgrounds are in the United States and Europe, the Committee took account of market practices in those countries in (a) determining the treatment of annual bonus and long-term incentive awards in case of termination of their employment by the Company without cause; (b) referencing past annual bonuses in calculating the amount of payment in lieu of notice; (c) determining the extent of vesting of long-term incentive awards in the event of a takeover; and (d) determining that at least two-thirds of the total long-term incentive awards granted to an executive in any financial year will be subject to achievement of performance targets.

*Service contracts*

It is the Company's policy (subject to the *Approach to Recruitment Remuneration* above) that all Executive Directors have rolling service contracts for an indefinite term but a fixed period of notice of termination which would normally be 12 months. With respect to newly appointed directors, the Committee may, if it considers it necessary, agree a notice period in excess of 12 months (but not exceeding 24 months), provided it reduces to 12 months within a specified transition period of not exceeding 36 months. The service contracts for Javier López Madrid and Pedro Larrea Paguaga are in accordance with this policy.

It is the Company's policy that an Executive Director's service contract may be terminated without notice and without further payment or compensation, except for sums accrued to the date of termination, for cause (as defined in the service contract). In other circumstances, the Company may terminate employment with immediate effect and make a payment in lieu of notice in the amount equivalent to the aggregate of (i) base salary, (ii) the average of annual bonuses in the last three years prior to termination, (iii) pension allowance plus (iv) cost of benefits, for the notice period (or if a notice has been served, for the unserved notice period). An Executive Director would be entitled to an equivalent payment in the event of his resignation for good reason (as defined in the service contract). Normally there would be no additional contractual entitlement in respect of a change-in-control. An Executive Director may also be entitled to certain amounts with respect to annual bonus and long-term incentive awards, as described below. "Cause" and "good reason" as defined in the service contract also apply in relation to annual bonus awards and long-term incentive awards as described below. Executive Directors' service contracts (or a memorandum of the terms where the contract is unwritten) are available for inspection at the Group's office at 2nd Floor West, Lansdowne House, 57 Berkeley Square, London, W1J 6ER during normal business hours and at the 2018 AGM.

*Generally*

As circumstances may require, the Committee may approve compensation payments in consideration of statutory entitlements, for a release of claims, enhanced post-termination restrictive covenants or transitional assistance, such as outplacement services and payment of legal fees in connection with termination, home relocation expenses including tax related expenses and other ancillary payments thereto.

*Annual bonus awards*

In the event that an Executive Director's employment is terminated without cause, by resignation by the Executive Director for good reason, or by reason of death, injury, disability on his employing company or the business for which he works being sold out of the Group, the Company will pay an annual bonus amount in respect of the financial year in which termination occurs subject to performance conditions being met at the end of the period and with pro-rating of the award determined on the basis of the period of time served in employment during the normal vesting period but with the Committee retaining the discretion in exceptional circumstances to increase the level of vesting within the maximum annual bonus amount as determined by the performance conditions. The Committee may, if it considers it appropriate in exceptional circumstances, measure performance to the date of cessation. In other circumstances, payment will be at the Committee's discretion. The Committee will consider the period of the year worked and the performance of the executive during that period when considering how to exercise its discretion.

*Long-term incentive awards*

As a general rule, any unvested long-term incentive award (except deferred bonus awards *see below*) will lapse upon an Executive Director ceasing to be an employee or director in the case of voluntary resignation or dismissal for cause. However, if the cessation is without cause, by resignation by the Executive Director for good reason, or because of his death, injury, disability or on his employing company or the business for which he works being sold out of the Group or in other circumstances at the discretion of the Committee, then their award will vest in full on the date when it would have ordinarily vested subject to the performance conditions being met. Where an award vests at the discretion of the Committee that award may be pro-rated taking into account the period of time served in employment during the normal vesting period of the award. The Committee can for any cessation measure performance up to the date of cessation and permit awards to vest early.

Deferred bonus awards vest in full upon cessation, other than in case of voluntary resignation by an Executive Director without good reason or dismissal for cause. Vested but unexercised awards held on cessation will remain capable of exercise for a limited period save in the case of dismissal for cause.

In the event of a takeover all awards will vest early to the extent that the performance conditions are determined as satisfied at that time on such basis as the Committee considers appropriate.

**External appointments**

Executive Directors may retain fees paid for external director appointments. These appointments are subject to approval by the Board and must be compatible with their duties as Executive Directors.

**Matters taken into consideration in determining policy and differences in the remuneration policy of the Executive Directors and employees**

It is not the Committee's practice to consult with employees on matters relating to executive pay. However, the Committee will consider pay structures, practices and principles across the Group on a regular basis and take these into account in any review of the Executive Directors' current policy or implementation thereof.

The Committee will consider feedback from shareholders and take into account the results of both advisory and binding votes concerning executive pay at the Annual General Meeting as well as ensuring it engages with shareholders on executive pay matters. The Company has taken account of its understanding of the guidelines of shareholders in formulating its Directors' Remuneration Policy.

**Directors' remuneration policy for Non-Executive Directors**

| Element | Purpose and link to strategy | Operation and maximum opportunity | Performance framework and recovery |
|---|---|---|---|
| **Non-Executive Directors fees including non-executive chairman** | To appropriately remunerate the Non-Executive Directors | The Non-Executive Directors are paid a basic fee. Supplemental fees may be paid for additional responsibilities and activities, such as for the committee chairmen and other members of the main Board committees (e.g. audit, compensation, nominations and corporate governance) and the Senior Independent Director, to reflect the additional responsibilities as well as travel fees to reflect additional time incurred in travelling to meetings.<br><br>These fee levels are reviewed periodically, with reference to time commitment, knowledge, experience and responsibilities of the role as well as market levels in comparable companies both in terms of size and sector. | Not applicable |

| Element | Purpose and link to strategy | Operation and maximum opportunity | Performance framework and recovery |
|---|---|---|---|
| | | The Company does not currently have a non-executive Chairman. If one were appointed his fee would be set at a level with reference to time commitment, knowledge, experience and responsibilities of the role as well as market levels in comparable companies both in terms of size and sector.<br><br>There is no maximum fee level or prescribed annual increase. | |
| **Payment of expenses and benefits** | To support the Non-Executive Directors in the fulfilment of their duties | Reasonable expenses incurred by the Non-Executive Directors in carrying out their duties may be reimbursed by the Company including any personal tax payable by the Non-Executive Directive as a result of reimbursement of those expenses. The Company may also pay an allowance in lieu of expenses if it deems this appropriate. | Not applicable |

| Element | Purpose and link to strategy | Operation and maximum opportunity | Performance framework and recovery |
|---|---|---|---|
| | | The Company provides Non-Executive Directors with directors' and officers' liability insurance and an indemnity to the fullest extent permitted by the Companies Act. | |

*Legacy Arrangements with Certain Non-Executive Directors*

Prior to the Business Combination, in keeping with many other NASDAQ listed companies, Globe granted restricted stock units and share appreciation rights to its non-executive directors. Outstanding awards as at December 31, 2017 held by the Non-Executive Directors, who were previously Globe's non-executive directors, are set forth on page 52.

It is noted that those Non-Executive Directors with restricted stock units and share appreciation rights may be regarded as not being independent by U.K. based proxy voting agencies although the Board considers them to be fully independent. It is a provision of this Policy that the Company may accelerate the vesting of or repurchase of these awards based on an independent valuation, if it deems it to be appropriate.

*Letters of Appointment with Non-Executive Directors*

The Company does not enter into service contracts with its Non-Executive Directors, rather the Company enters into letters of appointment for a rolling period of 12 months with each annual renewal being subject to re-election at each annual general meeting of the Company. No compensation for loss of office is payable in the event a Non-Executive Director is not re-elected. The Company may request that the non-executive directors resign with immediate effect in certain circumstances (including material breach of their obligations) in which case their appointment would terminate without compensation to the Non-Executive Director for such termination but with accrued fees and expenses payable up to the date of termination.

*Appointment of non-executive directors*

For the appointment of a Non-Executive Chairman or other Non-Executive Directors, the fee arrangement would be in accordance with the approved Directors' Remuneration Policy in place at that time.

**Minor amendments**

The Committee may make minor changes to the Policy, which do not have a material advantage or disadvantage overall to directors, to aid in its operation or implementation (including to take account of any change in legislative or regulatory requirements applicable to the Company) without seeking shareholder approval for a revised version of the Policy.

## Annual report on remuneration

### Implementation of the Directors' Remuneration Policy for the year ending December 31, 2018

This section sets out how the Committee intends to implement the Policy for the year ending December 31, 2018.

### Base salary

Javier López Madrid was appointed as Executive Chairman with effect from December 31, 2016. Javier López Madrid's salary was reviewed on his appointment and remains unchanged at £555,000 ($715,713) per annum.

Pedro Larrea Paguaga was appointed as Chief Executive Officer with effect from December 23, 2015 and to the Board of Directors on June 28, 2017. Notwithstanding his appointment to the Board, Pedro Larrea Paguaga's salary was reviewed and remains unchanged at £475,000 ($612,085) per annum.

### Pension and benefits

In accordance with the Policy, both Executive Directors receive a pension contribution at the rate of 20% of base salary, payable as a cash allowance, benefits to the value of an estimate of 4% of salary for the Executive Chairman and 6% for the CEO and an expatriate benefits allowance. This expatriate benefits allowance will usually be equal to 20% of base salary. However, as described in the 2015 annual report, Executive Directors are entitled to an exceptional additional expatriate allowance of a further 20% of salary for a period of up to three years until January 1, 2019: from appointment as an Executive Director, in the case of Javier López Madrid: and from appointment as CEO, in the case of Pedro Larrea Paguaga. This exceptional allowance is in line with market practice, because of the particular circumstances of the relocation of the Ferroglobe business in this period of transition. The expatriate allowance is reviewed by the Committee on an annual basis.

The Company provides directors' and officers' liability insurance and will provide an indemnity to the fullest extent permitted by the Companies Act.

### Annual bonus

The target annual bonus opportunity for the Executive Directors will be 100% of base salary with a maximum opportunity of twice the target level.

75% of the annual bonus will be based on achieving Adjusted EBITDA, net income and Free Cash Flow targets (one third each) with the remainder based on strategic priority goals. The annual bonus targets are considered to be commercially sensitive at this time and are not disclosed. It is the Compensation Committee's intention to disclose the threshold, target and stretch figures for each of these measures in next year's report. The 2018 annual bonus outcome is also subject to an underpin based on improvement in the Group's safety targets whereby the overall amount payable will be reduced by 20% should certain key metrics be missed.

Any bonus earned in excess of 100% of the target will be deferred for three years into shares in the Company.

To align the Executive Directors' interests with those of shareholders over the long term, and to link the annual bonus with the level of grant of long term incentives, the Company may grant an additional long-term incentive award to match the amount of any annual bonus deferred into shares. No such awards have been made to the Executive Directors to date. Any such award is subject to the performance targets and vesting schedule described under the heading *Long-Term Incentives* below.

**Long-term incentives**

For 2018, the Committee had determined that the Executive Chairman would be granted a long-term incentive award with a target level of vesting of 230% of base salary and maximum vesting of twice target and the CEO would be granted a long-term incentive award with a target level of vesting of 200% of base salary and maximum vesting of twice target. Accordingly, on March 21, 2018, the following awards were granted:

| | Type of award[(1)] | Basis of award (at target)[(2)] | Share price at grant[(3)] | Number of shares at target |
|---|---|---|---|---|
| Javier López Madrid | Nil-cost option | 230% of salary of $777,000 | $ 15.798 | 113,121 |
| Pedro Larrea Paguaga | Nil-cost option | 200% of salary of $665,000 | $ 15.798 | 84,187 |

Notes:

(1) No price is normally payable on the exercise of the nil-cost option although the Company reserves the right to require the payment of the nominal cost of the shares as a condition of exercise if required to enable the issue or transfer of the shares.

(2) Converted at GBP1=USD1.4029 being the exchange rate on the day of grant.

(3) This figure represents the average closing share price for the five days prior to the date of grant.

Vesting of 60% of each award will be determined by Ferroglobe's Total Shareholder Return ("TSR") performance. 50% of the TSR part of the award is calculated relative to a bespoke group of peers, and the other 50% relative to the S&P Global 1200 Metals and Mining Index in line with last year's award. Performance will be measured over three years with vesting as set out below.

The bespoke peer group comprises the following companies[1]:

Commercial Metals Company
Allegheny Technologies
Materion Corporation
Steel Dynamics
Antofagasta
Carpenter Technologies
Schnitzer Steel Industries
Eramet

Boliden
Morgan Advanced Material
Minerals Technologies
Kaiser Aluminium
Vallourec
Worthington Industries
Salzgitter
Vedanta Resources
Norsk Hydro
AMG Advanced Metallurgical Group

Notes:

1 Stillwater and Dow Chemical Company were included in the comparator group for awards in 2015 and 2016 (and in 2017 in the case of Dow Chemical Company). Following the de-listing and merger, respectively, of these companies, they are no longer included in the comparator group.

**Vesting schedule for TSR relative to the bespoke peer group**

| TSR Performance | Vesting scale |
|---|---|
| Less than median (50th percentile) | No vesting of awards |
| Between the 50th and 75th percentile | Proportionate vesting of between target (100%) and 150% of target |
| Between 75th percentile and 90th percentile | Proportionate vesting of between 150% and 200% of target |
| 90th percentile | 200% of target |

**Vesting schedule for TSR relative to the S&P Global 1200 Metals and Mining Index**

| TSR Performance | Vesting scale |
|---|---|
| Less than Index TSR | No vesting of awards |
| Equal to Index TSR | Target (100%) |
| Equal to Index TSR+15 percentage points | 150% of target |
| Equal to Index TSR+25 percentage points | 200% of target |

With straight line vesting between Index TSR and Index TSR+15 percentage points and between Index TSR+15 percentage points and Index TSR+25 percentage points.

Vesting of 40% of each award is dependent upon the achievement of strategic measures with predetermined targets to be achieved creating a range between threshold, target and stretch that will determine the proportion of the award that will vest between 50% and 200% of the target amount. The measures relate to the Company's return on invested capital (ROIC) over the three-year period as compared with the bespoke comparator group of the Company's peers set out above using a quarterly average for the calculation of Invested Capital and the Company's net operating profit after tax (NOPAT) growth as compared to the same bespoke comparator group of the Company's peers. Performance is measured over three years with vesting as set out below.

| ROIC over the performance period | Vesting scale |
|---|---:|
| Below percentile 25 | 0% |
| Percentile 25 | 50% |
| Median | 100% |
| Percentile 75 and above | 200% |

| NOPAT growth over the Performance Period | Vesting scale |
|---|---:|
| Below percentile 25 | 0% |
| Percentile 25 | 50% |
| Median | 100% |
| Percentile 75 and above | 200% |

No portion of the ROIC component will vest unless the Company's ROIC over the performance period is at least equal to the percentile 25 average ROIC for the members of the Comparator Group over the performance period, No portion of the NOPAT component will vest unless the ratio between the Company's NOPAT for the 12 month period ending December 31, 2020 against the Company's NOPAT for the 12 month period ending December 31, 2017 is at least equal to the Lower Quartile NOPAT growth ratio for the members of the Comparator Group over the same period. There is straight line vesting between each vesting point (percentile 25, median and percentile 75).

**Non-Executive Director share ownership guidelines**

The Non-Executive Directors have voluntarily agreed to apply on a cumulative basis at least a quarter of their normal annual gross fees to acquire shares under arrangements designed to ensure that shares can be purchased on a regular basis over a period of eight years. In 2018 the Directors reviewed the Non-Executive shareholding guidelines and agreed several points of clarification in relation to them, to take effect from January 1, 2018, as follows:

- Where more or fewer shares are acquired in any year, the value of shares to be acquired in subsequent years may be reduced or increased respectively such that on a cumulative basis the 25% test is satisfied;
- Each Non-Executive Director agrees to retain his or her shares until the earlier of achieving a holding equal to twice his or her annual base fees being achieved or that director leaving the Board;
- Where a director holds outstanding and exercisable share-based or phantom restricted stock awards, the shares or notional shares under award are to be taken into account in determining the relevant director's holding and may be exercised and disposed of at any time (with consequent effect on the director's holding).

The process of setting up share acquisition plans has proved challenging for the non-US based Non-Executive Directors. Any director who had not achieved his target holding under the guidelines therefore has a further period of 6 months (to July 2018) in which to meet his cumulative annual target.

The holdings for Executive and Non-Executive Directors as at December 31, 2017 are set out on page 52.

**Fees for the Non-Executive Directors**

The fee structure and levels were set following the Business Combination. Fees are set and payable in Pounds sterling and are reviewed — but not necessarily increased — annually, with changes normally effective from January 1 each year. The fees for 2017 and for 2018 were unchanged from 2016 and are as below:

| | |
|---|---|
| Non-Executive Director base fee | £70,000 ($90,202) |
| Senior Independent Director (a role to which Javier Monzón was the first appointee with effect from October 26, 2017) | £35,000 ($45,101) |
| Member of Audit Committee | £17,500 ($22,551) |
| Member of Compensation Committee | £15,500 ($19,973) |
| Member of Nominating and Corporate Governance Committee[(1)] | £12,000 ($15,463) |
| Committee Chairman | Two times membership fee |
| *Travel fee (per meeting)* | |
| Intercontinental travel | £3,500 ($4,510) |
| Continental travel | £1,500 ($1,933) |

(1) With effect from January 1, 2018, when the Board's separate Nominations and Corporate Governance Committees were formed, the fee payable for membership of the Corporate Governance Committee was set at £12,000 ($15,463), with the Chair's fee at twice that. Given the ad hoc nature of the business of the Nominations Committee, fees are paid to Board members at a rate of £1,500 ($1,932) per meeting, subject to a cap of £10,000 ($12,886) with no fees payable to its Chair while the individual in that role is also an Executive Director.

**Remuneration paid in respect of the year to 31 December 2017**

**Single figure of remuneration for the period — audited**

The table below shows the aggregate emoluments earned by the Executive Directors of the Company who served at any point in 2017 for 2017 and 2016. The emoluments shown for 2017 have been converted to USD at the Group's average rate for 2017 of GBP1=USD1.2886. Those for 2016 were converted at the rate of GBP1=USD1.3507 in accordance with the 2016 U.K. Annual Report.

| | Salary[1] (USD$'000) | | Benefits[2] (USD$'000) | | Pension[3] (USD$'000) | | Annual Bonus[4] (USD$'000) | | Long-term incentives[5] (USD$'000) | | Total (USD$'000) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Executive Director | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Javier López Madrid | 716 | 750 | 314 | 308 | 143 | 150 | 937 | 739 | — | — | 2,110 | 1,947 |
| Pedro Larrea Paguaga[6] | 314 | — | 151 | — | 63 | — | 412 | — | — | — | 940 | — |

Notes:

(1) No change in salary has been made year on year, the difference resulting from changes in the GBP:USD exchange rate.

(2) For Javier López Madrid, benefits include an expatriate allowance of 40% of salary (£222,000 ($286,069) in 2017), and medical insurance and life assurance coverage.

For Pedro Larrea Paguaga, benefits include an expatriate allowance of 40% of salary on a pro-rated basis (£97,342 ($125,435) in 2017), and medical insurance and life assurance coverage, also pro-rated.

(3) For 2017 the pension for Javier López Madrid and Pedro Larrea Paguaga is 20% of base salary payable as a cash supplement.

(4) Details of the 2017 annual bonus amounts are set out below and the values given include amounts deferred into shares.

(5) There were no long-term incentives with performance periods ending in 2017 or 2016 and no awards granted with time based vesting only.

(6) Pedro Larrea Paguaga was appointed to the Board on June 28, 2017. The figures given in respect of Pedro Larrea Paguaga's remuneration are pro-rated to reflect the period from the date of his appointment to the Board to December 31, 2017.

The table below shows the aggregate emoluments earned by the Non-Executive Directors of the Company who served at any time during 2017 for 2017 and 2016. The emoluments shown for 2017 have been converted to USD at the Group's average yearly rate of GBP1=USD1.2886. Those

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for 2016 were converted at the rate of GBP1=USD1.3507 in accordance with the 2016 U.K. Annual Report.

| Non-Executive Director | Fees (US$'000) | | Benefits[1] (US$'000) | | Total (US$'000) | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Donald G Barger Jr | 141.1 | 174.5 | 18.0 | 18.9 | 159.1 | 193.4 |
| Bruce L Crockett | 112.7 | 130.0 | 22.5 | 23.6 | 135.2 | 153.6 |
| Stuart E Eizenstat | 105.6 | 118.8 | 13.5 | 14.2 | 119.1 | 133.0 |
| Tomas García Madrid[2] | 45.1 | 118.8 | 7.7 | 8.1 | 52.8 | 126.9 |
| Manuel Garrido y Ruano[3] | 61.6 | — | 8.4 | — | 70.0 | — |
| Greger Hamilton | 155.3 | 196.8 | 4.5 | — | 159.8 | 196.8 |
| Javier Monzón | 160.7 | 192.8 | 14.2 | 10.1 | 174.9 | 202.9 |
| Pierre Vareille[4] | 16.2 | — | 1.9 | — | 18.1 | — |
| Juan Villar Mir de Fuentes | 90.2 | 94.5 | 8.4 | 8.1 | 98.6 | 102.6 |

(1) Benefits comprise travel allowances.

(2) Tomas García Madrid stepped down from the Board on May 30, 2017.

(3) Manuel Garrido y Ruano joined the Board on May 30, 2017.

(4) Pierre Vareille joined the Board on October 26, 2017.

**Annual bonus for the financial year to December 31, 2017 for Javier López Madrid — audited**

The target annual bonus opportunity for the Executive Vice-Chairman (now Executive Chairman) was 100% of salary, with a maximum opportunity of two times target. Details of payout against the performance targets set are included in the table below:

| Measure | Weighting (target % of award) | Threshold performance (0% of target paid) | Target performance (100% of target paid) | Stretch performance (200% of target paid) | Actual Performance | Bonus outcome (as a percentage of target) | Weighted bonus outcome |
|---|---|---|---|---|---|---|---|
| Adjusted EBITDA | 25% | $100 million | $140 million | $200 million | $181 million[1] | 168% | 42% |
| Adjusted EBITDA margin | 25% | 7% | 9% | 12% | 10.5%[1] | 150% | 37% |
| Free Cash Flow | 25% | ($20 million) | $0 million | $40 million | Over $40 million | 200% | 50% |
| Deleveraging | 10.0% | Target achieved if leverage reduced to Net Debt: Adjusted EBITDA <2.5 Achievement above target at Committee discretion | | | Net Debt: Adjusted EBITDA = 2.0x or 2.4x without securitization | 100% | 10% |
| Chairmanship and governance | 15.0% | Assessment by the Committee, recognizing the leadership in driving the constitutional re-structuring of the Board and its Committees and the corporate governance policy. | | | 7.5% | 50% | 7.5% |
| Total | | | | | | | **146.5**% |

Notes:

(1) The calculation of Adjusted EBIDA and Adjusted EBITDA margin excluded EBITDA generated by the Group's Energy division in expectation of its proposed disposal in 2017.

Following the application of the material weakness underpin in the calculation of the CEO's annual bonus for 2017, the Executive Chairman volunteered the reduction in his annual bonus payout to the same percentage as that achieved by the CEO. The Committee accepted Javier López Madrid's offer and his annual bonus outcome for 2017 was reduced from 146.5% to 131%. The bonus earned in excess of 100% of the target (being 31% of salary) will be deferred for three years into shares in the Company.

**Annual bonus for the financial year to December 31, 2017 for Pedro Larrea Paguaga — audited**

The target annual bonus opportunity for the Chief Executive Officer was 100% of salary, with a maximum opportunity of two times target. Details of payout against the performance targets set are included in the table below:

| Measure | Weighting (target % of award) | Threshold performance (0% of target paid) | Target performance (100% of target paid) | Stretch performance (200% of target paid) | Actual Performance | Bonus outcome (as a percentage of target) | Weighted bonus outcome |
|---|---|---|---|---|---|---|---|
| Adjusted EBITDA | 25% | $100 million | $140 million | $200 million | $181 million[1] | 168% | 42% |
| Adjusted EBITDA margin | 25% | 7% | 9% | 12% | 10.5%[1] | 150% | 37% |
| Free Cash Flow | 25% | ($20 million) | $0 million | $40 million | Over $40 million | 200% | 50% |
| Deleveraging | 25% | Target achieved if leverage reduced to Net Debt: Adjusted EBITDA <2.5<br>Achievement above target at Committee discretion | | | Net Debt: Adjusted EBITDA = 2.0x or 2.4x without securitization | 100% | 25% |
| Sub total | | | | | | | 154%[1] |
| Total following application of the internal control underpin | | | | | | | **131**% |

Notes:

(1) The calculation of Adjusted EBIDA and Adjusted EBITDA margin exclude EBITDA generated by the Group's Energy division in expectation of its proposed disposal in 2017.

(2) Prior to application of the material weakness underpin. See below.

As a result of the conclusion of material weakness in internal controls for SOX purposes, the annual bonus amount payable to the Chief Executive Officer was reduced by 15%. This resulted in a bonus outcome of 131% of salary for the Chief Executive Officer. The bonus earned in excess of 100% of the target (being 31% of salary) will be deferred for three years into shares in the Company. Of the total sum awarded to Pedro Larrea Paguaga, 51.2% of the bonus payable relates to the period during which he served on the Board.

**Long term incentive awards for the financial year ended December 31, 2017 — audited**

Awards vesting/ performance period ending in financial year 2017.

There were no long-term incentives with performance periods ending in the year to December 31, 2017 or awards granted in the year with time based vesting only.

**Long-term incentive awards granted in financial year 2017**

On June 1, 2017, Javier López Madrid and Pedro Larrea Paguaga were granted long-term incentive awards as follows:

| | Type of award(1) | Basis of award (at target)(2) | Share price at date of grant(3) | Number of shares at target | Face value of shares at target(4) | Face value of shares at maximum(5) | Vesting at threshold | Performance period(6) |
|---|---|---|---|---|---|---|---|---|
| Javier López Madrid | Nil-cost option | 230% of salary of $715,950 | $ 10.65 | 154,704 | $1,647,905 | $ 3,295,195 | 40% | 3 years to December 31, 2019 |
| Pedro Larrea Paguaga | Nil-cost option | 200% of salary of $612,750 | $ 10.65 | 115,134 | $1,226,408 | $ 2,452,816 | 40% | 3 years to December 31, 2019 |

Notes:

(1) No price is normally payable on the exercise of the nil-cost option although the Company reserves the right to require the payment of the nominal cost of the shares as a condition of exercise if required to enable the issue or transfer of the shares.

(2) Converted at GBP1=USD1.29, being the exchange rate on the day at grant.

(3) This figure represents the average closing share price for the five days prior to the date of grant.

(4) The value shown in this column has been calculated by multiplying the number of shares that would vest at target by the average closing share price for the five days prior to the date of grant.

(5) The value shown in this column has been calculated by multiplying the number of shares that would vest at maximum (being 200% of target) by the average closing share price for the five days prior to the date of grant.

(6) See below for details of the performance conditions applicable to the awards.

Vesting of 60% of the award will be determined by Ferroglobe's Total Shareholder Return ("TSR"). Performance will be measured over three years commencing January 1, 2017 with vesting as set out below. 50% of the TSR part of the award will be determined by Ferroglobe's TSR relative to the following bespoke group of peer companies[1]:

| | |
|---|---|
| Commercial Metals Company | Boliden |
| Allegheny Technologies | Morgan Advanced Material |
| Materion Corporation | Minerals Technologies |
| Steel Dynamics | Kaiser Aluminium |
| Antofagasta | Vallourec |
| Carpenter Technologies | Worthington Industries |
| Schnitzer Steel Industries | Salzgitter |
| Eramet | Vedanta Resources |
| | Norsk Hydro |
| | AMG Advanced Metallurgical Group |

Notes:

(1) Stillwater and Dow Chemical Company were included in the comparator group for awards in 2015 and 2016 (and in 2017 in the case of Dow Chemical Company). Following the de-listing and merger, respectively, of these companies, they are no longer included in the comparator group.

| TSR Performance | Vesting scale |
|---|---|
| Less than median (50th percentile) | No vesting of awards |
| Between the 50th and 75th percentile | Proportionate vesting of between target (100%) and 150% of target |
| Between 75th percentile and 90th percentile | Proportionate vesting of between 150% and 200% of target |
| 90th percentile | 200% of target |

The other 50% of the TSR part of the award will be determined by Ferroglobe's TSR relative to the S&P Global 1200 Metals and Mining Index.

| TSR Performance | Vesting scale |
|---|---|
| Less than Index TSR | No vesting of awards |
| Equal to Index TSR | Target (100%) |
| Equal to Index TSR+15 percentage points | 150% of target |
| Equal to Index TSR+25 percentage points | 200% of target |

With straight line vesting between Index TSR and Index TSR+15 percentage points and between Index TSR+15 percentage points and Index TSR+25 percentage points.

The Committee determined that the measures applicable to the long-term incentive awards granted in 2016 remained appropriate, comparing (i) the Company's return on invested capital (ROIC) over the three-year period with that of a bespoke comparator group of the Company's peers using a quarterly average for the calculation of Invested Capital and (ii) the Company's net operating profit after tax (NOPAT) growth with that of the same bespoke comparator group of the Company's peers set out above. Performance will be measured over three years with vesting as set out below.

| ROIC over the performance period | Vesting scale |
|---|---:|
| Below percentile 25 | 0% |
| Percentile 25 | 50% |
| Median | 100% |
| Percentile 75 and above | 200% |

| NOPAT growth over the Performance Period | Vesting scale |
|---|---:|
| Below percentile 25 | 0% |
| Percentile 25 | 50% |
| Median | 100% |
| Percentile 75 and above | 200% |

No portion of the ROIC component shall vest unless the Company's ROIC over the performance period is at least equal to the percentile 25 average ROIC for the members of the comparator group over the performance period. No portion of the NOPAT component shall vest unless the ratio between the Company's NOPAT for the twelve-month period ending December 31, 2019 against the Company's NOPAT for the twelve-month period ending December 31, 2016 is at least equal to the Lower Quartile NOPAT growth ratio for the members of the comparator group over the same period. There is straight line vesting between each vesting point (percentile 25, median and percentile 75).

**Directors' shareholding and share interests — audited**

The table below sets out the number of shares held or potentially held by directors (including their connected persons where relevant) as at December 31, 2017.

| Director | Beneficially owned shares | Number of shares under long term incentive awards without performance conditions[1] | Number of shares under long term incentive awards with performance conditions[2] | Target shareholding guideline (as a % of salary or average gross annual fees as applicable) | Percentage of Executive Director's salary held as shares as at 31 December 2017[3] |
|---|---|---|---|---|---|
| Javier López Madrid | 30,000 | — | 223,244 | 200% | 68.06% |
| Pedro Larrea Paguaga | 25,000 | — | 166,144 | 200% | 66.27% |
| Donald G. Barger Jr | 19,636 | 70,044 | — | 200% | |
| Bruce L. Crockett | 6,000 | 31,056 | — | 200% | |
| Stuart E. Eizenstat | 9,273 | 46,303 | — | 200% | |
| Manuel Garrido y Ruano | — | — | — | 200% | |
| Greger Hamilton | — | — | — | 200% | |
| Javier Monzón | 19,400 | — | — | 200% | |
| Pierre Vareille | 10,000 | — | — | 200% | |
| Juan Villar Mir de Fuentes | — | — | — | 200% | |

Notes:

(1) See below for details.

(2) At target vesting. See below for details.

(3) Measured by reference to beneficially owned shares only and using the closing share price at December 29, 2017 (being the closest date to December 31, 2017) of $16.20 and the annual salaries of the Executive Directors in USD as disclosed in this ARR.

The Directors' outstanding share awards as at December 31, 2017 were as detailed below:

| Director | Award type | Grant date | Outstanding[1] | Subject to performance conditions[2] | Exercisable as of December 31, 2017 | Exercised during the year to December 31, 2017 | Future vesting (No. of shares) | Vesting date |
|---|---|---|---|---|---|---|---|---|
| Javier López Madrid | LTIP: Nil cost option | 24.11.16 | 68,541 | Yes | — | — | 68,541 | 24.11.19 |
| | LTIP: Nil cost option | 01.06.17 | 154,703 | Yes | — | — | 154,703 | 01.06.20 |
| Pedro Larrea Paguaga | LTIP: Nil cost option | 24.11.16 | 51,010 | Yes | — | — | 51,010 | 24.11.19 |
| | LTIP: Nil cost option | 01.06.17 | 115,134 | Yes | — | — | 115,134 | 01.06.20 |
| Donald G. Barger[3] | NQ | Various | 31,216 | No | 31,216 | — | — | — |
| | RSU/C | Various | 23,741 | No | 23,741 | — | — | — |
| | SAR | Various | 15,087 | No | 15,087 | — | — | — |
| Bruce L. Crockett[3] | NQ | Various | 26,226 | No | 17,893 | — | 8,333 | 27.02.18 |
| | RSU/C | Various | 2,527 | No | 2,527 | — | — | — |
| | SAR | Various | 2,303 | No | 2,303 | — | — | — |
| Stuart E. Eizenstat[3] | NQ | Various | 31,216 | No | 31,216 | — | — | — |
| | SAR | Various | 15,087 | No | 15,087 | — | — | — |

Notes:

(1) At target for awards granted to the Executive Directors only. See pages 50 and 51 for performance conditions applicable to the awards granted in 2017.

(2) Subject to performance conditions and continued employment in the case of awards to the Executive Directors.

(3) These incentive awards are legacy awards which the Company is authorised to honour following shareholder approval of the Policy.

**Total pension entitlements — audited**

Details of the value of pension contributions are provided in the *Pensions* column of the *Single figure of remuneration* table. Pension contributions are by way of a cash allowance. There are therefore no specified retirement ages to disclose or consequences of early retirement.

**Payments for loss of office**

As disclosed in the UK Annual Report for 2016, Alan Kestenbaum ceased employment with the Company on December 31, 2016 and resigned from the Board as Executive Director with effect on the same day. In accordance with the terms disclosed in the UK Annual Report for 2016, the Company made the following payments to Mr. Kestenbaum in connection with this cessation during the year under review:

| | | |
|---|---|---|
| Annual bonus (at 35% of target) | US$ | 748,738 |
| Cash payment representing the value of cash-settled restricted stock units vested prior to December 31, 2016 but unpaid | US$ | 1,443,763 |
| Cash payment representing the value of cash-settled restricted stock units vesting or subject to accelerated vesting on December 31, 2016 | US$ | 2,602,104 |
| Cash payment in respect of dividend accrued between January 27, 2011 and December 31, 2016 equivalents on the Long Term Award referred to below | US$ | 166,124 |
| Lump sum severance payment calculated in accordance with the terms of Mr Kestenbaum's employment agreement | US$ | 21,198,656 |
| Cash settlement in respect of potential arbitration proceedings | US$ | 725,497 |
| Interest on amounts unpaid in the period to June 30, 2017 | US$ | 23,231 |
| Total gross amount payable subject to deductions on account of tax and social security required by applicable law | US$ | 26,908,133 |

The following table shows the share-based awards held by Alan Kestenbaum as at January 1, and December 31, 2017:

| Award type | Grant date | Outstanding and exercisable as at January 1, 2017 | Exercise Price(1) | Exercised during the year to December 31, 2017 | Lapsed during the year to December 31, 2017 | Exercise date | Share price on date of exercise(2) | Market price on vesting | Final exercise date |
|---|---|---|---|---|---|---|---|---|---|
| RSU | 27.01.11 | 108,578 | — | 108,578 | — | 01.01.17 | $ 10.83 | $ 11.45 | — |
| RSU/C | 01.01.14 | 22,543 | — | 22,543 | — | 15.03.17 | $ 10.07 | $ 13.14 | — |
| RSU/C | 24.04.14 | 20,049 | — | 20,049 | — | 15.03.17 | $ 10.07 | $ 14.13 | — |
| RSU/C | 01.01.15 | 78,239 | — | 78,239 | — | 15.03.17 | $ 10.07 | $ 11.10 | — |
| RSU/C | 15.03.15 | 16,155 | — | 16,155 | — | 15.03.17 | $ 10.07 | $ 10.33 | — |
| RSU/C | 18.09.15 | 127,856 | — | 127,856 | — | 15.03.17 | $ 10.07 | $ 9.59 | — |
| RSU/C | 22.12.15 | 97,339 | — | 97,339 | — | 15.03.17 | $ 10.07 | $ 11.38 | — |
| SAR | 20.08.13 | 424,006 | $ 12.54 | — | — | — | — | — | 20.08.18 |
| SAR | 20.03.14 | 123,911 | $ 21.36 | — | 123,911 | — | — | — | — |
| SAR | 11.12.15 | 340,000 | $ 9.18 | — | — | — | — | — | 11.12.20 |

Notes:

(1) RSUs have no exercise price.

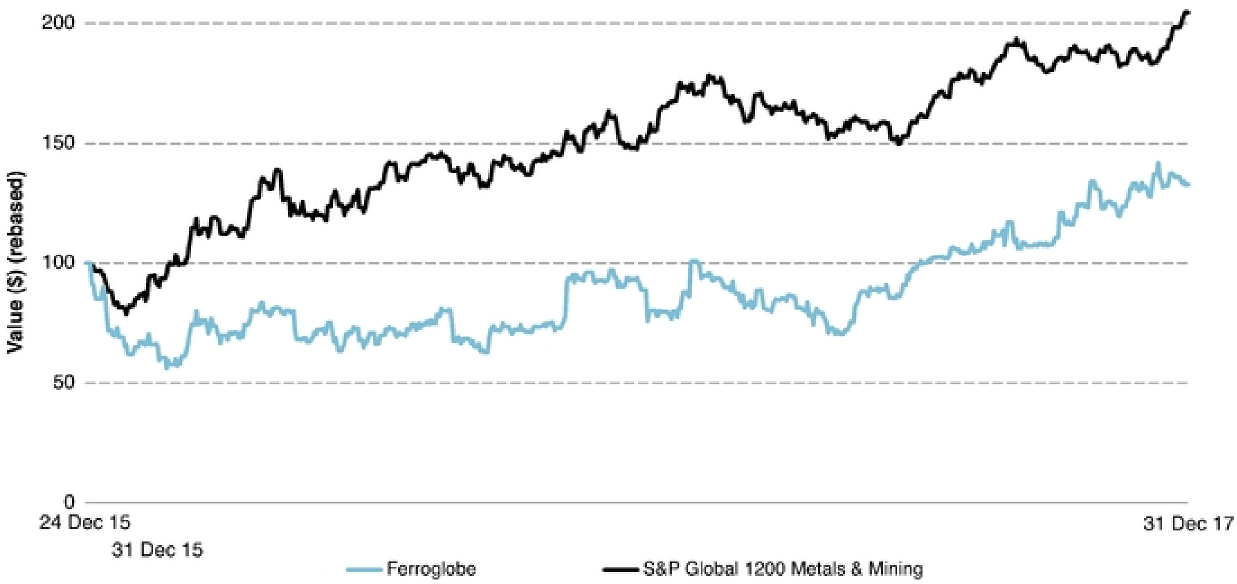
(2) On the date of exercise or the immediately preceding trading day. The price paid per share under the RSU or RSU/C was determined at the date the award (or part of it) vested, rather than at the share price at exercise.

(3) As the awards vested in tranches over a range of dates, the average vesting price is given in each case.

**Performance graph and Executive Chairman remuneration table[2]**

The graph below illustrates the Company's TSR performance relative to the constituents of the S&P 1200 Metals & Mining index from the start of the first day of listing of Ferroglobe's shares on December 24, 2015 to December 31, 2017. The graph shows performance of a hypothetical €100 invested and its performance over that period. The index has been chosen for this table as the most appropriate comparator for the Company in this period as the Company is a constituent of this index and uses the constituents of this index for one of the TSR comparator groups for the long-term incentive awards.

**Total shareholder return**




This graph shows the value, by December 31, 2107, of USD$100 invested in Ferroglobe on December 24, 2015.

| | 2017 | 2016[1] | 2015[1],[2] |
|---|---|---|---|
| | Javier López Madrid | Alan Kestenbaum | Alan Kestenbaum |
| Executive Chairman's remuneration[3] | $2,106,244 | $1,870,120 | $225,551 |
| Annual variable pay (including as a % of maximum)[4] | $935,423 (65.5%) | $738,886 (17.5%) | $201,783 |
| LTIP awards vesting in relevant year[5] | N/A | N/A | N/A |

Notes:

(1) At the exchange rate of 1 GBP=1.3507 USD used in the U.K. Annual Report for 2016.

(2) Reflecting the inception of the Group on completion of the Business Combination, the figures for 2015 are in respect of the period from December 23, 2015 to December 31, 2015 only.

(3) Remuneration comprises total remuneration as shown in the single figure table on page 47 for 2017 and in the 2016 U.K. Annual Report for 2016 and 2015. Remuneration reported for 2015 is for the period from consummation of the BCA on December 23, 2015 to December 31, 2015.

(4) Annual variable pay is the bonus amounts in respect of 2016 and 2017 shown in the single figure table on page 47 and, for each year, the percentage of maximum award it represents. Figures elsewhere in this report show bonus as a percentage of target.

(5) No long-term incentive awards awarded to the relevant Executive Chairman vested during the year in question save for those vesting on Alan Kestenbaum's leaving the Company as disclosed above.

**Percentage increase in the remuneration of the Executive Chairman**

The following table shows the percentage increase in 2017 in the Executive Chairman's pay(1) compared with 2016 and the average percentage change in the same period in amounts paid to European employees of the Group as a whole. European employees have been chosen as an appropriate group against which to make the comparison as our Executive Chairman as at December 31, 2017 is based in Europe.

| Executive Chairman's pay(1) | Average employee pay(1) |
|---|---|
| 2017 to 2016 | 2017 to 2016 |
| 5.19% | –4.28%(2) |

Notes:

(1) The components of pay for these purposes includes salary, taxable benefits and annual variable pay and, for 2016, the pay disclosed is that for Alan Kestenbaum. Alan Kestenbaum's remuneration as Executive Chairman was set prior to the approval of and was exceptional to the terms of the Policy.

(2) One of the primary factors influencing the overall percentage reduction in average pay in Europe was the calculation of '*interessement*' and '*participation salariale*' variable pay in France, which was higher in 2016 than 2017.

**Relative importance of the spend on pay**

The following table shows the Company's actual spend on pay for all employees compared to distributions to shareholders in the financial year.

| | January 1, 2017 to December 31, 2017 | January 1, 2016 to December 31, 2016 |
|---|---|---|
| Employee costs | US$ 301,963,000 | US$ 269,399,000 |
| Average number of employees | 4,018 | 4,027 |
| Distributions to shareholders | — | US$ 54,988,000 |

**External directorships during 2017**

Javier López Madrid

- Chief Executive Officer of Grupo VM.
- Non-Executive Chairman of Siacapital.

The Board was satisfied that, under these arrangements, the Executive Chairman had the necessary time to carry out his duties effectively during 2017.

Under the Policy, Executive Directors may retain fees paid for external director appointments. These appointments are subject to approval by the Board and must be compatible with their duties as Executive Directors.

**Membership of the Committee**

During the year to December 31, 2017, the Committee comprised Javier Monzón as chairman and members Donald G. Barger, Jr., and Greger Hamilton.

From January 1, 2018, the Committee comprised Donald G. Barger, Jr as chairman and members Pierre Vareille and Bruce L. Crockett. José María Alapont was appointed to the Committee on May 16, 2018.

The Executive Chairman, Chief Executive Officer and other members of the management team may be invited to attend meetings to assist the Committee. Other Non-Executive Directors are normally invited to attend meetings to assist the Committee in its deliberations as appropriate. No Executive, however, is present during any decision making in relation to their own remuneration.

**External advisors**

Aon provides independent advice to the Committee and was appointed by the Committee in early 2016. The Committee seeks advice relating to executive remuneration and non-executive director remuneration and the wider senior management population from Aon. Aon also provided advice to management, to enable their support of the Committee, primarily in relation to remuneration reporting and the operation of incentive plans but does not provide any other services to the Company except for insurance broking services.

The Committee is satisfied that the advice received from Aon in relation to executive remuneration matters is objective and independent. Aon is a member of the UK Remuneration Consultants Group and abides by the Remuneration Consultants Group Code of Conduct, which requires its advice to be objective and impartial. The fees paid to Aon for advice provided directly to the Committee in 2017 were £140,024 ($180,154) (2016: £142,544 ($183,183)) (excluding VAT).

**Statement of shareholder voting**

The following table shows the results of:

- the binding vote on the Policy commencing from Annual General Meeting of June 29, 2016; and
- the advisory vote on the 2016 Remuneration Report at the Annual General Meeting of June 28, 2017.

| | For | % of votes cast | Against | % of votes cast | Withheld |
|---|---|---|---|---|---|
| Directors' remuneration policy | 146,616,626 | 92.09 | 12,580,971 | 7.90 | 9,119 |
| Remuneration report | 143,312,228 | 99.97 | 42,290 | 0.03% | 13,338 |

**Approval**

This directors' remuneration report, including both the Policy and annual report on remuneration has been approved by the Board.

Signed on behalf of the Board.

**DONALD G. BARGER**

**Chairman of the Compensation Committee**

**May 29, 2018**

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FERROGLOBE PLC

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

**In our opinion:**

- **the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;**
- **the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);**
- **the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.**

We have audited the financial statements of Ferroglobe PLC (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the accounting policies;
- the related Notes 1 to 30; and
- the company only Notes 1 to 9.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Summary of our audit approach**

| | |
|---|---|
| **Key audit matters** | The key audit matters that we identified in the current year were:<br>• Impairment of goodwill<br>• Accounting treatment of receivables in the securitisation programme<br>• Revenue recognition |
| **Materiality** | The materiality that we used for the group financial statements was $13.9m which was determined on the basis of revenue. |
| **Scoping** | As in the prior year, we focused our Group audit scope primarily on the audit work at the following components:<br>• UK;<br>• USA;<br>• Canada;<br>• France;<br>• South Africa; and<br>• Spain<br><br>All of these were subject to a full audit, whilst the Canadian components were subject to specific audit procedures.<br><br>Together, these account for 90% of revenue. |

**Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

***We have nothing to report in respect of these matters.***

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| **Impairment of goodwill** | |
|---|---|
| **Key audit matter description** | As at 31 December 2017 the carrying value of goodwill was $205.3m (2016: $230.2m).<br><br>Goodwill is a highly material balance in the Consolidated Statement of Financial Position and the recoverability is a significant judgement underpinned by a number of key assumptions and estimates. Key judgements include the discount rates adopted, the volatility of forecast cash-flows and macro-economic assumptions such as future inflation rates.<br><br>Management noted from the results of their impairment assessment that the carrying value was greater than the recoverable value in the Canadian CGU, and as such posted an impairment.<br><br>More information on the impairment review performed by management can be found on page 108 of the financial statements and in Note 7 to the financial statements. |
| **How the scope of our audit responded to the key audit matter** | We evaluated the adequacy and reasonableness of managements growth rates through:<br><br>• challenging the budget assumptions, using external data sources where available to support the assumptions applied;<br><br>• challenging the Board approved budgets against historical performance assessing historical forecasting accuracy;<br><br>• assessing post period events; and<br><br>• challenging the arithmetic accuracy and integrity of the model used in the valuation.<br>We used our internal valuation specialists within the audit team to determine an acceptable range of discount rates and compared our range to that determined by management.<br>We challenged management's sensitivity analysis and performed additional sensitivity analysis on the growth and discount rate assumptions to determine if there are any scenarios whereby a reasonably possible expectation of impairment could be present. |
| **Key observations** | Overall, we found the assumptions adopted by management in the valuation to be reasonable and the methodology applied was fair in all material respects.<br><br>No additional impairments were identified from the work performed. |

| Accounting treatment of receivables in the securitisation programme | |
|---|---|
| **Key audit matter description** | The Company entered into an accounts receivable securitisation programme where trade receivables held by the Company's subsidiaries in the US, Canada, Spain and France are sold to a special purpose entity (SPE).<br><br>Management considers that when receivables are sold to the SPE, it has neither transferred nor retained substantially all the variability of risks and rewards associated with ownership of the receivables. However, as the Company concludes that it does not retain control of the receivables sold to the SPE, it derecognizes receivables from its consolidated statement of financial position upon sale and recognizes separately as assets any rights created in the transfer.<br><br>At December 31, 2017, the derecognition of trade receivables has resulted in the recognition of loans and receivables to the SPE of $82.638m. More information can be found on page 116 of the financial statements and on Note 10 to the financial statements. |
| **How the scope of our audit responded to the key audit matter** | We have performed procedures to obtain an understanding of the business purpose and economic substance of this transaction, including reading all relevant contracts and documentation supplied by management.<br><br>We have used internal specialists to evaluate the securitisation models with respect to the assumptions used and the mechanical integrity and model development.<br><br>We have also used internal specialists to review the accounting treatment of the risks and rewards transfer to determine whether accounts receivable sold to the SPE can be de-recognised. |
| **Key observations** | We have concluded that the accounting treatment adopted by management is reasonable and supported. |

| Revenue recognition | |
|---|---|
| **Key audit matter description** | ISAs (UK) require that, as part of our overall response to the risk of fraud, when identifying and assessing the risks of material misstatement due to fraud, we evaluate which types of revenue or revenue transactions might give rise to potential fraud risks.<br><br>We have specifically focused this risk to early and late cut-off and whether components have recognised revenues that are in accordance with the shipping terms (FOB, CIF, etc).<br><br>More information on revenues for the year can be found on page 107 and Notes 3, 4 and 25 of the financial statements. |

| | |
|---|---|
| **How the scope of our audit responded to the key audit matter** | Our audit response consisted of several procedures including those summarised below. The specific combination of procedures varied by location.<br><br>We obtained a detail of shipments recorded in December 2017 and January 2018 detailing shipping terms.<br><br>We performed sample tests to assess whether revenues had been recorded in the proper year in accordance with the agreed shipping term.<br><br>We performed analytical procedures to conclude whether there were any significant revenue transactions in the month of December 2017 compared to the average transactions of the rest of the year.<br><br>We performed analytical procedures to conclude whether there were any significant revenue transactions in the month of January 2018 compared to the average monthly transactions of the year 2017.<br><br>We also developed additional procedures at each component to address the risk of fraud related to late cut-off in revenues that was specific to the component's business. |
| **Key observations** | We were satisfied that the key assumptions used in the application of revenue recognition have been applied appropriately.<br><br>We noted no material instances of inappropriate revenue recognition arising from our testing. |

**Our application of materiality**

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Parent company financial statements |
|---|---|---|
| **Materiality** | $13.9 million | $11.1 million |
| **Basis for determining materiality** | 0.8% of revenue | 1% of total assets capped at 80% of group materiality |
| **Rationale for the benchmark applied** | We determined materiality using revenue as the benchmark as we considered this to be the most appropriate measure to assess the performance of the Group, particularly as it is more stable than EBITDA (earnings before interest, tax, depreciation and amortisation). | As the parent company is a non-trading entity and a cost centre, it is considered appropriate to use total assets as the basis for determining materiality. |

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $0.7m for the group, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

**An overview of the scope of our audit**

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Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, as in the prior year, we focused our Group audit scope primarily on the audit work at the following components:

- UK;
- USA;
- Canada;
- France;
- South Africa; and
- Spain.

All of these were subject to a full audit. These represent the principal business units within the Group's reportable segments. We have performed work on components which comprised 90% of the Group's revenue and 85% of the Group's total assets. Our audit work for the components was executed at levels of materiality ranging from $6.6m to $2.6m.

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement in the aggregated financial information of the remaining subsidiaries not subject to audit or audit of specified audit procedures.

The Group audit team held a Group wide planning meeting to discuss the risk assessment at the start of the audit and subsequently hold regular update calls throughout the audit. The Senior Statutory Auditor or another senior member of the Group audit team participated in all of the close meetings, both at the interim and final visits, of the Group's components. The Senior Statutory Auditor or another senior member of the Group audit team carried out a review of the component auditor files.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

***We have nothing to report in respect of these matters.***

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and or the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

*Adequacy of explanations received and accounting records*

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

***We have nothing to report in respect of these matters.***

*Directors' remuneration*

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

***We have nothing to report in respect of these matters.***

**Paul Barnett (Senior statutory auditor)**
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
May 29, 2018

**FERROGLOBE PLC**

**FINANCIAL STATEMENTS CONTENTS**

**FERROGLOBE PLC AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS OF DECEMBER 31, 2017 AND 2016**

| | Notes | 2017 US$'000 | 2016 US$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | Note 7 | 205,287 | 230,210 |
| Other intangible assets | Note 8 | 58,658 | 62,839 |
| Property, plant and equipment | Note 9 | 917,974 | 781,606 |
| Other non-current financial assets | Note 10 | 89,315 | 5,823 |
| Non-current financial assets from related parties | Note 23 | — | 9,845 |
| Deferred tax assets | Note 22 | 5,273 | 44,950 |
| Non-current receivables from related parties | Note 23 | 2,400 | 2,108 |
| Other non-current assets | Note 12 | 30,059 | 20,245 |
| **Total non-current assets** | | **1,308,966** | **1,157,626** |
| **Current assets** | | | |
| Inventories | Note 11 | 361,231 | 316,702 |
| Trade and other receivables | Note 10 | 111,463 | 209,406 |
| Current receivables from related parties | Note 23 | 4,572 | 11,971 |
| Current income tax assets | | 17,158 | 19,869 |
| Other current financial assets | Note 10 | 2,469 | 4,049 |
| Other current assets | Note 12 | 9,926 | 9,810 |
| Cash and cash equivalents | | 184,472 | 196,931 |
| Assets and disposal groups classified as held for sale | Note 29 | — | 92,937 |
| **Total current assets** | | **691,291** | **861,675** |
| **Total assets** | | **2,000,257** | **2,019,301** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | | 1,796 | 1,795 |
| Reserves | | 996,380 | 1,332,428 |
| Translation differences | | (164,675) | (217,423) |
| Valuation adjustments | | (16,799) | (11,887) |
| Result attributable to the Parent | | (678) | (338,427) |
| Non-controlling interests | | 121,734 | 125,556 |
| **Total equity** | Note 13 | **937,758** | **892,042** |
| **Non-current liabilities** | | | |
| Deferred income | | 3,172 | 3,949 |
| Provisions | Note 15 | 82,397 | 81,957 |
| Bank borrowings | Note 16 | — | 179,473 |
| Obligations under finance leases | Note 17 | 69,713 | 3,385 |
| Debt instruments | Note 18 | 339,332 | — |
| Other financial liabilities | Note 19 | 49,011 | 86,467 |
| Other non-current liabilities | Note 21 | 3,536 | 5,737 |
| Deferred tax liabilities | Note 22 | 65,142 | 139,535 |
| **Total non-current liabilities** | | **612,303** | **500,503** |
| **Current liabilities** | | | |
| Provisions | Note 15 | 33,095 | 19,627 |
| Bank borrowings | Note 16 | 1,003 | 241,818 |
| Obligations under finance leases | Note 17 | 12,920 | 1,852 |
| Debt instruments | Note 18 | 10,938 | — |
| Other financial liabilities | Note 19 | 88,420 | 1,592 |
| Payables to related parties | Note 23 | 12,973 | 30,738 |
| Trade and other payables | Note 20 | 192,859 | 157,706 |
| Current income tax liabilities | | 7,419 | 961 |
| Other current liabilities | Note 21 | 90,569 | 64,780 |
| Liabilities associated with assets held for sale | Note 29 | — | 107,682 |
| **Total current liabilities** | | **450,196** | **626,756** |
| **Total equity and liabilities** | | **2,000,257** | **2,019,301** |

The financial statements were approved by the Board and authorized for issue on May 29, 2018.

Signed on behalf of the Board.

**Pedro Larrea Paguaga**
**Director**

Notes 1 to 30 are an integral part of the consolidated financial statements

## FERROGLOBE PLC AND SUBSIDIARIES

## CONSOLIDATED INCOME STATEMENT FOR 2017, 2016 AND 2015

| | Notes | 2017 US$'000 | 2016(*) US$'000 | 2015(*) US$'000 |
|---|---|---|---|---|
| Sales | Note 25.1 | 1,741,693 | 1,576,037 | 1,316,590 |
| Cost of sales | | (1,043,395) | (1,043,412) | (818,736) |
| Other operating income | | 18,199 | 26,215 | 15,751 |
| Staff costs | Note 25.2 | (301,963) | (296,399) | (205,869) |
| Other operating expense | | (239,926) | (243,946) | (200,296) |
| Depreciation and amortization charges, operating allowances and write-downs | Note 25.3 | (104,529) | (125,677) | (67,050) |
| **Operating profit (loss) before impairment losses, net gains/losses due to changes in the value of assets, gains/losses on disposals of non-current assets and other losses** | Note 4.16 | **70,079** | **(107,182)** | **40,390** |
| Impairment losses | Note 25.5 | (30,957) | (268,089) | (52,042) |
| Net gain (loss) due to changes in the value of assets | Note 25.5 | 7,504 | 1,891 | (912) |
| (Loss) gain on disposal of non-current assets | Note 25.6 | (4,316) | 340 | (2,214) |
| Other losses | Note 29 | (2,613) | (40) | (347) |
| **Operating profit (loss)** | | **39,697** | **(373,080)** | **(15,125)** |
| Finance income | Note 25.4 | 3,708 | 1,536 | 1,096 |
| Finance costs | Note 25.4 | (65,412) | (30,251) | (30,405) |
| Financial derivative loss | Note 19 | (6,850) | — | — |
| Exchange differences | | 8,214 | (3,513) | 35,904 |
| **Loss before tax** | | **(20,643)** | **(405,308)** | **(8,530)** |
| Income tax benefit (expense) | Note 22 | 14,821 | 46,695 | (49,942) |
| **Loss for the year** | | **(5,822)** | **(358,613)** | **(58,472)** |
| Loss attributable to non-controlling interests | Note 13 | 5,144 | 20,186 | 15,204 |
| **Loss attributable to the Parent** | | **(678)** | **(338,427)** | **(43,268)** |

**Earnings per share**

| | | 2017 | 2016(*) | 2015(*) |
|---|---|---|---|---|
| Loss attributable to the Parent | | (678) | (338,427) | (43,268) |
| Weighted average basic shares outstanding | | 171,949,128 | 171,838,153 | 99,699,262 |
| **Basic loss per ordinary share** | Note 14 | **—** | **(1.97)** | **(0.43)** |
| Weighted average basic shares outstanding | | 171,949,128 | 171,838,153 | 99,699,262 |
| Effect of dilutive securities | | — | — | — |
| Weighted average dilutive shares outstanding | | 171,949,128 | 171,838,153 | 99,699,262 |
| **Diluted loss per ordinary share** | Note 14 | **—** | **(1.97)** | **(0.43)** |

(*) The amounts for prior periods have been re-presented to show the results of the Spanish energy business within income (loss) from continuing operations, as described in Note 1 to the consolidated financial statements.

Notes 1 to 30 are an integral part of the consolidated financial statements

## FERROGLOBE PLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) FOR 2017, 2016 AND 2015

| | 2017 US$'000 | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| **Loss for the year** | **(5,822)** | **(358,613)** | **(58,472)** |
| **Items that will not be reclassified subsequently to income or loss:** | | | |
| Defined benefit obligation | 4,511 | 4,297 | 756 |
| **Total** | **4,511** | **4,297** | **756** |
| **Items that may be reclassified subsequently to income or loss:** | | | |
| Arising from cash flow hedges | (24,171) | — | (990) |
| Translation differences | 54,670 | (319) | (18,435) |
| Tax effect | — | — | (189) |
| **Total income and expense recognized directly in equity** | **30,499** | **(319)** | **(19,614)** |
| **Items that have been reclassified to income or loss in the period:** | | | |
| Arising from cash flow hedges | 15,138 | 3,002 | 3,155 |
| Tax effect | (390) | (751) | (884) |
| **Total transfers to income or loss** | **14,748** | **2,251** | **2,271** |
| **Other comprehensive income (loss) for the year, net of income tax** | **49,758** | **6,229** | **(16,587)** |
| **Total comprehensive income (loss) for the year** | **43,936** | **(352,384)** | **(75,059)** |
| Attributable to the Parent | 47,158 | (332,198) | (59,855) |
| Attributable to non-controlling interests | (3,222) | (20,186) | (15,204) |

Notes 1 to 30 are an integral part of the consolidated financial statements

## FERROGLOBE PLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2017, 2016 AND 2015

| | Equity attributable to equity holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares (Thousands) | Share capital US$'000 | Reserves US$'000 | Translation differences US$'000 | Valuation adjustments US$'000 | Result for the year US$'000 | Interim dividend US$'000 | Non-controlling interests US$'000 | Total US$'000 |
| **Balance at January 1, 2015** | **200** | **285,760** | **393,356** | **(152,530)** | **(20,283)** | **38,437** | **(55,041)** | **17,978** | **507,677** |
| Comprehensive (loss) income for 2015 | — | — | — | (18,435) | 1,848 | (43,268) | — | (15,204) | (75,059) |
| Business combination | 171,638 | 553,200 | 244,838 | — | — | — | — | 144,533 | 942,571 |
| FerroAtlántica share exchange | — | 449,827 | (449,827) | — | — | — | — | — | — |
| Share issuance costs | — | — | (9,414) | — | — | — | — | — | (9,414) |
| Dividends paid | — | — | (76,520) | — | — | — | 55,041 | — | (21,479) |
| Distribution of 2014 profit | — | — | 38,437 | — | — | (38,437) | — | — | — |
| Other changes | — | — | 2,300 | (46,139) | — | — | — | (5,484) | (49,323) |
| **Balance at December 31, 2015** | **171,838** | **1,288,787** | **143,170** | **(217,104)** | **(18,435)** | **(43,268)** | **—** | **141,823** | **1,294,973** |
| Comprehensive (loss) income for 2016 | — | — | — | (319) | 6,548 | (338,427) | — | (20,186) | (352,384) |
| Share decrease (net effect) | — | (1,287,068) | 1,287,068 | — | — | — | — | — | — |
| Share issuance costs | — | — | (275) | — | — | — | — | — | (275) |
| Dividends paid | — | — | (54,988) | — | — | — | — | — | (54,988) |
| Distribution of 2015 loss | — | — | (43,268) | — | — | 43,268 | — | — | — |
| Other changes | — | 76 | 721 | — | — | — | — | 3,919 | 4,716 |
| **Balance at December 31, 2016** | **171,838** | **1,795** | **1,332,428** | **(217,423)** | **(11,887)** | **(338,427)** | **—** | **125,556** | **892,042** |
| Comprehensive (loss) income for 2017 | — | — | — | 52,748 | (4,912) | (678) | — | (3,222) | 43,936 |
| Issue of share capital | 139 | 1 | 179 | — | — | — | — | — | 180 |
| Share-based compensation | — | — | 2,405 | — | — | — | — | — | 2,405 |
| Distribution of 2016 loss | — | — | (338,427) | — | — | 338,427 | — | — | — |
| Dividends paid to joint venture partner (see Note 13) | — | — | — | — | — | — | — | (7,350) | (7,350) |
| Non-controlling interest arising on the acquisition of FerroSolar Opco Group S.L. | — | — | — | — | — | — | — | 6,750 | 6,750 |
| Other changes | — | — | (205) | — | — | — | — | — | (205) |
| **Balance at December 31, 2017** | **171,977** | **1,796** | **996,380** | **(164,675)** | **(16,799)** | **(678)** | **—** | **121,734** | **937,758** |

Notes 1 to 30 are an integral part of the consolidated financial statements

**FERROGLOBE PLC AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2017, 2016 AND 2015**

| | 2017 US$'000 | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| **Loss for the year** | **(5,822)** | **(358,613)** | **(58,472)** |
| **Adjustments to reconcile net loss to net cash provided by operating activities:** | | | |
| Income tax (benefit) expense | (14,821) | (46,695) | 49,942 |
| Depreciation and amortization charges, operating allowances and write-downs | 104,529 | 125,677 | 67,050 |
| Finance income | (3,708) | (1,536) | (1,096) |
| Finance costs | 65,412 | 30,251 | 30,405 |
| Financial derivative loss | 6,850 | — | — |
| Exchange differences | (8,214) | 3,513 | (35,904) |
| Impairment losses | 30,957 | 268,089 | 52,042 |
| (Gain) loss due to changes in the value of assets | (7,504) | (1,891) | 912 |
| Loss (gain) on disposal of non-current assets | 4,316 | (340) | 2,214 |
| Share-based compensation | 2,405 | — | — |
| Other loss (gain) | 2,613 | 40 | (1,968) |
| **Changes in operating assets and liabilities:** | | | |
| (Increase) decrease in inventories | (16,274) | 108,207 | 89,199 |
| Decrease in trade receivables | 50,168 | 56,297 | 60,715 |
| Increase (decrease) in trade payables | 17,613 | 28,572 | (17,028) |
| Other amounts paid due to operating activities | (12,251) | (50,001) | (20,189) |
| Income tax paid | (26,764) | (10,933) | (41,968) |
| Interest paid | (39,130) | (29,468) | (30,405) |
| **Net cash provided by operating activities** | **150,375** | **121,169** | **145,449** |
| **Cash flows from investing activities:** | | | |
| **Payments due to investments:** | | | |
| Other intangible assets | (811) | (4,914) | (4,539) |
| Property, plant and equipment | (74,616) | (71,119) | (68,521) |
| Non-current financial assets | (343) | (9,807) | — |
| Current financial assets | — | (105) | — |
| **Disposals:** | | | |
| Intangible assets | — | — | 8,140 |
| Property, plant and equipment | — | — | 5,446 |
| Non-current financial assets | — | 11 | 1,465 |
| Current financial assets | — | 99 | 216 |
| Interest received | 952 | 1,554 | 1,096 |
| Other amounts paid due to investing activities | — | — | (3,046) |
| Net cash inflow on acquisition of subsidiaries | — | — | 77,709 |
| **Net cash used by investing activities** | **(74,818)** | **(84,281)** | **17,966** |
| **Cash flows from financing activities:** | | | |
| Dividends paid | — | (54,988) | (21,479) |
| Payment for share issue and registration cost | — | — | (9,414) |
| Payment for debt issuance costs | (16,765) | — | — |
| Proceeds from debt issuance | 350,000 | — | — |
| **Increase (decrease) in bank borrowings:** | | | |
| Borrowings | 31,455 | 124,384 | 84,229 |
| Payments | (453,948) | (81,237) | (139,619) |
| Proceeds from stock option exercises | 180 | — | — |
| Other amounts (paid) received due to financing activities | (24,319) | 61,758 | (1,310) |
| **Net cash (used) provided by financing activities** | **(113,397)** | **49,917** | **(87,593)** |
| **Total net cash flows for the year** | **(37,840)** | **86,805** | **75,822** |
| Beginning balance of cash and cash equivalents | 196,982 | 116,666 | 48,651 |
| Exchange differences on cash and cash equivalents in foreign currencies | 25,330 | (6,489) | (7,807) |
| **Ending balance of cash and cash equivalents** | **184,472** | **196,982** | **116,666** |
| **Ending balance of cash and cash equivalents from statement of financial position** | **184,472** | **196,931** | **116,666** |
| **Ending balance of cash and cash equivalents included within assets and disposal groups classified as held for sale** | **—** | **51** | **—** |

Notes 1 to 30 are an integral part of the consolidated financial statements

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**December 31, 2017, 2016, and 2015**

## 1. General information

The group comprising Ferroglobe PLC and its subsidiaries is among the world's largest producers of silicon metal and silicon-based alloys, important ingredients in a variety of industrial and consumer products. The Company's customers include major silicone chemical, aluminium and steel manufacturers, auto companies and their suppliers, ductile iron foundries, manufacturers of photovoltaic solar cells and computer chips, and concrete producers. Additionally, the Company operates hydroelectric plants (hereinafter "energy business") in Spain and France.

Ferroglobe PLC is a public company limited by shares, incorporated in England and Wales and domiciled in the United Kingdom. The address of the Company's registered office is 5 Fleet Place, London, EC4M 7RD, United Kingdom.

On December 23, 2015, Ferroglobe PLC consummated the Business Combination of Globe and FerroAtlántica. FerroAtlántica is considered the Predecessor under applicable SEC rules and regulations.

For fiscal year 2015, Ferroglobe's consolidated financial statements contain the combined results of the Parent Company for the period from February 5, 2015 (inception of the Company) to December 31, 2015, FerroAtlántica as of and for the year ended December 31, 2015, and GSM for the period of 8 days as of and ended December 31, 2015.

### Presentation of results of Spanish energy business

As described in Note 29 of these financial statements, the Company signed an agreement for the sale of its Spanish energy business on December 12, 2016. The results of operations of the division were previously presented as a discontinued operation in the consolidated financial statements for the years ended December 31, 2016 and 2015 and the assets and liabilities of the business are classified as held for sale in accordance with requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations as of December 31, 2016. Subsequently, in July 2017, the Company announced that it did not receive the necessary regulatory approvals to divest of these assets and the sale did not proceed. Accordingly, the results of Spanish energy business are presented within continuing operations for the year ended December 31, 2017 and the consolidated income statements for prior periods have been re-presented to show the results of the Spanish energy business within income from continuing operations.

## 2. Organization and subsidiaries

Ferroglobe has a diversified production base consisting of production facilities across the United States, Europe, Canada, South America, South Africa and Asia.

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

**2. Organization and subsidiaries (Continued)**

The subsidiaries of Ferroglobe as of December 31, 2017, classified by business activity, were as follows:

| Subsidiary | Percentage of Ownership Direct | Percentage of Ownership Total | Line of Business | Registered Office |
|---|---|---|---|---|
| Alabama Sand and Gravel, Inc.[(B)] | — | 100 | Electrometallurgy — North America | Delaware — USA[(1)] |
| Alden Resources, LLC[(B)] | — | 100 | Electrometallurgy — North America | Delaware — USA[(2)] |
| Alden Sales Corporation, LLC[(B)] | — | 100 | Electrometallurgy — North America | Delaware — USA[(3)] |
| Core Metals Group Holdings, LLC[(B)] | — | 100 | Electrometallurgy — North America | Delaware — USA[(3)] |
| Core Metals Group, LLC[(B)] | — | 100 | Electrometallurgy — North America | Delaware — USA[(4)] |
| Gatliff Services, LLC[(B)] | — | 100 | Electrometallurgy — North America | Delaware — USA[(5)] |
| GBG Holdings, LLC[(B)] | — | 100 | Electrometallurgy — North America | Delaware — USA[(3)] |
| Globe Metallurgical Inc.[(B)] | — | 100 | Electrometallurgy — North America | Delaware — USA[(3)] |
| Globe Metals Enterprises, Inc.[(B)] | — | 100 | Electrometallurgy — North America | Delaware — USA[(3)] |
| GSM Alloys I, Inc.[(B)] | — | 100 | Electrometallurgy — North America | Delaware — USA[(3)] |
| GSM Alloys II, Inc.[(B)] | — | 100 | Electrometallurgy — North America | Delaware — USA[(3)] |
| GSM Enterprises Holdings, Inc.[(B)] | — | 100 | Electrometallurgy — North America | Delaware — USA[(3)] |
| LF Resources, Inc.[(B)] | — | 100 | Electrometallurgy — North America | Delaware — USA[(3)] |
| Norchem, Inc.[(B)] | — | 100 | Electrometallurgy — North America | Florida — USA[(6)] |
| QSIP Canada ULC[(B)] | — | 100 | Electrometallurgy — North America | Canada[(7)] |
| Quebec Silicon LP[(B)] | — | 51 | Electrometallurgy — North America | Canada[(8)] |
| Tennessee Alloys Company, LLC[(B)] | — | 100 | Electrometallurgy — North America | Delaware — USA[(9)] |
| West Virginia Alloys, Inc.[(B)] | — | 100 | Electrometallurgy — North America | Delaware — USA[(10)] |
| WVA Manufacturing, LLC[(B)] | — | 51 | Electrometallurgy — North America | Delaware — USA[(10)] |
| Cuarzos Industriales, S.A.U. | — | 100 | Electrometallurgy — Europe | A Coruña — Spain[(11)] |
| Ferroatlántica, S.A.U. — Electrometallurgy[(A)] | — | 100 | Electrometallurgy — Europe | Madrid — Spain[(12)] |
| FerroPem, S.A.S. | — | 100 | Electrometallurgy — Europe | France[(13)] |
| Grupo FerroAtlántica, S.A.U | 100 | 100 | Electrometallurgy — Europe | Madrid — Spain[(12)] |
| Hidro-Nitro Española, S.A. — Electrometallurgy[(A)] | — | 100 | Electrometallurgy — Europe | Madrid — Spain[(12)] |
| Rocas, Arcillas y Minerales, S.A. | — | 66.7 | Electrometallurgy — Europe | A Coruña — Spain[(11)] |
| Rebone Mining (Pty.), Ltd. | — | 100 | Electrometallurgy — South Africa | Polokwane — South Africa[(14)] |
| Silicon Smelters (Pty.), Ltd. | — | 100 | Electrometallurgy — South Africa | Polokwane — South Africa[(14)] |
| Silicon Technology (Pty.), Ltd. | — | 100 | Electrometallurgy — South Africa | South Africa[(15)] |
| Thaba Chueu Mining (Pty.), Ltd. | — | 74 | Electrometallurgy — South Africa | Polokwane — South Africa[(14)] |
| Cuarzos Industriales de Venezuela (Cuarzoven), S.A. | — | 100 | Other segments | Venezuela[(16)] |
| Ferroatlántica de Venezuela (FerroVen), S.A. | — | 90 | Other segments | Venezuela[(16)] |
| Actifs Solaires Bécancour, Inc | — | 100 | Other segments | Canada[(17)] |
| Emix, S.A.S. | — | 100 | Other segments | France[(18)] |

| | | | | |
|---|---|---|---|---|
| Ferroatlántica Brasil Mineraçao Ltda. | — | 70 | Other segments | Brazil[19] |
| FerroAtlántica Canada Company Ltd | — | 100 | Other segments | Canada[27] |

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

**2. Organization and subsidiaries (Continued)**

| Subsidiary | Percentage of Ownership Direct | Percentage of Ownership Total | Line of Business | Registered Office |
|---|---|---|---|---|
| Ferroatlántica de México, S.A. de C.V. | — | 100 | Other segments | Nueva León — Mexico(20) |
| Ferroatlántica Deutschland, GmbH | — | 100 | Other segments | Germany(21) |
| Ferroatlántica I+D, S.L.U. | — | 100 | Other segments | Madrid — Spain(12) |
| FerroAtlántica India Private Limited | — | 100 | Other segments | India(22) |
| Ferroatlántica y Cía., F. de Ferroaleac. y Metales, S.C. | — | 100 | Other segments | Madrid — Spain(12) |
| Ferroatlántica, S.A.U. — Other segments — Energy(A) | — | 100 | Other segments | Madrid — Spain(12) |
| FerroAtlántica International Limited(D) | — | 100 | Other segments | United Kingdom(23) |
| Ferroglobe Services (UK) Ltd(D) | 100 | 100 | Other segments | United Kingdom(23) |
| FerroManganese Mauritania SARL | — | 10 | Other segments | Mauritania(24) |
| Ferroquartz Company Ltd | — | 100 | Other segments | Canada(25) |
| Ferroquartz Holdings, Ltd | — | 100 | Other segments | Hong Kong(26) |
| FerroQuartz Mauritania SARL | — | 90 | Other segments | Mauritania(24) |
| FerroQuébec, Inc. | — | 100 | Other segments | Canada(27) |
| FerroTambao, SARL | — | 90 | Other segments | Burkina Faso(28) |
| Ferrosolar OPCO Group SL.(C) | — | 75 | Other segments | Spain(12) |
| Ferrosolar R&D SL.(C) | — | 51 | Other segments | Spain(12) |
| Ganzi Ferroatlántica Silicon Industry Company, Ltd. | — | 75 | Other segments | Yuanyangba, Kanding Country -Sichuan -China(29) |
| Globe Metales S.A.(B) | — | 100 | Other segments | Argentina(30) |
| Globe Specialty Metals, Inc.(B) | 100 | 100 | Other segments | Delaware — USA(31) |
| Hidro-Nitro Española, S.A. — Other segments — Energy(A) | — | 100 | Other segments | Madrid — Spain(12) |
| Mangshi FerroAtlántica Mining Industry Service Company Ltd | — | 100 | Other segments | Mangshi, Dehong -Yunnan -China(32) |
| Mangshi Sinice Silicon Industry Company Limited | — | 100 | Other segments | Mangshi, Dehong -Yunnan -China(32) |
| Ningxia Yongvey Coal Industrial Co., Ltd.(B) | — | 98 | Other segments | China(33) |

A. FerroAtlántica, S.A.U. and Hidro Nitro Española, S.A. carry on business activities in both the Electrometallurgy — Europe and Other segments — Energy.

B. Entered the scope of consolidation during 2015 as a result of the Business Combination.

C. Entered the scope of consolidation during 2017.

D. These UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 December 2017. The registered number of Ferroglobe Services (UK) Ltd is 10013945 and FerroAtlantica International Limited is 09150581.

(1) 2125 Country Road 19N, Prattville AL 36067-8262, United States

(2) 332 West Cumberland Gap Pkwy, Suite 100, Corbin KY 40701, United States

## 2. Organization and subsidiaries (Continued)

(3) 1595 Sparling Road, Waterford OH 45786, United States

(4) 324 1/2 Penco Road, Weirton WV 26062, United States

(5) 8555 East Highway 904, Williamsburg KY 40769, United States

(6) 985 Seaway Drive, Suite-A, Fort Pierce FL 34949, United States

(7) Suite 900, 1959 Upper Water Street, PO Box 997, Halifax NS B3J 2X2, Canada

(8) 6500 Rue Yvon-Trudeau, Becancour Québec G9H 2V8, Canada

(9) 101 Garner Road, Bridgeport AL 35740, United States

(10) Route 60 East, Alloy WV 25002, United States

(11) Lugar San Pedro de Vilanova, s/n — Vedra, A Coruña, Spain

(12) Pº Castellana , Nº 259-D Planta 49ª, 28046, Madrid, Spain

(13) 517, Av. de la Boisse., Chambery, France

(14) Beyersnek Road Po Box 657, Polokwane, 0700 ZA, South Africa

(15) Blairgowrie Drive, PO Box 1, Ballengeich, 2942, South Africa

(16) Av. Fuerzas Armadas. Sector Punta Cuchillos., Puerto Ordaz (Bolívar), Venezuela

(17) Yvon-Trudeau Street, Bécancour Québec, Canada

(18) Parc d'Activités de la Croisière , Saint Maurice La Souterraine, 23300, France

(19) Rodovia GO 241KM22- CEP 73, Cavalcante, Goiàs, 790-000, Brazil

(20) Mezcal, 207. Condominios La Antigua (Nuevo León), Mexico

(21) 30, Hatzper Street. — Essen, Germany

(22) Khaitan & Co. 13th Floor, One Indiabulls Centre, Elephinston Road, India

(23) 5 Fleet Place, London, England, EC4M 7RD, United Kingdom

(24) C80 , Rue 26014, Ksar Ouest, Nouakchott, Mauritania

(25) 1000 De La Gauchetière Street West, Suite 2500, Montréal H3B 0A2, Canada

(26) Unit Miramar Tower, 132 Nathan Road, Tsimshatsui, Khowloon, Hong Kong

(27) 32 Plante Street, Port-Cartier Québec G5B 2E4, Canada

(28) 01 BP 5853 Ouagadougou 01, rue Zuug-Suiga nº 929 ZAD, Secteur 30, Tambao, Burkina Faso

(29) Times Plaza 23 F-9. ZongFu Road, 2. Chengdu (Sichuan), China

(30) Pico 1641 — Floor 8th — Rooms A and C, Buenos Aires, Argentina

(31) 80 SW 8th Street, Suite 2018, Miami FL 33130, United States

(32) Mangnong Village, Fengping Town, Mangshi City, Dehong Prefecture, Yunnan Province, China

(33) Chonggang Industry Zone, Pingluo County, Shizuishan City, Ningxia, China

**2. Organization and subsidiaries (Continued)**

Subsidiaries are all companies over which Ferroglobe has control.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect the amount of the investor's returns.

The Company has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the total voting rights held by the Company relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time these decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

The Company uses the acquisition method to account for the acquisition of subsidiaries. According to this method, the consideration transferred for the acquisition of a subsidiary corresponds to the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Any contingent consideration transferred by the Company is recognized at fair value at the date of acquisition. Subsequent changes in the fair value of the contingent consideration classified as an asset or a liability are recognized in accordance with IAS 39 either in the income statement or in the statement of comprehensive (loss) income. The costs related to the acquisition are recognized as expenses in the years incurred. The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are initially recognized at their fair value at the date of acquisition. The Company recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Profit or loss for the period and each component of other comprehensive (loss) income are attributed to the owners of the Company and to the non-controlling interests. The Company attributes total comprehensive (loss) income to the owners of the Company and to the non-controlling interests even if the profit or loss of the non-controlling interests gives rise to a balance receivable.

All assets and liabilities, equity, income, expenses and cash flows relating to transactions between subsidiaries are eliminated in full in consolidation.

## 3. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee (collectively "IFRS") and the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements were prepared on a historical cost basis, with the exceptions disclosed in the notes to the consolidated financial statements, where applicable, and in those situations where IFRS requires that financial assets and financial liabilities are measured at fair value.

### *3.1 Going concern*

The Company meets its working capital needs through its cash reserves and banking facilities.

At December 31, 2017 the Company held cash and cash equivalents of $184,472 thousand and available credit facilities of $200,000 thousand.

The Company's operations are cash generative, with net cash of $150,375 thousand provided by operating activities during the year ended December 31, 2017 (2016: $121,169 thousand) and free cash flow (net cash provided by operating activities less payments for property, plant and equipment) of $75,759 thousand (2016: $50,050 thousand).

The Company's principal source of debt finance at December 31, 2017 was $350,000 thousand of senior notes which mature in March 1, 2022. Further details on the senior notes are presented in Note 18 and a contractual maturity analysis of the Company's financial liabilities is presented in Note 27.

As discussed in Note 30, subsequent to the reporting period, the Company entered into a new revolving credit facility that provides for borrowing of up to $250,000 thousand. Loans under the facility may be borrowed, repaid and reborrowed at any time until the facility's expiration date on February 27, 2021. Following the acquisition of manganese plants during the first quarter of 2018 and the initial working capital investment related to these new facilities, as at the date of approval of these financial statements, $165,069 thousand remained available for drawdown under the new credit facility.

During the first quarter of 2018, the Company delivered strong sequential growth in revenue and profitability. The Company remains focused on tightly managing its leverage and the conservative management of its balance sheet for the remainder of 2018.

The Company's forecasts and projections take into account possible changes in trading performance and show that the Company should be able to operate within the current level of available facilities and cash flows from operations. As such, the directors have, at the time of approving the financial statements, a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

**3. Basis of preparation (Continued)**

***3.2 Changes in accounting policy***

*Application of new accounting standards*

a) Standards, interpretations and amendments effective from January 1, 2017, applied by the Company in the preparation of these consolidated financial statements:

- IAS 12 (Amendment) 'Recognition for Deferred Tax for Unrealized Losses'. This amendment is mandatory for annual periods beginning on or after January 1, 2017, earlier application is permitted.
- IAS 7 (Amendment) 'Disclosure Initiative'. This amendment is mandatory for annual periods beginning on or after January 1, 2017, earlier application is permitted.
- Annual improvements cycle to IFRS 2014-2016, beginning on or after January 1, 2017.

The applications of these amendments have not had any material impact on these consolidated financial statements.

b) Standards, interpretations and amendments that will be effective for periods beginning on or after January 1, 2018:

- IFRS 9 'Financial Instruments'. This Standard will be effective from January 1, 2018, earlier applications is permitted.
- IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 is applicable for annual periods beginning on or after January 1, 2018, earlier application is permitted.
- IFRS 16 'Leases'. This Standard is applicable for annual periods beginning on or after January 1, 2019, earlier application is permitted, but conditioned to the application of IFRS 15.
- IFRS 15 (Amendment) 'Clarifications to IFRS 15 Revenue from Contracts with Customers'. This amendment is mandatory for annual periods beginning on or after January 1, 2018, earlier application is permitted.
- IFRS 2 (Amendment) 'Classification and Measurement of Share-based Payment Transactions'. This amendment is mandatory for annual periods beginning on or after January 1, 2018, earlier application is permitted.
- IFRS 4 (Amendment). Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'. This amendment is mandatory for annual periods beginning on or after January 1, 2018, earlier application is permitted.
- IFRIC Interpretation 22 'Foreign Currency Transactions and Advance Consideration', mandatory for annual periods beginning on or after January 1, 2018, earlier application is permitted.
- IFRIC Interpretation 23 'Uncertainty over Income Tax Treatments', mandatory for annual periods beginning on or after January 1, 2019, earlier application is permitted.

**3. Basis of preparation (Continued)**

- IAS 19 (Amendment) 'Plan Amendment, Curtailment or Settlement' This amendment is mandatory for annual periods beginning on or after January 1, 2019, earlier application is permitted
- IAS 40 (Amendment) 'Transfers of Investments Property'. This amendment is mandatory for annual periods beginning on or after January 1, 2018, earlier application is permitted.
- IFRS 10 and IAS 28 (Amendments) 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.' These changes will be applicable to accounting periods beginning on the effective date, still to be determined, although early adoption is allowed.
- IFRS 17 'Insurance Contracts'. This Standard is applicable for annual periods beginning on or after January 1, 2021, with early adoption permitted if both IFRS 15 'Revenues from contracts with Customers' and IFRS 9 'Financial Instruments' have also been applied.
- Annual improvements cycle to IFRS 2014-2016, beginning on or after January 1, 2018.
- Annual improvements cycle to IFRS 2015-2017, beginning on or after January 1, 2019.

Except as set out further below, the Company does not anticipate any significant impact on the consolidated financial statements derived from the application of the new standards and amendments that will be effective for annual periods beginning on or after January 1, 2018, although it is currently still in process of evaluating such application.

*Adoption of IFRS 9 — Financial Instruments*

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, introduces a new impairment model for financial assets, as well as new rules for hedge accounting. The standard replaces the existing standard, IAS 39 — Financial Instruments: Recognition and Measurement, in its entirety. Ferroglobe will adopt IFRS 9 for the financial reporting period beginning January 1, 2018.

Classification and measurement: IFRS 9 establishes a principle-based approach for classification of financial assets based on the cash flow characteristics of the asset and the business model in which an asset is held. The Company anticipates no significant changes in the classification of financial assets under this model.

Derecognition of financial liabilities: IFRS 9 sets out that when the terms of a financial liability are modified without this resulting in derecognition, a gain or loss should be recognized. This modification gain or loss is equal to the difference between the present value of the cash flows under the original and modified terms discounted at the original effective interest rate. Previously, under IAS 39, this gain or loss was amortized over the life of the modified financial liability through the effective interest rate. At January 1, 2018, Ferroglobe has no outstanding financial liabilities that had previously been modified and therefore there is no impact to the Company's statement of financial position upon adoption of IFRS 9. The accounting for any future modifications would follow IFRS 9.

Impairment: IFRS 9 introduces a forward-looking expected credit loss model that may result in earlier recognition of credit losses than the incurred loss model of IAS 39. Given the short-term

**3. Basis of preparation (Continued)**

nature of the majority of Ferroglobe's financial assets, the low level of credit losses and the Company's active management of credit risk, the Company does not expect a significant impact on adoption of IFRS 9.

Hedge accounting: IFRS 9 has simplified hedge accounting requirements and more closely aligned them to an entity's risk management strategy. Upon adoption of IFRS 9, Ferroglobe's existing hedge relationship will continue to qualify as an effective cash flow hedge and there will be no impact of the standard on the Company's statement of financial position at January 1, 2018. IFRS 9 has also clarified that when measuring ineffectiveness in a hedging relationship, currency basis is an item that that is present in certain derivatives, such as Ferroglobe's cross currency swap (see Note 19), but not in the hedged item. This difference may result in increased ineffectiveness and volatility in Ferroglobe's profit or loss in the future, but the impact of this is not expected to be material.

*Adoption of IFRS 15 — Revenue from Contracts with Customers*

IFRS 15 provides a single model of accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations. The standard replaces all existing revenue standards and interpretations in IFRS. Ferroglobe will adopt IFRS 15 for the financial reporting period beginning January 1, 2018.

Under IFRS 15, revenue from contracts with customers is recognized when or as the Company satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of silicon metal, silicon-based specialty alloys, ferroalloys and other items sold by the Company usually coincides with title passing to the customer and as guided by the Incoterms. The Company principally satisfies its performance obligations at a point in time and the amounts of revenue recognized relating to performance obligations satisfied over time are not significant. The accounting for revenue under IFRS 15 does not, therefore, represent a substantive change from the Company's current practice for recognizing revenue from sales to customers. Ferroglobe has concluded that IFRS 15 will not have a material quantitative impact on the financial results of the Company for the forthcoming financial period. The standard also has no material effect on the Company's net assets as at 1 January 2018 and so no transition adjustment will be presented. Due to new disclosures required by IFRS 15, Ferroglobe expects to provide more detailed disclosure of revenue from contracts with customers in its financial statements for the year ended December 31, 2018. This includes disclosure of revenue disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

*Adoption of IFRS 16 — Leases*

IFRS 16 provides a new model for lessee accounting in which all leases, other than short-term and small-ticket-item leases, will be accounted for by the recognition on the balance sheet of a right-to-use asset and a lease liability, and the subsequent amortization of the right-to-use asset over the lease term. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019.

**3. Basis of preparation (Continued)**

The Company expects to adopt IFRS 16 on January 1, 2019 using the modified retrospective approach to transition permitted by the standard in which the cumulative effect of initially applying the standard is recognized in opening retained earnings at the date of initial application. The Company's evaluation of the effect of adoption of the standard is ongoing but it is expected that it will have a material effect on the Company's financial statements, increasing the Company's recognized assets and liabilities. It is expected that the presentation and timing of recognition of charges in the income statement will also change as the operating lease expense currently reported under IAS 17, typically on a straight-line basis, will be replaced by depreciation of the right-to-use asset and interest on the lease liability. Information on the group's leases currently classified as operating leases, which are not recognized on the balance sheet, is provided in Note 17.

***3.3 Currency***

The Parent's functional currency is the Euro. The functional currencies of subsidiaries are determined by the primary economic environment in which each subsidiary operates.

The presentation currency of the Company is U.S. Dollars and as such the accompanying results and financial position have been translated pursuant to the provisions indicated in IAS 21.

All differences arising from the aforementioned translation are recognized in equity under "Translation differences".

Upon the disposal of a foreign operation, the translation differences relating to that operation deferred as a separate component of consolidated equity are recognized in the consolidated income statement when the gain or loss on disposal is recognized.

***3.4 Responsibility for the information and use of estimates***

The information in these consolidated financial statements is the responsibility of Ferroglobe's management.

Certain assumptions and estimates were made by management in the preparation of these consolidated financial statements, including:

- the impairment losses on certain assets, including property, plant and equipment and goodwill;
- the useful life of property, plant and equipment and intangible assets;
- the fair value of certain unquoted financial assets;
- the assumptions used in the actuarial calculation of pension liabilities;
- the discount rate used to calculate the present value of certain collection rights and payment obligations;
- provisions for contingencies and environmental liabilities; and
- the calculation of income tax and of deferred tax assets and liabilities.

**3. Basis of preparation (Continued)**

The Company based its estimates and judgments on historical experience, known or expected trends and other factors that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates. Changes in accounting estimates are applied in accordance with IAS 8.

At the date of preparation of these consolidated financial statements no events had taken place that might constitute a significant source of uncertainty regarding the accounting effect that such events might have in future reporting periods.

***3.5 Basis of consolidation***

The financial statements of the Company's subsidiaries are fully consolidated with those of the Parent. Accordingly, all balances and effects of the transactions between consolidated companies are eliminated in consolidation.

Non-controlling interests in subsidiaries are identified separately from the Company's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis.

Other non-controlling interests are initially measured at fair value. Subsequent to the acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Shareholders.

When the Company loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement, when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

**3. Basis of preparation (Continued)**

When necessary, adjustments are made to the financial statements of subsidiaries to align the accounting policies used to the accounting policies of the Company.

### *3.6 Critical accounting judgements and key sources of estimation uncertainty*

In the application of the Company's accounting policies, which are described in Note 4, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying the Company's accounting policies**

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

*Accounts receivable securitization*

On July 31, 2017, the Company entered into an accounts receivable securitization program (the "Program") where trade receivables held by the Company's subsidiaries in the US, Canada, Spain and France are sold to Ferrous Receivables DAC, a special purpose entity domiciled and incorporated in Ireland (the "SPE").

The Company has concluded that it does not control the SPE and therefore does not consolidate it.

When trade receivables are sold to the SPE, the Company derecognizes these financial assets and separately recognizes as assets any rights created in the transfer. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Further details of the Program and the Company's judgements in relation to control of the SPE and derecognition of trade receivables are set out in Note 10.

## 3. Basis of preparation (Continued)

### Key sources of estimation of uncertainty

The key assumptions concerning the future, and other key sources of estimating uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

*Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. Impairment testing for goodwill is carried out at a cash-generating unit level, and the Company performs its annual impairment test at the end of each annual reporting period (December 31). The estimate of the recoverable value of cash-generating units requires significant judgment in the evaluation of overall market conditions, estimated future cash flows, discount rates and other factors, and are calculated based on business plans most recently approved by the Board of Directors. The carrying amount of goodwill at the balance sheet date was $205,287 thousand after an impairment loss of $30,618 thousand was recognized during the year ended December 31, 2017. Details of the impairment loss calculation and its sensitivity to changes in assumptions are set out in Note 7.

*Pension obligations*

The present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the pension obligations. The carrying value of the Company's provision for pensions at December 31, 2017 was $59,195 thousand. Further details on the assumptions used are set out in Note 15.

*Provisions and contingent liabilities*

In the ordinary course of its business, Ferroglobe is subject to lawsuits, investigations, claims and proceedings, including, but not limited to, contractual disputes and employment, environmental, health and safety matters.

The Company recognizes a provision when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are disclosed and not recognized.

Contingent liabilities may develop in a way not initially expected. Therefore, they are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If such an outflow becomes probable, a provision is recognized in the financial statements in the period in which the change in probability occurs.

Provisions are disclosed in Note 15 and contingent liabilities are disclosed in Note 24.

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

## 4. Accounting policies

The principal IFRS accounting policies applied in preparing these consolidated financial statements were in effect at the date of preparation are described below.

### *4.1 Goodwill*

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Company's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Any excess of the cost of the investments in the consolidated companies over the corresponding underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is allocated as follows:

1. If it is attributable to specific assets and liabilities of the companies acquired, increasing the value of the assets (or reducing the value of the liabilities) whose market values were higher (lower) than the carrying amounts at which they had been recognized in their balance sheets and whose accounting treatment was similar to that of the same assets (liabilities) of the Company amortization, accrual, etc.

2. If it is attributable to specific intangible assets, recognizing it explicitly in the consolidated statement of financial position provided that the fair value at the date of acquisition can be measured reliably.

3. The remaining amount is recognized as goodwill, which is allocated to one or more specific cash-generating units.

Goodwill is only recognized when it has been acquired for consideration and represents, therefore, a payment made by the acquirer for future economic benefits from assets of the acquired company that are not capable of being individually identified and separately recognized.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

### *4.2 Other intangible assets*

Other intangible assets are assets without physical substance which can be individually identified either because they are separable or because they arise as a result of a legal or contractual right or of a legal transaction or were developed by the consolidated companies. Only intangible assets whose value can be measured reliably and from which the Company expects to obtain future economic benefits are recognized in the consolidated statement of financial position.

Intangible assets are recognized initially at acquisition or production cost. The aforementioned cost is amortized systematically over each asset's useful life. At each reporting date, these assets are measured at acquisition cost less accumulated amortization and any accumulated impairment losses, if any. The Company reviews amortization periods and amortization methods for finite-lived intangible assets at the end of each fiscal year.

**4. Accounting policies (Continued)**

The Company's main intangible assets are as follows:

*Development expenditures*

Development expenditures are capitalized if they meet the requirements of identifiability, reliability in cost measurement and high probability that the assets created will generate economic benefits. Developmental expenditures are amortized on a straight-line basis over the useful lives of the assets, which are between four and ten years.

Expenditures on research activities are recognized as expenses in the years in which they are incurred.

*Power supply agreements*

Power supply agreements are amortized on a straight-line basis over the term in which the agreement is effective.

*Rights of use*

Rights of use granted are amortized on a straight-line basis over the term in which the right of use was granted from the date it is considered that use commenced. Rights of use are generally amortized over a period ranging from 10 to 20 years.

*Computer software*

Computer software includes the costs incurred in acquiring or developing computer software, including the related installation. Computer software is amortized on a straight-line basis over two to five years.

Computer system maintenance costs are recognized as expenses in the years in which they are incurred.

*Other intangible assets*

Other intangible assets include:

- Supply agreements which are amortized in accordance with their estimated useful lives (see Note 8).
- $CO_2$ emissions allowances ("rights held to emit greenhouse gases") which are not amortized, but rather are derecognized when surrendered or sold (see Note 4.20).

***4.3 Property, plant and equipment***

*Cost*

Property, plant and equipment for our own use are initially recognized at acquisition or production cost and are subsequently measured at acquisition or production cost less accumulated depreciation and any accumulated impairment losses.

**4. Accounting policies (Continued)**

When the construction and start-up of non-current assets require a substantial period of time, the borrowing costs incurred over that period are capitalized. In 2017, 2016 and 2015 no material borrowing costs were capitalized.

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized. Repair, upkeep and maintenance expenses are recognized in the consolidated income statement for the year in which they are incurred.

Mineral reserves are recorded at fair value at the date of acquisition. Depletion of mineral reserves is computed using the units-of-production method utilizing only proven and probable reserves (as adjusted for recoverability factors) in the depletion base.

Property, plant and equipment in the course of construction are transferred to property, plant and equipment in use at the end of the related development period.

*Depreciation*

The Company depreciates property, plant and equipment using the straight-line method at annual rates based on the following years of estimated useful life:

| | Years of Estimated Useful Life |
|---|---|
| Properties for own use | 25 - 50 |
| Plant and machinery | 8 - 20 |
| Tools | 12.5 - 15 |
| Furniture and fixtures | 10 - 15 |
| Computer hardware | 4 - 8 |
| Transport equipment | 10 - 15 |

Land included within property, plant and equipment is considered to be an asset with an indefinite useful life and, as such, is not depreciated, but rather it is tested for impairment annually. The Company reviews residual value, useful lives, and the depreciation method for property, plant and equipment annually.

*Environment*

The costs arising from the activities aimed at protecting and improving the environment are accounted for as an expense for the year in which they are incurred. When they represent additions to property, plant and equipment aimed at minimizing the environmental impact and protecting and enhancing the environment, they are capitalized to non-current assets.

**4. Accounting policies (Continued)**

***4.4 Impairment of property, plant and equipment, intangible assets and goodwill***

In order to ascertain whether its assets have become impaired, the Company compares their carrying amount with their recoverable amount at the end of the reporting period, or more frequently if there are indications that the assets might have become impaired. Where the asset itself does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of:

- Fair value: the price that would be agreed upon by two independent parties, less estimated costs to sell, and
- Value in use: the present value of the future cash flows that are expected to be derived from continuing use of the asset and from its ultimate disposal at the end of its useful life, discounted at a pre-tax rate which reflects the time value of money and the risks specific to the business to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and an impairment loss is recognized as an expense under "Impairment losses" in the consolidated income statement.

Where an impairment loss subsequently reverses (not permitted in the case of goodwill), the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as "Other income" in the consolidated income statement.

The basis for depreciation is the carrying amount of the assets, deemed to be the acquisition cost less any accumulated impairment losses.

***4.5 Financial instruments***

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

*Financial assets*

The main financial assets held by the Company are assets representing collection rights as a result of investments or loans. These rights are classified as current or non-current on the basis of whether they are due to be settled within less than or more than twelve months, respectively, or, if they do not have a specific maturity date (as in the case of marketable securities or investment fund

**4. Accounting policies (Continued)**

units), whether or not the Company has the intention to dispose of them within less than or more than twelve months.

The Company classifies financial assets based on the purpose for which they were initially acquired and it reviews the classification at the end of each reporting period.

The financial assets held by the Company are classified as:

- Loans and receivables:

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when cash, goods or services are provided directly to a debtor. They are measured at the principal amount plus the accrued interest receivable. They are classified as non-current assets when they mature within more than twelve months after the end of the reporting period, and as current assets when they mature within less than twelve months from the end of the reporting period.

  Loans and receivables originated by the Company are measured at the principal amount plus the accrued interest receivable, less any impairment losses, i.e. they are measured at their amortized cost.

- Other financial assets:

  These deposits and guarantees are restricted until such time as the conditions of each agreement or tender expire. Deposits and guarantees expiring within twelve months are classified as current items and those expiring in more than twelve months are classified as non-current items.

*Derecognition of financial assets*

The Company derecognizes a financial asset when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

If the Company retains substantially all of the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

**4. Accounting policies (Continued)**

*Financial liabilities*

Amortized cost:

The main financial liabilities of the Company are held-to-maturity financial liabilities, which are measured at amortized cost. The financial liabilities held by the Company are classified as:

- Bank borrowings, other loans and debt instruments:

  Bank borrowings, other loans and debt instruments are recognized at the amount of proceeds received, net of transaction costs. They are subsequently measured at amortized cost. Borrowing costs are recognized in the consolidated income statement on an accrual basis using the effective interest method and are added to the carrying amount of the liability to the extent that they are not settled in the period in which they arise.

- Trade and other payables:

  Trade payables are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method.

*Fair value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: in the principal market for the asset or liability; or in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For those assets and liabilities measured at fair value at the balance sheet date, further information on fair value measurement is provided in Note 28.

**4. Accounting policies (Continued)**

***4.6 Inventories***

Inventories comprise assets (goods) which:

- are held for sale in the ordinary course of business (finished goods);
- are in the process of production for such sale (work in progress); or
- will be consumed in the production process or in the rendering of services (raw materials and spare parts).

Inventories are stated at the lower of acquisition or production cost and net realizable value. The cost of each inventory item is generally calculated as follows:

- Raw materials, spare parts and other consumables and replacement parts: the lower of weighted average acquisition cost and net realizable value.
- Work in progress and finished and semi-finished goods: the lower of production cost (which includes the cost of materials, labor costs, direct and indirect manufacturing expenses) or net realizable value in the market.

Obsolete, defective or slow-moving inventories have been reduced to net realizable value.

Net realizable value is the estimated selling price less all the estimated costs of selling and distribution.

The amount of any write-down of inventories (as a result of damage, obsolescence or decrease in the selling price) to their net realizable value and all losses of inventories are recognized as expenses in the year in which the write-down or loss occurs. Any subsequent reversals are recognized as income in the year in which they arise.

The consumption of inventories is recognized as an expense in "Cost of sales" in the consolidated income statement in the period in which the revenue from their sale is recognized.

***4.7 Biological assets***

The Company recognizes biological assets when:

- it controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at fair value less estimated costs to sell.

The fair value of forestry plantations is based on a combination of the fair value of the land and of the timber plantations with reference to current timber market prices.

The gains or losses arising on the initial recognition of a biological asset at fair value less costs to sell are included in the consolidated income statement for the period in which they arise.

**4. Accounting policies (Continued)**

***4.8 Cash and cash equivalents***

The Company classifies under "Cash and cash equivalents" any liquid financial assets, such as for example cash on hand and at banks, deposits and liquid investments, that can be converted into cash within three months and are subject to an insignificant risk of changes in value.

***4.9 Provisions and contingencies***

When preparing the consolidated financial statements, the Parent's directors made a distinction between:

- provisions: present obligations, either legal, contractual, constructive or assumed by the Company, arising from past events, the settlement of which is expected to give rise to an outflow of economic benefits the amount and/or timing of which are uncertain; and

- contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company, or present obligations arising from past events the amount of which cannot be estimated reliably or whose settlement is not likely to give rise to an outflow of economic benefits.

The consolidated financial statements include all the material provisions with respect to which it is considered that it is probable that the obligation will have to be settled. Contingent liabilities are not recognized in the consolidated financial statements, but rather are disclosed, as required by IAS 37 (see Note 24).

Provisions are classified as current or non-current based on the estimated period of time in which the obligations covered by them will have to be met. They are recognized when the liability or obligation giving rise to the indemnity or payment arises, to the extent that its amount can be estimated reliably.

Provisions include provisions for pension and similar obligations assumed; provisions for contingencies and charges, such as for example those of an environmental nature and those arising from litigation in progress or from outstanding indemnity payments or obligations, and collateral and other similar guarantees provided by the Company; and provisions for medium- and long- term employee incentives and the long-service bonus described in Note 15.

*Defined contribution plans*

Certain employees have defined contribution plans which conform to the Spanish Pension Plans and Funds Law. The main features of these plans are as follows:

- They are mixed plans covering the benefits for retirement, disability and death of the participants.

- The sponsor undertakes to make monthly contributions of certain percentages of current employees' salaries to external pension funds.

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

**4. Accounting policies (Continued)**

The annual cost of these plans is recognized under Staff costs in the consolidated income statement.

*Defined benefit plans*

IAS 19, Employee Benefits requires defined benefit plans to be accounted for:

- using actuarial techniques to make a reliable estimate of the amount of benefits that employees have earned in return for their service in the current and prior periods;
- discounting those benefits in order to determine the present value of the obligation;
- determining the fair value of any plan assets; and
- determining the total amount of actuarial gains and losses and the amount of those actuarial gains and losses that must be recognized.

The amount recognized as a benefit liability arising from a defined benefit plan is the present value of the obligations, minus the fair value of plan assets (if any) out of which the obligations are to be settled directly.

The Company recognizes provisions for these benefits as the related rights vest and on the basis of actuarial studies. These amounts are recognized under "Provisions" in the consolidated statement of financial position, on the basis of their expected due payment dates. All plan assets are separately from the rest of the Company's assets.

*Environmental provisions*

Provisions for environmental obligations are estimated by analyzing each case separately and observing the relevant legal provisions. The best possible estimate is made on the basis of the information available and a provision is recognized provided that the aforementioned information suggests that it is probable that the loss or expense will arise and it can be estimated in a sufficiently reliable manner.

The balance of provisions and disclosures disclosed in Notes 15 and 24 reflects management's best estimation of the potential exposure as of the date of preparation of these financial statements.

***4.10 Leases***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership, which usually has the option to purchase the assets at the end of the lease under the terms agreed upon when the lease was arranged. All other leases are classified as operating leases.

*Finance leases*

At the commencement of the lease term, the Company recognizes finance leases as assets and liabilities in the consolidated statement of financial position at amounts equal to the fair value of

**4. Accounting policies (Continued)**

the leased asset or, if lower, the present value of the minimum lease payments. To calculate the present value of the lease payments the interest rate stipulated in the finance lease is used.

The cost of assets acquired under finance leases is presented in the consolidated statement of financial position on the basis of the nature of the leased asset. The depreciation policy for these assets is consistent with that for Property, plant and equipment for own use.

Finance charges are recognized over the lease term on a time proportion basis.

*Operating leases*

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased asset remain with the lessor.

Lease income and expenses from operating leases are credited or charged to income on an accrual basis depending on whether the Company acts as the lessor or lessee.

***4.11 Current assets and liabilities***

In general, assets and liabilities are classified as current or non-current based on the Company's operating cycle. However, in view of the diverse nature of the activities carried on by the Company, in which the duration of the operating cycle differs from one activity to the next, in general assets and liabilities expected to be settled or fall due within twelve months from the end of the reporting period are classified as current items and those which fall due or will be settled within more than twelve months are classified as non-current items.

***4.12 Income taxes***

Income tax expense represents the sum of current tax and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the related tax is recognized in other comprehensive income or directly in equity.

The current income tax expense is based on domestic and international statutory income tax rates in the tax jurisdictions where the Company operates related to taxable profit for the period. The taxable profit differs from net profit as reported in the income statement because it is determined in accordance with the rules established by the applicable taxation authorities which includes temporary differences, permanent differences, and available credits and incentives.

The Company's deferred tax assets and liabilities are provided on temporary differences at the balance sheet date between financial reporting and the tax basis of assets and liabilities, then applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. Deferred tax assets are recognized for deductible temporary differences, carry-forward of unused tax credits and losses, to the extent that it is probably that taxable profit will be available against which the deductible temporary difference and carry-forwards of unused tax credits and losses can be utilized. The deferred tax assets and liabilities that have been recognized are reassessed at the end of each reporting period in order to ascertain whether they still exist, and adjustments are made on the basis of the findings of the analyses performed.

**4. Accounting policies (Continued)**

Income tax payable is the result of applying the applicable tax rate in force to each tax-paying entity, in accordance with the tax laws in force in the country in which the entity is registered. Additionally, tax deductions and credits are available to certain entities, primarily relating to inter-company trades and tax treaties between various countries to prevent double taxation.

Income tax expense is recognized in the consolidated income statement, except to the extent that it arises from a transaction which is recognized directly to "consolidated equity", in which case the tax is recognized directly to "consolidated equity."

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority or either the same taxable entity or different taxable entities where there is an intention to settle the current tax assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

***4.13 Foreign currency transactions***

Foreign currency transactions are initially recognized in the functional currency of the subsidiary by applying the exchange rates prevailing at the date of the transaction.

Subsequently, at each reporting date, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates prevailing on that date.

Any exchange differences arising on settlement or translation at the closing rates of monetary items are recognized in the consolidated income statement for the year.

Note 4.17 details the Company's accounting policies for these derivative financial instruments. Also, Note 27 to these consolidated financial statements details the financial risk policies of Ferroglobe.

***4.14 Revenue recognition***

Revenue includes the fair value of the goods sold or services rendered, excluding any related taxes and deducting any discounts or returns as a reduction in the amount of the transaction. Income is recognized when all of the following conditions are met:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**4. Accounting policies (Continued)**

In relation to transactions in the electrometallurgy business, ownership is considered to be transferred at the time agreed upon with customers based on the Incoterm clauses applicable to the transaction.

Income from the energy business is recognized based on the power generated and put on the market at regulated prices, being recognized income when the energy produced is transferred to the system.

Accordingly, interest income is recognized using the effective interest method. Dividend income is also recognized when the shareholder's rights to receive payment have been established.

***4.15 Expense recognition***

Expenses are recognized on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

An expense is recognized in the consolidated income statement when there is a decrease in the future economic benefits related to a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that an expense is recognized simultaneously with the recognition of the increase in a liability or the reduction of an asset. Additionally, an expense is recognized immediately in the consolidated income statement when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met. Also, an expense is recognized when a liability is incurred and no asset is recognized, as in the case of a liability relating to a guarantee.

***4.16 Operating profit (loss) before impairment losses, net gains/losses due to changes in the value of assets, gains/losses on disposals of non-current assets and other losses***

The Company presents in the consolidated income statement a subtotal 'Operating profit (loss) before impairment losses, net gains/losses due to changes in the value of assets, gains/losses on disposals of non-current assets and other losses'. The Company uses this subtotal in their analysis of the performance of the Company. In accordance with IAS 1.85a, modified in December 2014, when an entity presents subtotals, those subtotals shall (i) be composed of line items made up of amounts recognized and measured in accordance with IFRS, (ii) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable, (iii) be consistent from period to period and (iv) not be displayed with more prominence than the subtotals and totals required in IFRS for the statement presenting profit or loss. Consequently, the Company, concluded that the presentation of this subtotal in the face of the consolidated income statement is essential for the understanding the financial performance of the Company.

***4.17 Derivative financial instruments***

In order to mitigate the economic effects of exchange rate and interest rate fluctuations to which it is exposed as a result of its business activities, the Company uses derivative financial instruments, such as cross currency swaps and interest rate swaps.

**4. Accounting policies (Continued)**

The Company's derivative financial instruments are set out in Note 19 to these consolidated financial statements and the Company's financial risk management policies are set out in Note 27.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition of profit or loss depends on the nature of the hedge relationship. The gain or loss recognized in respect of derivatives that are not designated and effective as a hedging instrument is recognized in the consolidated income statement in the line item financial derivative gain (loss).

A derivative with a positive fair value is recognized as a financial asset within the line item other financial assets whereas a derivative with a negative fair value is recognized as a financial liability within the line item other financial liabilities. A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months.

*Hedge accounting*

The Company designates certain derivatives as cash flow hedges. For further details, see Note 19 of the consolidated financial statements.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking the hedge transaction. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to any ineffective portion is recognized immediately in profit or loss, and is included in the financial derivative gain (loss) line item.

Amounts previously recognized in other comprehensive income and accumulated in equity in the valuation adjustments reserve are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the income statement as the recognized hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income at that time is accumulated in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

**4. Accounting policies (Continued)**

***4.18 Grants***

*Grants related to assets*

Grants related to assets correspond primarily to non-refundable grants that are measured at the amount granted or at the fair value of the assets delivered, if they have been transferred for no consideration, and are classified as deferred income when it is certain that they will be received. Income from these grants is recognized on a straight-line basis over the useful life of the assets whose costs they are financing. The amount of the assets and of the grants received are presented separately as assets and liabilities, respectively, within the consolidated statement of financial position.

The amount of such grants was not material at December 31, 2017 and 2016.

***4.19 Termination benefits***

Under current labor legislation, the Company is required to pay termination benefits to employees whose employment relationship is terminated under certain conditions. The payments for termination benefits, when they arise, are charged as an expense when the decision to terminate the employment relationship is taken. At December 31, 2017 and 2016, the liabilities related to termination benefits were not material.

***4.20 $CO_2$ emission allowances***

$CO_2$ emission allowances are recognized as intangible assets and are measured at cost of acquisition. Allowances acquired free of charge under governmental schemes are initially measured at market value at the date received. At the same time, a grant is recognized for the same amount under "deferred income".

Emissions allowances are not amortized, but rather are derecognized when surrendered or sold.

At year end, the Company assesses whether the carrying amount of the allowances exceeds their market value in order to determine whether there are indications of impairment. If there are indications, the Company determines whether these allowances will be used in the production process or earmarked for sale, in which case the necessary impairment losses would be recognized. Impairment losses are reversed when the factors leading to the impairment have ceased to exist.

A provision for liabilities and charges is recognized for expenses related to the emission of greenhouse gases. This provision is maintained until the company is required to settle the liability by surrendering the corresponding emission allowances. These expenses are accrued as greenhouse gases are emitted.

**4. Accounting policies (Continued)**

Deferred income in relation to allowances acquired free of charge is recognized as other operating income on a systematic basic over the allowance period. The Company derecognizes allowances surrendered at their carrying amount and recognizes those received at their fair value when received.

### *4.21 Share-based compensation*

The Company recognizes share-based compensation expense based on the estimated grant date fair value of share-based awards using a Black-Scholes option pricing model. Prior to vesting, cumulative compensation cost equals the proportionate amount of the award earned to date. The Company has elected to treat each award as a single award and recognize compensation cost on a straight-line basis over the requisite service period of the entire award. If the terms of an award are modified in a manner that affects both the fair value and vesting of the award, the total amount of remaining unrecognized compensation cost (based on the grant-date fair value) and the incremental fair value of the modified award are recognized over the amended vesting period.

### *4.22 Assets and disposal groups classified as held for sale, liabilities associated with assets held for sale and discontinued operations*

Assets and disposal groups classified as held for sale include the carrying amount of individual items, disposal groups or items forming part of a business unit earmarked for disposal (discontinued operations), whose sale in their present condition is highly likely to be completed within one year from the reporting date. Therefore, the carrying amount of these items, which may or may not be of a financial nature, will likely be recovered through the proceeds from their disposal.

Liabilities associated with non-current assets held for sale include the balances payable arising from the assets held for sale or disposal groups and from discontinued operations.

Assets and disposal groups classified as held for sale are measured at the lower of fair value less costs to sell and their carrying amount at the date of classification in this category. Non-current assets held for sale are not depreciated as long as they remain in this category.

### *4.23 Consolidated statement of cash flows*

The following terms are used in the consolidated statement of cash flows, prepared using the indirect method, with the meanings specified as follows:

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
2. Operating activities: activities constituting the object of the subsidiaries forming part of the consolidated Company and other activities that are not investing or financing activities.
3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

**4. Accounting policies (Continued)**

4. Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Company that are not operating or investing activities.

**5. Business Combination**

On December 23, 2015, Ferroglobe PLC consummated the acquisition of 100% of the equity interests of Globe Specialty Metals, Inc. and subsidiaries and Grupo FerroAtlántica. After consummating this transaction, FerroAtlántica is considered the Predecessor under applicable SEC rules and regulations; and, therefore, all companies of Globe (see Note 2) were considered additions to the scope of consolidation of Ferroglobe in 2015. FerroAtlántica is the deemed "accounting acquirer".

The Business Combination was accounted for using the acquisition method of accounting for business combinations under IFRS 3 Business Combinations, with FerroAtlántica treated as the accounting acquirer and GSM as the acquiree. Under this method of accounting, any excess of (i) the aggregate of the acquisition consideration transferred and any non-controlling interest in Globe over (ii) the aggregate of the fair values as of the closing date of the Business Combination of the assets acquired and liabilities assumed was recorded as goodwill. The "Acquisition Consideration" is the fair value on the closing date of the Business Combination of the consideration given. In addition, the value of the Ferroglobe Ordinary Shares issued to Globe Shareholders pursuant to the Business Combination Agreement ("BCA") was determined based on the trading price of the Globe Shares at the date of completion of the transactions.

The acquisition consideration consisted of the fair value of the Ferroglobe Ordinary Shares issued to Globe Shareholders on the closing date of the Business Combination, plus the portion of the "Replacement awards" that are attributable to pre-combination service of Globe employees.

Under the terms of the BCA, share-based compensation awards that were issued by Globe and were outstanding and unexercised as of the date of the Business Combination were exchanged with Ferroglobe share-based awards ("Replacement Awards") as follows (see Note 21 — Other Liabilities, for further details regarding our share-based compensation awards):

- Stock Options — Each outstanding Globe stock option was converted into an option to purchase, generally on the same terms and conditions as were applicable to the Globe stock option prior to the Business Combination, a number of Ferroglobe Ordinary Shares equal to the number of Globe Shares subject to such Globe stock option at an exercise price per Ferroglobe Ordinary Share equal to the exercise price per Globe share of such Globe stock option.

- Restricted Stock Units ("RSUs") — Each outstanding RSU was assumed by Ferroglobe and was converted into a Ferroglobe RSU award, generally on the same terms and conditions as were applicable to the Globe RSUs prior to the Business Combination, in respect of the number of Globe Shares equal to the number of Globe Shares underlying such Globe RSUs.

- Stock Appreciation Rights ("SARs") — Each outstanding SAR was assumed by Ferroglobe and was converted into a Ferroglobe SAR, generally on the same terms and condition as

**5. Business Combination (Continued)**

were applicable to the Globe SARs prior to the Business Combination, in respect of that number of Ferroglobe Ordinary Shares equal to the number of Globe Shares underlying such Globe SAR, at an exercise price per Ferroglobe Ordinary Share (rounded up to the nearest whole cent) equal to the exercise price per Globe share of such Globe SAR.

The issuance of the "Replacement Awards" was accounted for as a modification of Globe's Share-Based Awards, and the portion of the value of the Replacement Awards that was attributable to pre-combination services of Globe employees is included in the Acquisition Consideration transferred. Compensation expense related to post-combination services will be recognized over the individual vesting periods of the respective "Replacement Awards" and was not included in the combined financial information.

The value of Replacement Awards was added to the fair value of the Ferroglobe Ordinary Shares to determine the total Acquisition Consideration transferred as follows:

| | | |
|---|---|---|
| Globe common stock outstanding as of December 23, 2015[(1)] | | 73,760 |
| Exchange ratio | | 1.00 |
| Ferroglobe Ordinary Shares issued as converted | | 73,760 |
| Globe common stock per share price as of December 23, 2015 | $ | 10.80 |
| Fair value of Ferroglobe Ordinary Shares issued pursuant to the Business Combination and estimated value | $ '000 | 796,608 |
| Replacement Awards — equity settled awards | $ '000 | 1,430 |
| Acquisition Consideration | $ '000 | 798,038 |

(1) The number of shares of Globe common stock outstanding options was determined immediately prior to the effective time of the Business Combination.

In accordance with IFRS 3, the fair value of Ferroglobe Ordinary Shares issued to Globe Shareholders pursuant to the Business Combination Agreement was measured on the closing date of the Business Combination at the then-current market price of Globe's common stock.

The Business Combination was recorded as a business combination under IFRS 3 with identifiable assets acquired and liabilities assumed recorded at their estimated fair values on the acquisition date while costs associated with the acquisition are expensed as incurred. The Company utilized the services of third-party valuation consultants, along with estimates and assumptions provided by the Company, to estimate the fair value of the assets acquired. The third-party valuation consultants utilized several appraisal methodologies including income, market and cost approaches to estimate the fair value of the identifiable net assets acquired.

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

**5. Business Combination (Continued)**

The following is the final fair value of assets acquired and the liabilities assumed by Ferroglobe in the Business Combination, reconciled to the value of the Acquisition Consideration pursuant to the Business Combination Agreement:

| | Balances US$'000 |
|---|---|
| **ASSETS** | |
| **Non-current assets** | |
| Goodwill | 425,413 |
| Other intangible assets | 43,746 |
| Property, plant and equipment | 584,617 |
| Non-current financial assets | 2,521 |
| Deferred tax assets | 22,994 |
| Other non-current assets | 1,386 |
| **Total non-current assets acquired** | **1,080,677** |
| **Current assets** | |
| Inventories | 117,230 |
| Trade and other receivables | 73,753 |
| Current financial assets | 4,112 |
| Other current assets | 5,231 |
| Cash and cash equivalents | 77,709 |
| **Total current assets acquired** | **278,035** |
| **Total assets acquired** | **1,358,712** |
| **LIABILITIES** | |
| **Non-current liabilities** | |
| Provisions | 33,877 |
| Bank borrowings | 100,048 |
| Obligations under finance leases | 3,283 |
| Other non-current liabilities | 4,451 |
| Deferred tax liabilities | 140,435 |
| **Total non-current liabilities acquired** | **282,094** |
| **Current liabilities** | |
| Provisions | 5,439 |
| Bank borrowings | 1,167 |
| Obligations under finance leases | 2,627 |
| Trade and other payables | 58,044 |
| Other current liabilities | 66,770 |
| **Total current liabilities acquired** | **134,047** |
| **Net assets acquired** | **942,571** |
| Non-controlling interests | **(144,533)** |
| **Acquisition consideration** | **798,038** |

**5. Business Combination (Continued)**

Goodwill arose in the Business Combination as the acquisition consideration exceeded the fair value of the identifiable net assets acquired, including identifiable intangible assets. Goodwill is not deductible for tax purposes.

The purchase price allocation was not final at December 31, 2015 and subsequent changes were made to the fair value of the identifiable net assets acquired. As a result, acquired property, plant and equipment decreased by $40,794 thousand, deferred tax assets increased by $2,972 thousand and deferred tax liabilities decreased by $14,900 thousand, which resulted in an increase to goodwill of $22,922 thousand.

GSM was included in the scope of consolidation as of December 23, 2015, as indicated above, contributed "2015 — Sales" of $10,898 thousand and "2015 — Profit attributable to the Parent" of $68 thousand.

In the fiscal year ended December 31, 2015 if GSM had been included in the scope of consolidation from January 1, 2015, GSM would have contributed "2015 — Sales — pro-forma" of $733,916 thousand and "2015 — Losses Attributable to the Parent — pro-forma" of $53,260 thousand. In determining unaudited "pro-forma" data, the Company calculated the depreciation of "Property, plant and equipment" based on the fair values determined in the initial accounting for the Business Combination rather than the carrying amounts recognized in the pre-acquisition financial statements.

Total expenditures incurred by the Predecessor and/or the Parent for the consummation of the Business Combination totaling $22,132 thousand are included in "Other operating expenses" in the consolidated income statement for 2015 and other costs totaling $9,414 thousand have been recorded as "Equity — Reserves", under IFRS 3.

**6. Segment reporting**

Operating segments are based upon the Company's management reporting structure. The Company's operating segments are primarily at a country level as this is how the Chief Operating Decision Maker (CODM) assesses performance and makes decisions about resource allocation. This is due to the integrated operations within each country and the ability to reallocate production based on the individual capacity of each plant. Additionally, economic factors that may impact our results of operations, such as currency fluctuations and energy costs, are also assessed at a country level.

The Company's North America reportable segment is the result of the aggregation of the operating segments of the United States and Canada. These operating segments have been aggregated as they have similar long-term economic characteristics and there is similarity of competitive and operating risks and the political environment in the United States and Canada. The Company's Europe reportable segment is the result of the aggregation of the operating segments of Spain and France. Similar to our United States and Canada operating segments, our Spain and France operating segments are grouped together based on the relative similarity of the EBITDA margins, competitive risks, currency risks (i.e. risks relating to the Euro), operating risks and, given they are each part of the European Union and the European Economic Community, the political and economic environment.

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

## 6. Segment reporting (Continued)

During 2017, upon further evaluation of the management reporting structure, it was concluded that our reportable segments would be amended to no longer reflect Venezuela as a separate reportable segment. The decision was taken as a result of on-going economic, political and social instability in the region which has resulted in uncertainty surrounding the cash flow generation capacity of our operations. During the year-ended December 31, 2016, due to the uncertainty in Venezuela substantially all assets were impaired. The segment previously recognized 'Electrometallurgy — Venezuela' now forms part of our 'Other segments'. The comparative periods have been restated to conform to the 2017 reportable segment presentation.

The consolidated income statements at December 31, 2017, 2016 and 2015, by reportable segment, are as follows:

| | 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Electrometallurgy — North America US$'000 | Electrometallurgy — Europe US$'000 | Electrometallurgy — South Africa US$'000 | Other segments US$'000 | Adjustments/ Eliminations(**) US$'000 | **Total US$'000** |
| Sales | 541,143 | 1,083,200 | 122,504 | 60,199 | (65,353) | **1,741,693** |
| Cost of sales | (303,096) | (690,589) | (81,744) | (33,616) | 65,650 | **(1,043,395)** |
| Other operating income | 2,701 | 12,681 | 2,868 | 15,619 | (15,670) | **18,199** |
| Staff costs | (90,802) | (147,595) | (23,495) | (39,851) | (220) | **(301,963)** |
| Other operating expense | (68,537) | (107,130) | (24,462) | (55,955) | 16,158 | **(239,926)** |
| Depreciation and amortization charges, operating allowances and write-downs | (66,789) | (27,404) | (5,788) | (4,557) | 9 | **(104,529)** |
| **Operating profit (loss) before impairment losses, net gains/losses due to changes in the value of assets, gains/losses on disposals of non-current assets and other gains and losses** | **14,620** | **123,163** | **(10,117)** | **(58,161)** | **574** | **70,079** |
| Impairment losses | (30,618) | — | — | (323) | (16) | **(30,957)** |
| Net gain due to changes in the value of assets | — | — | 7,222 | — | 282 | **7,504** |
| (Loss) gain on disposal of non-current assets | (3,718) | 301 | (138) | (818) | 57 | **(4,316)** |
| Other (loss) gain | — | (13,604) | — | (2,625) | 13,616 | **(2,613)** |
| **Operating (loss) profit** | **(19,716)** | **109,860** | **(3,033)** | **(61,927)** | **14,513** | **39,697** |
| Finance income | 448 | 6,733 | 404 | 191,261 | (195,138) | **3,708** |
| Finance costs | (4,567) | (40,106) | (7,361) | (48,486) | 35,108 | **(65,412)** |
| Financial derivative loss | — | — | — | (6,850) | — | **(6,850)** |
| Exchange differences | (191) | 5,938 | (1,197) | 3,730 | (66) | **8,214** |
| **(Loss) profit before tax** | **(24,026)** | **82,425** | **(11,187)** | **77,728** | **(145,583)** | **(20,643)** |
| Income tax benefit (expense) | 29,386 | (26,031) | 2,068 | 9,692 | (294) | **14,821** |
| **Profit (loss) for the year** | **5,360** | **56,394** | **(9,119)** | **87,420** | **(145,877)** | **(5,822)** |
| Loss (profit) attributable to non-controlling interests | 4,734 | (370) | (147) | 951 | (24) | **5,144** |
| **Profit (loss) attributable to the Parent** | **10,094** | **56,024** | **(9,266)** | **88,371** | **(145,901)** | **(678)** |

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

## 6. Segment reporting (Continued)

| | 2016(*) | | | | | |
|---|---|---|---|---|---|---|
| | Electrometallurgy — North America US$'000 | Electrometallurgy — Europe US$'000 | Electrometallurgy — South Africa US$'000 | Other segments US$'000 | Adjustments/ Eliminations(**) US$'000 | **Total US$'000** |
| Sales | 521,192 | 949,547 | 142,160 | 90,337 | (127,199) | **1,576,037** |
| Cost of sales | (325,254) | (672,026) | (99,124) | (79,912) | 132,904 | **(1,043,412)** |
| Other operating income | 362 | 25,908 | 3,422 | 4,713 | (8,190) | **26,215** |
| Staff costs | (82,032) | (132,440) | (23,589) | (58,577) | 239 | **(296,399)** |
| Other operating expense | (64,606) | (118,269) | (28,834) | (37,964) | 5,727 | **(243,946)** |
| Depreciation and amortization charges, operating allowances and write-downs | (73,530) | (31,730) | (4,732) | (12,818) | (2,867) | **(125,677)** |
| **Operating (loss) profit before impairment losses, net gains/losses due to changes in the value of assets, gains/losses on disposals of non-current assets and other gains and losses** | **(23,868)** | **20,990** | **(10,697)** | **(94,221)** | **614** | **(107,182)** |
| Impairment losses | (193,000) | (1,077) | (8,147) | (59,248) | (6,617) | **(268,089)** |
| Net gain (loss) due to changes in the value of assets | — | — | 1,896 | — | (5) | **1,891** |
| Gain (loss) on disposal of non-current assets | — | — | 21 | 446 | (127) | **340** |
| Other (loss) gain | — | (32,655) | — | (2,514) | 35,129 | **(40)** |
| **Operating (loss) profit** | **(216,868)** | **(12,742)** | **(16,927)** | **(155,537)** | **28,994** | **(373,080)** |
| Finance income | 1 | 11,551 | 744 | 6,639 | (17,399) | **1,536** |
| Finance costs | (3,249) | (16,540) | (6,038) | (13,629) | 9,205 | **(30,251)** |
| Exchange differences | (438) | 2,436 | (2,164) | (3,290) | (57) | **(3,513)** |
| **(Loss) profit before tax** | **(220,554)** | **(15,295)** | **(24,385)** | **(165,817)** | **20,743** | **(405,308)** |
| Income tax benefit (expense) | 9,982 | (10,505) | 4,433 | 40,160 | 2,625 | **46,695** |
| **(Loss) profit for the year** | **(210,572)** | **(25,800)** | **(19,952)** | **(125,657)** | **23,368** | **(358,613)** |
| Loss (profit) attributable to non-controlling interests | 6,044 | (93) | 856 | 11,827 | 1,552 | **20,186** |
| **(Loss) profit attributable to the Parent** | **(204,528)** | **(25,893)** | **(19,096)** | **(113,830)** | **24,920** | **(338,427)** |

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

## 6. Segment reporting (Continued)

| | 2015(*) | | | | | |
|---|---|---|---|---|---|---|
| | Electrometallurgy — North America US$'000 | Electrometallurgy — Europe US$'000 | Electrometallurgy — South Africa US$'000 | Other segments US$'000 | Adjustments/ Eliminations(**) US$'000 | **Total US$'000** |
| Sales | 10,062 | 1,174,968 | 219,890 | 129,123 | (217,453) | **1,316,590** |
| Cost of sales | (6,200) | (811,114) | (134,978) | (88,041) | 221,597 | **(818,736)** |
| Other operating income | 17 | 52,211 | 5,070 | 2,109 | (43,656) | **15,751** |
| Staff costs | (1,983) | (148,652) | (24,663) | (30,574) | 3 | **(205,869)** |
| Other operating expense | (276) | (142,867) | (29,237) | (67,347) | 39,431 | **(200,296)** |
| Depreciation and amortization charges, operating allowances and write-downs | (1,183) | (35,255) | (7,744) | (22,492) | (376) | **(67,050)** |
| **Operating profit (loss) before impairment losses, net gains/losses due to changes in the value of assets, gains/losses on disposals of non-current assets and other gains and losses** | **437** | **89,291** | **28,338** | **(77,222)** | **(454)** | **40,390** |
| Impairment losses | — | — | — | (52,042) | — | **(52,042)** |
| Net gain (loss) due to changes in the value of assets | — | — | 1,336 | (2,249) | 1 | **(912)** |
| Gain (loss) on disposal of non-current assets | — | 1,468 | — | (3,681) | (1) | **(2,214)** |
| Other (loss) gain | — | (40,983) | — | 9,257 | 31,379 | **(347)** |
| **Operating profit (loss)** | **437** | **49,776** | **29,674** | **(125,937)** | **30,925** | **(15,125)** |
| Finance income | 6 | 36,206 | 501 | 4,869 | (40,486) | **1,096** |
| Finance costs | (109) | (19,287) | (5,015) | (14,060) | 8,066 | **(30,405)** |
| Exchange differences | (44) | 8,617 | 2,498 | 24,833 | — | **35,904** |
| **Profit (loss) before tax** | **290** | **75,312** | **27,658** | **(110,295)** | **(1,495)** | **(8,530)** |
| Income tax expense | — | (22,953) | (7,807) | (16,580) | (2,602) | **(49,942)** |
| **Profit (loss) for the year** | **290** | **52,359** | **19,851** | **(126,875)** | **(4,097)** | **(58,472)** |
| (Profit) loss attributable to non-controlling interests | (41) | (61) | 226 | 9,019 | 6,061 | **15,204** |
| **Profit (loss) attributable to the Parent** | **249** | **52,298** | **20,077** | **(117,856)** | **1,964** | **(43,268)** |

(*) The amounts for prior periods have been re-presented to show the results of the Spanish energy business within income from continuing operations as part of the Other segments, as described in Note 1 to the consolidated financial statements. In addition, the Venezuela segment is reflected as part of the Other segments, as described in Note 6 to the consolidated financial statements.

(**) The amounts correspond to transactions between segments that are eliminated in the consolidation process.

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

## 6. Segment reporting (Continued)

The consolidated statements of financial position at December 31, 2017 and 2016, by reportable segment are as follows:

| | 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Electrometallurgy — North America US$'000 | Electrometallurgy — Europe US$'000 | Electrometallurgy — South Africa US$'000 | Other segments US$'000 | Consolidation Adjustments/ Eliminations(*) US$'000 | **Total US$'000** |
| Goodwill | 205,287 | — | — | — | — | **205,287** |
| Other intangible assets | 26,724 | 20,381 | 1,505 | 10,048 | — | **58,658** |
| Property, plant and equipment | 512,003 | 167,314 | 64,331 | 174,326 | — | **917,974** |
| Financial assets | 16,174 | 69,555 | — | 6,055 | — | **91,784** |
| Inventories | 100,856 | 204,240 | 42,478 | 13,657 | — | **361,231** |
| Receivables | 165,006 | 260,612 | 35,330 | 833,243 | (1,175,756) | **118,435** |
| Other assets | 20,380 | 22,767 | 41,008 | 23,473 | (45,212) | **62,416** |
| Cash and cash equivalents | 10,886 | 153,967 | 6,912 | 12,707 | — | **184,472** |
| **Total assets** | **1,057,316** | **898,836** | **191,564** | **1,073,509** | **(1,220,968)** | **2,000,257** |
| Equity | 521,819 | 198,059 | 62,933 | 154,947 | — | **937,758** |
| Deferred income | — | 2,034 | — | 1,138 | — | **3,172** |
| Provisions | 28,602 | 56,654 | 11,080 | 19,156 | — | **115,492** |
| Bank borrowings and other financial liabilities (excluded finance leases) | — | 4,918 | — | 133,516 | — | **138,434** |
| Debt instruments | — | — | — | 350,270 | — | **350,270** |
| Obligations under finance leases | 1,994 | — | — | 80,639 | — | **82,633** |
| Trade payables | 321,710 | 584,542 | 95,082 | 380,834 | (1,176,336) | **205,832** |
| Other non-trade payables | 183,191 | 52,629 | 22,469 | (46,991) | (44,632) | **166,666** |
| **Total equity and liabilities** | **1,057,316** | **898,836** | **191,564** | **1,073,509** | **(1,220,968)** | **2,000,257** |

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

## 6. Segment reporting (Continued)

| | 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Electrometallurgy — North America US$'000 | Electrometallurgy — Europe US$'000 | Electrometallurgy — South Africa US$'000 | Other segments US$'000 | Consolidation Adjustments/ Eliminations(*) US$'000 | **Total US$'000** |
| Goodwill | 230,210 | — | — | — | — | **230,210** |
| Other intangible assets | 33,243 | 18,946 | 1,355 | 9,295 | — | **62,839** |
| Property, plant and equipment | 540,794 | 154,379 | 58,559 | 111,807 | (83,933) | **781,606** |
| Financial assets | — | 113,157 | — | 17,329 | (110,769) | **19,717** |
| Inventories | 73,901 | 183,868 | 40,475 | 20,575 | (2,117) | **316,702** |
| Receivables | 50,000 | 275,823 | 34,852 | 217,307 | (354,497) | **223,485** |
| Other assets | 37,220 | 30,050 | 20,285 | 59,576 | (52,257) | **94,874** |
| Cash and cash equivalents | 38,389 | 87,997 | 15,195 | 55,402 | (52) | **196,931** |
| Assets and disposal groups classified as held for sale (Note 29) | — | — | — | — | 92,937 | **92,937** |
| **Total assets** | **1,003,757** | **864,220** | **170,721** | **491,291** | **(510,688)** | **2,019,301** |
| Equity | 646,397 | 220,948 | 59,756 | (6,798) | (28,261) | **892,042** |
| Deferred income | — | 2,229 | — | 1,719 | 1 | **3,949** |
| Provisions | 29,837 | 50,482 | 11,770 | 11,832 | (2,337) | **101,584** |
| Bank borrowings and other financial liabilities (excluded finance leases) | — | 313,910 | 29,620 | 171,395 | (5,575) | **509,350** |
| Obligations under finance leases | 3,181 | — | 2,055 | 81,383 | (81,382) | **5,237** |
| Trade payables | 193,128 | 237,286 | 49,667 | 172,230 | (463,867) | **188,444** |
| Other liabilities | 131,214 | 39,365 | 17,853 | 59,530 | (36,949) | **211,013** |
| Liabilities associated with assets held for sale (Note 29) | — | — | — | — | 107,682 | **107,682** |
| **Total equity and liabilities** | **1,003,757** | **864,220** | **170,721** | **491,291** | **(510,688)** | **2,019,301** |

(*) These amounts correspond to balances between segments that are eliminated at consolidation.

### Other disclosures

***Sales by product line***

Sales by product line are as follows:

| | **2017 US$'000** | **2016 US$'000** | **2015 US$'000** |
|---|---|---|---|
| Silicon metal | 739,618 | 751,508 | 592,458 |
| Manganese alloys | 363,644 | 223,451 | 260,371 |
| Ferrosilicon | 266,862 | 242,788 | 228,830 |
| Other silicon-based alloys | 188,183 | 173,901 | 105,702 |
| Silica fume | 36,338 | 37,480 | 29,660 |
| Other | 147,048 | 146,909 | 99,569 |
| **Total** | **1,741,693** | **1,576,037** | **1,316,590** |

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

## 6. Segment reporting (Continued)

***Information about major customers***

Total sales of $820,897 thousand, $656,907 thousand, and $524,821 thousand were attributable to the Company's top ten customers in 2017, 2016, and 2015 respectively. During 2017, sales corresponding to Dow Corning Corporation represented 12.2% of the Company's sales (2016: 13.7%). The sales are to the Electrometallurgy — North America and Electrometallurgy — Europe segments. However, during 2015 no single customer represented more than 10% of the Company's sales.

## 7. Goodwill

Changes in the carrying amount of goodwill during the years ended December 31, are as follows:

| | January 1, 2016 US$'000 | Impairment (Note 25.5) US$'000 | Exchange differences US$'000 | December 31, 2016 US$'000 | Impairment (Note 25.5) US$'000 | Exchange differences US$'000 | December 31, 2017 US$'000 |
|---|---|---|---|---|---|---|---|
| Thaba Chueu Mining (Pty.), Ltd. | 1,438 | (1,612) | 174 | — | — | — | — |
| Globe Specially Metals, Inc. (Globe) (see Note 5) | 425,413 | (193,000) | (2,203) | 230,210 | (30,618) | 5,695 | 205,287 |
| **Total** | **426,851** | **(194,612)** | **(2,029)** | **230,210** | **(30,618)** | **5,695** | **205,287** |

In accordance with the requirements of IAS 36, goodwill is tested for impairment annually and is tested for impairment between annual tests if a triggering event occurs that would indicate the carrying amount of a cash-generating unit may be impaired. Impairment testing for goodwill is done at a cash-generating unit level, and the Company performs its annual impairment test at the end of the annual reporting period (December 31). The estimate of the recoverable value of the cash-generating units requires significant judgment in evaluation of overall market conditions, estimated future cash flows, discount rates and other factors, and are calculated based on management's business plans.

During the year ended December 31, 2017, in connection with our annual goodwill impairment test, the Company recognized an impairment charge of $30,618 thousand related to the partial impairment of goodwill in Canada, resulting from a decline in future estimated sales prices and a decrease in our estimated long-term growth rate which caused the Company to revise its expected future cash flows from its Canadian business operations. The impairment charge is recorded within the Electrometallurgy — North America reportable segment.

During the year ended December 31, 2016, in connection with our annual goodwill impairment test, the Company recognized an impairment charge of $193,000 thousand related to the partial impairment of goodwill at Globe, resulting from a sustained decline in sales prices that continued throughout 2016 and which caused the Company to revise its expected future cash flows from Globe's business operations. The impairment charge is recorded within the Electrometallurgy — North America reportable segment, of which $178,900 thousand is associated with U.S. cash-generating units and $14,100 thousand is associated with Canadian cash-generating units.

Ferroglobe operates in a cyclical market, and silicon and silicon-based alloy index pricing and foreign import pressure into the U.S. and Canadian markets impact the future projected cash flows

**7. Goodwill (Continued)**

used in our impairment analysis. Recoverable value was estimated based on discounted cash flows and market multiples. Estimates under the Company's discounted income based approach involve numerous variables including anticipated sales price and volumes, cost structure, discount rates and long term growth that are subject to change as business conditions change, and therefore could impact fair values in the future. As of December 31, 2017, the remaining goodwill for the U.S and Canadian cash-generating units is $172,913 thousand and $32,374 thousand, respectively.

During the year ended December 31, 2016, the Company recognized an additional goodwill impairment charge of $1,612 thousand associated with its quartz mining business in South Africa, Thaba Chueu Mining (Pty.), Ltd. ("Thaba Chueu"), as a result of its expected future cash flows. In estimating the fair value of Thaba Chueu, we considered cash flow projections using assumptions about overall market conditions, expected domestic sales pricing, and cost reduction initiatives. The impairment charge represented a write-off of the entire goodwill balance at the cash-generating unit, and it is recorded within the Electrometallurgy — South Africa segment.

**Key assumptions used in the determination of recoverable value**

In determining the asset recoverability through value in use, management makes estimates, judgments and assumptions on uncertain matters. For each cash-generating unit, the value in use is determined based on economic assumptions and forecasted operating conditions as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | U.S. | Canada | U.S. | Canada |
| Weighted average cost of capital | 10.5% | 10.5% | 9.0% | 9.5% |
| Long-term growth rate | 1.5% | 1.5% | 2.4% | 3.0% |
| Normalized tax rate | 27.1% | 26.5% | 40.0% | 26.5% |
| Normalized cash free net working capital | 21.0% | 21.0% | 15.0% | 15.0% |

The Company has defined a financial model which considers the revenues, expenditures, cash flows, net tax payments and capital expenditures on a five year period (2018-2022), and perpetuity beyond this tranche. The financial projections to determine the net present value of future cash flows are modeled considering the principal variables that determine the historic flows of each group of cash-generating unit.

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## 7. Goodwill (Continued)

### Sensitivity to changes in assumptions

Changing management's assumptions, could significantly affect the evaluation of the value in use of our cash generating units and, therefore, the impairment result. The following changes to the assumptions used in the impairment test lead to the following:

| | Goodwill | Excess of recoverable value over carrying value | Sensitivity on discount rate | | Sensitivity on long-term growth rate | | Sensitivity on cash flows | |
|---|---|---|---|---|---|---|---|---|
| | | | Decrease by 10% | Increase by 10% | Decrease by 10% | Increase by 10% | Decrease by 10% | Increase by 10% |
| Electrometallurgy — U.S. | 172.9 | 239.8 | 78.8 | (62.4) | (7.1) | 7.4 | (59.3) | 59.3 |
| Electrometallurgy — Canada | 32.4 | — | 12.6 | (10.0) | (1.1) | 1.2 | (10.1) | 10.1 |
| **Total** | **205.3** | | | | | | | |

Refer to Note 9 (Property, plant and equipment) for discussion of Management's impairment analysis of long-lived assets and impairments recognized during the year ended December 31, 2017 and 2016.

## 8. Other intangible assets

Changes in the carrying amount of other intangible assets during the years ended December 31, 2017 and 2016 are as follows:

| | Development Expenditure US$'000 | Power Supply Agreements US$'000 | Rights of Use US$'000 | Computer Software US$'000 | Other Intangible Assets US$'000 | Accumulated Depreciation (Note 25.3) US$'000 | Impairment (Note 25.5) US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2016** | **40,536** | **37,836** | **19,857** | **5,881** | **19,529** | **(43,129)** | **(8,891)** | **71,619** |
| Additions | 1,162 | — | 1,171 | — | 8,160 | (12,649) | (230) | (2,386) |
| Disposals | — | — | — | — | (5,580) | — | — | (5,580) |
| Exchange differences | (1,344) | — | (683) | (66) | (325) | 1,149 | 455 | (814) |
| **Balance at December 31, 2016** | **40,354** | **37,836** | **20,345** | **5,815** | **21,784** | **(54,629)** | **(8,666)** | **62,839** |
| Additions | 260 | — | 55 | — | 14,472 | (8,440) | (443) | 5,904 |
| Disposals | — | — | — | (10) | (14,294) | 565 | — | (13,739) |
| Transfers from/(to) other accounts | 4,044 | — | — | — | (150) | (3,894) | — | — |
| Exchange differences | 5,824 | — | 2,639 | 242 | 2,451 | (6,353) | (1,149) | 3,654 |
| **Balance at December 31, 2017** | **50,482** | **37,836** | **23,039** | **6,047** | **24,263** | **(72,751)** | **(10,258)** | **58,658** |

Development expenditure additions in 2017 and 2016 primarily relate to the development of the "FerroSolar" project, undertaken by several subsidiaries.

Additions and disposals in other intangible asset in 2017 and 2016 primarily relate to the acquisition, use and expiration of rights held to emit greenhouse gasses by several Spanish and French subsidiaries (see Note 4.20).

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

## 8. Other intangible assets (Continued)

As a result of the business combination with Globe in 2015, the Company acquired a power supply agreement which provides favorable below-market power rates to a United States production facility as well as the computer software system used at all United States subsidiaries.

The Company was granted certain rights of use on various assets that will have to be returned, free of charges, in successive years. The cost of the assets associated with these concessions is depreciated over the shorter of the useful life of the assets and the period for use and it is estimated that the costs, if any, to be incurred when the assets are handed over will not be significant.

Refer to Note 9 (Property, plant and equipment) for discussion of Management's impairment analysis of long-lived assets and impairments recognized during the year ended December 31, 2017 and 2016.

## 9. Property, plant and equipment

The detail of property, plant and equipment, net of the related accumulated depreciation and impairment in 2017 and 2016 is as follows:

| | Land and Buildings US$'000 | Plant and Machinery US$'000 | Other Fixtures, Tools and Furniture US$'000 | Advances and Property, Plant and Equipment in the Course of Construction US$'000 | Mineral Reserves US$'000 | Other Items of Property, Plant and Equipment US$'000 | Accumulated Depreciation (Note 25.3) US$'000 | Impairment (Note 25.5) US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2016** | **222,462** | **1,339,403** | **5,100** | **81,028** | **59,989** | **30,059** | **(716,569)** | **(49,899)** | **971,573** |
| Additions | 488 | 3,017 | 801 | 60,035 | — | 204 | (105,695) | (67,624) | (108,774) |
| Disposals and other | (600) | (1,448) | — | (688) | — | (7) | 1,980 | — | (763) |
| Transfers from/(to) other accounts | 4,106 | 57,345 | 116 | (61,567) | — | — | — | — | — |
| Exchange differences | (3,015) | (11,594) | 28 | (2,114) | — | 1,947 | 13,399 | 4,854 | 3,505 |
| Transfer to assets and disposal groups classified as held for sale and discontinued operations (see Note 29) | (32,383) | (166,668) | (73) | (26,829) | — | — | 141,378 | 640 | (83,935) |
| **Balance at December 31, 2016** | **191,058** | **1,220,055** | **5,972** | **49,865** | **59,989** | **32,203** | **(665,507)** | **(112,029)** | **781,606** |
| Additions | 1,665 | 1,849 | 2,262 | 71,204 | — | 1,455 | (94,051) | 104 | (15,512) |
| Disposals and other | (202) | (56,475) | (607) | (1,029) | — | (164) | 49,403 | — | (9,074) |
| Transfers from/(to) other accounts | 5,228 | 49,892 | 377 | (58,480) | (90) | (58) | 3,131 | — | — |
| Exchange differences | 16,843 | 96,709 | 450 | 9,225 | 460 | (1,072) | (73,575) | (5,058) | 43,982 |
| Additions to the scope of consolidation | 1,648 | 97 | — | 16,985 | — | — | — | — | 18,730 |
| Transfer from assets and disposal groups classified as held for sale (see Note 29) | 35,058 | 178,677 | 79 | 40,814 | — | — | (155,726) | (660) | 98,242 |
| **Balance at December 31, 2017** | **251,298** | **1,490,804** | **8,533** | **128,584** | **60,359** | **32,364** | **(936,325)** | **(117,643)** | **917,974** |

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

**9. Property, plant and equipment (Continued)**

Additions to the scope of consolidation represents the contribution by the non-controlling interest partner, Blue Power Corporation, S.L. ("Blue Power") to the solar production facility located in Puertollano, Spain.

During 2017 and 2016 the Company has tested the long-lived assets for impairment of subsidiaries with uncertain cash flows.

As a result of the economic, political and social instability in Venezuela, uncertainty existed surrounding the cash flow generation capacity of FerroAtlántica de Venezuela, SA. ("FerroVen"). Due to these unfavorable conditions, the Company's management decided to cease export sales at FerroVen until free market conditions are reestablished. Operations are continuing at a reduced level of output with sales made to the local domestic market, however until exports recommence the business is expected to generate minimal or negative cash flows. As a result, in 2016, the Company impaired FerroVen's long-lived assets by $58,472 thousand, mostly relation to property, plant and equipment.

In 2016, the Company recognized impairment for the South African group mining subsidiary, Thaba Chueu Mining (Pty) Ltd., to the value of $9,176 thousand, comprising goodwill of $1,612 thousand intangible assets of $230 thousand and Property, plant and equipment of $7,334 thousand. The Company based this impairment assessment on the weak generation of expected future cash flows in the coming years, due to the unfavorable market conditions with third parties which was mainly linked to the low quartz prices in the local market.

During 2016, the Company impaired property, plant and equipment amounting to $1,178 thousand related to abandoned research and development projects.

During 2017, the Company reversed impairment of $685 thousand related to the Company's hydroelectric facilities. During this same period, impairment was recognized of $581 thousand, which related to the abandonment of minor projects.

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject and against which claims might be filed in the pursuit of its business activities. These policies are considered to adequately cover the risks to which the related items were subject at December 31, 2017 and 2016.

***Property, plant and equipment pledged as security***

At December 31, 2017 and 2016, the Company has property, plant and equipment of $660,960 thousand and $597,385 thousand, respectively, pledged as security for outstanding bank loans and other payables.

**9. Property, plant and equipment (Continued)**

***Finance leases***

Finance leases held by the Company included in plant and machinery at December 31 are as follows:

| | Life (Years) | Time Elapsed (Years) | Historical Cost (Euros) | Cost ($) | Accumulated Depreciation ($) | Carrying Amount ($) | Interest Payable ($) | Lease Payments Outstanding ($) |
|---|---|---|---|---|---|---|---|---|
| December 31, 2017 Hydroelectrical installations | 10 | 5.6 | 109,047 | 130,780 | (84,000) | 46,780 | — | 80,639 |
| December 31, 2016 Hydroelectrical installations(*) | 10 | 4.6 | 109,047 | 114,946 | (73,866) | 41,080 | — | 81,383 |

(*) The balance of the assets and liabilities related to Hydroelectrical installations as of December 31, 2016 was presented as a disposal group held for sale (see Note 29). Refer to Note 17 for minimum finance lease payments by year.

These assets will revert back to the Spanish State, free of charges, between 2038 and 2060. The costs incurred at the time of the reversal are not deemed to be significant.

***Commitments***

Pursuant to the FerroSolar JV Agreement, FerroAtlántica has committed to incur capital expenditures in connection with the joint venture of approximately $62,000 thousand over the next two years. Plans for and financing of further phases are subject to agreement and approval by the parties to the FerroSolar JV Agreement pursuant to specified procedures. To the extent the project continues into further phases, we would expect to commit, in the future and subject to appropriate approval and authorization, to incur approximately $53,500 thousand in joint venture-related capital expenditures in the first year of the second phase.

At December 31, 2017 and 2016, the Company has capital expenditure commitments totaling $4,598 thousand and $12,493 thousand, respectively, primarily related to maintenance and improvement works at plants and as of December 31, 2016 the addition of 19 MW of annual capacity to existing hydroelectric power plants in Spain.

## 10. Financial assets

### *Other financial assets*

Other financial assets comprise the following at December 31:

| | 2017 | | |
|---|---|---|---|
| | Non-Current US$'000 | Current US$'000 | Total US$'000 |
| **Other financial assets held with third parties:** | | | |
| **Loans and receivables** | **3,081** | **—** | **3,081** |
| **Other** | **86,234** | **2,469** | **88,703** |
| **Total** | **89,315** | **2,469** | **91,784** |

| | 2016 | | |
|---|---|---|---|
| | Non-Current US$'000 | Current US$'000 | Total US$'000 |
| Other financial assets held with third parties: | | | |
| Loans and receivables | 2,388 | — | 2,388 |
| Other | 3,435 | 4,049 | 7,484 |
| **Total** | **5,823** | **4,049** | **9,872** |

At December 31, 2017, Other includes an amount of $82,638 thousand (2016: $nil) corresponding to an investment in subordinated loan notes issued by a special purpose entity that has purchased accounts receivable from the Company pursuant to a securitization program (see 'Securitization of trade receivables' below). The planned maturity of this amount is July 31, 2020 when the Program term ends.

At December 31, 2017, loans and receivables are stated net of a provision for impairment of $4,462 thousand in respect of amounts due from non-controlling interests (2016: $4,547 thousand). At December 31, 2016, other financial assets were stated net of a provision for impairment of $1,076 thousand. This amount was written off during the year ended December 31, 2017.

Non-current loans and receivables primarily relate to payments to local public-sector entities pursuant to local legislation of various subsidiaries, which will be paid back to the subsidiaries or replaced with third-party loans. These accounts are carried at amortized cost.

The planned long-term maturity of the above non-current loans and receivables at December 31 is as follows:

| | 2017 | | | | | |
|---|---|---|---|---|---|---|
| | 2019 US$'000 | 2020 US$'000 | 2021 US$'000 | 2022 US$'000 | Other US$'000 | Total US$'000 |
| Other financial assets held with third parties: | | | | | | |
| Loans and receivables | 344 | 156 | 161 | 142 | 2,278 | 3,081 |

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

**10. Financial assets (Continued)**

| | 2016 | | | | | |
|---|---|---|---|---|---|---|
| | **2018 US$'000** | **2019 US$'000** | **2020 US$'000** | **2021 US$'000** | **Other US$'000** | **Total US$'000** |
| Other financial assets held with third parties: | | | | | | |
| Loans and receivables | 404 | 153 | 137 | 141 | 1,553 | 2,388 |

***Trade and other receivables***

Trade and other receivables comprise the following at December 31:

| | **2017 US$'000** | **2016 US$'000** |
|---|---|---|
| Trade receivables | 67,947 | 152,303 |
| Trade notes receivable | — | 725 |
| Unmatured discounted notes and bills | — | 719 |
| Doubtful trade receivables | 17,346 | 14,671 |
| Tax receivables[(1)] | 27,118 | 17,299 |
| Employee receivables | 392 | 456 |
| Other receivables | 16,006 | 37,904 |
| Less — allowance for doubtful debts | (17,346) | (14,671) |
| **Total** | **111,463** | **209,406** |

(1) "Tax receivables" is primarily related to VAT receivables, which are recovered either by offsetting against VAT payables or are expected to be refunded by the tax authorities in the relevant jurisdictions.

The trade and other receivables disclosed above are classified as loans and receivables and are therefore measured at amortized cost. Due to the short-term nature of these receivables, their carrying amount is considered to approximate their fair value. The age of the past-due receivables for which no allowance had been recognized is as follows:

| | **2017 US$'000** | **2016 US$'000** |
|---|---|---|
| 0 - 90 days | 22,085 | 54,428 |
| 90 - 180 days | 5,316 | 9,011 |
| 180 - 360 days | 3,938 | 1,061 |
| | **31,339** | **64,500** |

**10. Financial assets (Continued)**

The changes in the allowance for doubtful debts during 2017 and 2016 were as follows:

| | Allowance US$'000 |
|---|---|
| **Balance at January 1, 2016** | **11,068** |
| Impairment losses recognized (Note 25.3) | 7,578 |
| Amounts written off as uncollectible | (3,425) |
| Exchange differences | (550) |
| **Balance at December 31, 2016** | **14,671** |
| Impairment losses recognized (Note 25.3) | 1,784 |
| Amounts written off as uncollectible | (643) |
| Exchange differences | 1,534 |
| **Balance at December 31, 2017** | **17,346** |

Sales to the Company's biggest customer, Dow Corning Corporation, represented 12.2% of the Company's sales during the year ended December 31, 2017 (2016: 13.7%).

***Securitization of trade receivables***

On July 31, 2017, the Company entered into an accounts receivable securitization program (the "Program") where trade receivables held by the Company's subsidiaries in the US, Canada, Spain and France are sold to Ferrous Receivables DAC, a special purpose entity domiciled and incorporated in Ireland (the "SPE"). Eligible receivables are sold to the SPE on an on-going basis at an agreed upon purchase price. Part of the consideration is received upfront in cash and part is deferred in the form of senior subordinated and junior subordinated loans notes issued by the SPE to the selling entities. Up to $250,000 thousand of upfront cash consideration can be provided by the SPE under the Program, financed by ING Bank N.V., as senior lender and Finacity Capital Management Inc., as intermediate subordinated lender and control party. In respect of trade receivables outstanding at December 31, 2017, the SPE had provided upfront cash consideration of approximately $166,525 thousand. The Program has a three-year term until July 31, 2020.

During the year ended December 31, 2017, the Company sold approximately $850 million of trade receivables to the SPE. The loss on transfer of the receivables, or purchase discount, which equates to difference between the carrying amount of the receivable and the purchase consideration, was $7,256 thousand and has been recognized within finance costs in the consolidated income statement (see Note 25.4).

As a lender to the SPE, the Company earns interest on its senior subordinated and junior subordinated loan receivables. During the year ended December 31, 2017, the Company earned interest of $1,313 thousand in respect of these loan receivables, recognized within finance income in the consolidated income statement.

The Company is engaged as master servicer to the SPE whereby the Company is responsible for the cash collection, reporting and cash application of the sold receivables. As master servicer, the Company earns a fixed management fee and an additional servicing fee which entitles the

**10. Financial assets (Continued)**

Company to a residual interest upon liquidation of the SPE. This results in the Company being exposed to variable returns. The additional servicing fee will only be paid out on liquidation of the SPE and from any excess cash flows remaining after all lenders to the SPE have been repaid. During the year ended December 31, 2017, the Company earned $622 thousand of servicing fees from the SPE. The service fee receivables are included in other non-current financial assets in the consolidated statement of financial position and this represents the Company's maximum exposure to loss from this continuing involvement in the transferred assets.

*Judgements relating to the consolidation of the SPE*

The Company does not own shares in the SPE or have the ability to appoint its directors. In determining whether to consolidate the SPE, the Company has evaluated whether it has control over the SPE, in particular, whether it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Receivables are sold to the SPE under a true sale opinion with legal interest transferred from the Company to the SPE. While the sale of receivables to the SPE is without credit recourse, the Company continues to be exposed to the variability of risks and rewards associated with ownership as it is exposed to credit risk as senior subordinated and junior subordinated lender and it has rights to variable returns in respect of its remuneration as master servicer.

The Company considers that the returns of the investees in the SPE are affected by the management of the receivables portfolio. In particular, it is the management of any impaired receivables that significantly impacts the variability of the returns of the SPE. The act of servicing receivables on a day-to-day basis does not constitute a relevant activity, as this does not significantly impact the returns of the SPE. The intermediate subordinated lender, has the unabated ability to remove the Company as servicer of impaired receivables and take the decision to sell such receivables, giving it the unilateral power to affect the relevant activities of these receivables and thereby influence the variable returns. Accordingly, the Company has concluded that it does not control the SPE and therefore does not include the SPE in the Company's consolidation.

*Derecognition of transferred financial assets*

The Company considers that when receivables are sold to the SPE, it has neither substantially transferred or substantially retained all the variability of risks and rewards associated with ownership of the receivables. The assets are pledged as security under the Senior Loans, therefore the SPV is restricted from selling them. According to that, the Company concludes that control of the assets has not been transferred and it should recognize the assets to the extent of its continuing involvement. This continuing involvement has been considered to equate to the investment in the junior subordinated note, and therefore has been deemed immaterial. At December 31, 2017, the derecognition of trade receivables has resulted in the recognition of loans to the SPE and receivables from the SPE totaling $82,638 thousand in aggregate, presented within other non-current financial assets. These loans and receivables have a contractual maturity of July 31, 2020 and their carrying amount of $82,638 thousand represent the entity's maximum exposure to loss from the SPE. As senior subordinated and junior subordinated lender to the SPE, the

**10. Financial assets (Continued)**

Company has a security interest in the sold receivables. This interest is junior to that of the senior lender, ING Bank N.V. The Company's expected credit loss in respect of these loans is not material.

The investment in the senior subordinated and junior subordinated loans is carried at fair value with changes in fair value recognized in profit and loss. As of December 31, 2017, the fair value did not differ significantly from the face value of the loans, and the valuation has been considered as level III in the IFRS fair value hierarchy since it is not primarily based on observable inputs. The senior subordinated and junior subordinated loans main characteristics are as follows:

| | Amount US$'000 | Interest Rate | Currency |
|---|---|---|---|
| Senior subordinated loan | 82,345 | 4% | U.S. Dollars |
| Junior subordinated loan | 293 | 30% | U.S. Dollars |

The junior subordinated loan ranks fourth in the order of priority of payments, whereas the senior subordinated loan ranks second in the priority of payments after the senior lender tranche. Finacity Capital Management Inc.'s investment in the intermediate subordinated loan ranks third in the order of priority of payments and the maximum investment committed by Finacity Capital Management Inc. amounts to $5,000 thousand.

***Factoring without recourse arrangements***

The Company enters into certain factoring without recourse arrangements for trade receivables. There were $3,801 thousand and $100,827 thousand of factored receivables outstanding as of December 31, 2017 and 2016, respectively. These factoring arrangements transfer substantially all the economic risks and rewards associated with the ownership of accounts receivable to a third party and therefore are accounted for by derecognizing the accounts receivable upon receiving the cash proceeds of the factoring arrangement.

**11. Inventories**

Inventories comprise the following at December 31:

| | 2017 US$'000 | 2016 US$'000 |
|---|---|---|
| Finished industrial goods | 160,060 | 116,629 |
| Raw materials in progress and industrial supplies | 177,728 | 176,568 |
| Other inventories | 24,902 | 23,708 |
| Advances to suppliers | 170 | 954 |
| Less — provision for write-downs | (1,629) | (1,157) |
| **Total** | **361,231** | **316,702** |

**11. Inventories (Continued)**

The changes in the provision for write-downs during 2017 and 2016 were as follows:

| | Provision for write-downs US$'000 |
|---|---|
| **Balance at January 1, 2016** | **3,210** |
| Charge for the year (Note 25.3) | — |
| Amount used | (2,048) |
| Exchange differences | (5) |
| **Balance at December 31, 2016** | **1,157** |
| Charge for the year (Note 25.3) | 405 |
| Amount used | (105) |
| Exchange differences | 172 |
| **Balance at December 31, 2017** | **1,629** |

The write-downs in 2017 and 2016 were recognized to adjust the acquisition or production cost to the net realizable value of the inventories. The Company records other than temporary inventory impairment to Cost of sales in the consolidated income statement.

The Company's purchase commitments totaled approximately $28,467 thousand at December 31, 2017 and $19,956 thousand at December 31, 2016.

At December 31, 2017 and 2016, approximately $0 and $118,561 thousand respectively, of inventories are secured as collateral for several outstanding loan agreements.

**12. Other assets**

Other assets comprise the following at December 31:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Non-Current US$'000 | Current US$'000 | Total US$'000 | Non-Current US$'000 | Current US$'000 | Total US$'000 |
| Guarantees and deposits given | 2,022 | 8 | 2,030 | 1,139 | — | 1,139 |
| Prepayments and accrued income | — | 2,977 | 2,977 | — | 6,211 | 6,211 |
| Biological assets | 27,279 | — | 27,279 | 17,365 | — | 17,365 |
| Other assets | 758 | 6,941 | 7,699 | 1,741 | 3,599 | 5,340 |
| **Total** | **30,059** | **9,926** | **39,985** | **20,245** | **9,810** | **30,055** |

Biological assets comprise timber farms in South Africa, which are a source of raw materials used for the production of silicon metal. The biological assets are measured at fair value (see Note 28).

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

## 13. Equity

### Share capital

Ferroglobe PLC was incorporated on February 5, 2015 and issued one ordinary share with a face value of $1.00. The share was issued but uncalled. On October 13, 2015, the Company increased its share capital by £50,000 by issuing 50,000 sterling non-voting redeemable preference shares (the "Non-voting Shares") as well as 14 ordinary shares with a par value of $1.00. Subsequently on October 13, 2015, the Company consolidated the 15 ordinary shares at a par value of $1.00 to two ordinary shares with a par value of $7.50, for a total amount of $15.00.

On December 23, 2015, the Company acquired all of the issued and outstanding ordinary shares from Grupo Villar Mir, S.A.U., par value €1,000 per share, of Grupo FerroAtlántica, in exchange for 98,078,161 newly-issued Ferroglobe Class A ordinary shares, nominal value $7.50 per share, making Grupo FerroAtlántica, a wholly-owned subsidiary of the Company. The Company subsequently redeemed all Non-voting Shares.

Subsequently on December 23, 2015, Gordon Merger Sub, Inc., a wholly owned subsidiary of the Company, merged with Globe and all outstanding shares of GSM common stock, par value $0.0001 per share were converted to the right to receive one newly-issued Ferroglobe ordinary share, nominal value $7.50 per share. The ordinary shares were registered by the Company pursuant to a registration statement on Form F-4, which was declared effective by the SEC on August 11, 2015, and trade on the NASDAQ Global Select Market under the ticker symbol "GSM."

On June 22, 2016 the Company completed a reduction of the share capital and as such the nominal value of each share has been reduced from $7.50 to $0.01, with the amount of the capital reduction being credited to a distributable reserve.

On November 18, 2016, Class A Ordinary Shares were converted into ordinary shares of Ferroglobe as a result of the distribution of beneficial interest units in the Ferroglobe Representation and Warranty Insurance Trust to certain Ferroglobe shareholders.

During the year ended December 31, 2017, the Company issued 138,578 new ordinary shares, comprising: 108,578 shares issued upon vesting of restricted stock units; and 30,000 shares issued upon exercise of stock options.

At December 31, 2017, there were 171,976,731 ordinary shares outstanding with a par value of $0.01, for a total issued and outstanding share capital of $1,796 thousand, (2016: 171,838,153 ordinary shares outstanding with a par value of $0.01, for a total issued and outstanding share capital of $1,795 thousand). At December 31, 2017, the Company's largest shareholder was as follows:

| Name | Number of Shares Beneficially Owned | Percentage of Outstanding Shares |
|---|---|---|
| Grupo Villar Mir, S.A.U. | 94,554,634 | 55.0% |

Ferroglobe PLC and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

December 31, 2017, 2016, and 2015

## 13. Equity (Continued)

### *Valuation adjustments*

Valuation adjustments comprise the following at December 31:

| | 2017<br>US$'000 | 2016<br>US$'000 |
|---|---|---|
| Actuarial gains and losses (Note 15) | (2,998) | (7,509) |
| Hedging instruments and other (Note 19) | (13,801) | (4,378) |
| **Total** | **(16,799)** | **(11,887)** |

### *Capital management*

The Company's primary objective is to maintain a balanced and sustainable capital structure through the industry's economic cycles, while keeping the cost of capital at competitive levels so as to fund the Company's growth. The main sources of financing are as follows:

1. cash flow from operations;
2. bank borrowings, including revolving credit facilities;
3. debt instruments, including the senior notes due 2022; and
4. finance leases, predominantly in relation to hydroelectrical installations.

The Company also focuses on optimizing its working capital, which in 2017 has included the sale of trade receivables pursuant to a securitization programme (see Note 10).

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of financial covenants. To maintain or adjust the capital structure, the Company may restructure or issue new borrowings or debt, make dividend payments, return capital to shareholders or issue new shares. Management's review of the Company's capital structure includes monitoring of the leverage ratio, which was as follows at December 31:

| | 2017<br>US$'000 | 2016(***)<br>US$'000 | 2015<br>US$'000 |
|---|---|---|---|
| Gross financial debt(*) | 571,337 | 514,587 | 516,976 |
| Cash and cash equivalents | (184,472) | (196,931) | (116,666) |
| **Total net financial debt** | **386,865** | **317,656** | **400,310** |
| **Total equity(**)** | **937,758** | **892,042** | **1,294,973** |
| **Total net financial debt / total equity** | **41.25%** | **35.61%** | **30.91%** |

(*) Gross financial debt comprises bank borrowings, obligations under finance leases, debt instruments and other financial liabilities.

(**) Total equity comprises all capital and reserves of Company as stated in the consolidated statement of financial position.

(***) At December 31, 2016, net financial debt excludes gross financial debt of $86,959 thousand and cash and cash equivalents of $51 thousand related to the Spanish energy business as these balances were classified as held for sale as at that date (see Note 29). If these balances had been included, net financial debt would have been $404,615 thousand and the net financial debt / equity ratio would have been 45.4%.

**13. Equity (Continued)**

The classification of the Company's gross financial debt between non-current and current at December 31 is as follows:

| | 2017 | | 2016(*) | | 2015 | |
|---|---|---|---|---|---|---|
| | Balance US$'000 | % | Balance US$'000 | % | Balance US$'000 | % |
| Non-current gross financial debt | 458,056 | 80.17% | 269,325 | 52.34% | 320,993 | 62.09% |
| Current gross financial debt | 113,281 | 19.83% | 245,262 | 47.66% | 195,983 | 37.91% |
| **Total gross financial debt** | **571,337** | **100.00%** | **514,587** | **100.00%** | **516,976** | **100.00%** |

(*) At December 31, 2016, gross financial debt excluded $86,959 thousand related to the Spanish energy business, of which $76,452 thousand would have been presented as non-current and $10,507 thousand would have been presented as current had the business not been classified as held for sale (see Note 29). Had these balances been included, gross financial debt would have been $601,546 thousand.

***Dividends***

There were no dividends paid or proposed by the Company during the year ended December 31, 2017.

During the year ended December 31, 2016, the Company declared four interim dividend payments of $0.08 per share, paid on March 14, August 12, September 28, and December 29, and each totaling $13,747 thousand, respectively, distributed as cash payments through reserves. As of December 31, 2016, all dividends declared were paid.

***Non-controlling interests***

The changes in non-controlling interests in the consolidated statements of financial position in 2017 and 2016 were as follows:

| | Balance US$'000 |
|---|---|
| **Balance at January 1, 2016** | **141,823** |
| Loss for the year | (20,186) |
| Translation differences and other | 3,919 |
| **Balance at December 31, 2016** | **125,556** |
| Loss for the year | (5,144) |
| Dividends paid to joint venture partner | (7,350) |
| Non-controlling interest arising on the acquisition of FerroSolar Opco Group S.L. | 6,750 |
| Translation differences and other | 1,922 |
| **Balance at December 31, 2017** | **121,734** |

During the year ended December 31, 2017, the non-controlling interest in FerroSolar contributed property, plant and equipment with a fair value of $6,750 thousand, resulting in an increase in property, plant and equipment and a corresponding credit recognized within equity.

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

**13. Equity (Continued)**

The stand-alone statutory information regarding the largest non-controlling interests, in accordance with IFRS 12 Disclosure of Interests in Other Entities, is as follows:

WVA Manufacturing, LLC (WVA) was formed on October 28, 2009 as a wholly-owned subsidiary of Globe. On November 5, 2009, Globe sold a 49% membership interest in WVA to Dow Corning Corporation ("Dow Corning"), an unrelated third party. As part of the sale of the 49% membership interest to Dow Corning, an operating agreement and an output and supply agreement were established. The output and supply agreement states that of the silicon metal produced by WVA, 49% will be sold to Dow Corning and 51% to Globe, which represents each member's ownership interest, at a price equal to WVA's actual production cost plus $100 per metric ton. The agreement will automatically terminate upon the dissolution or liquidation of WVA in accordance with the joint venture agreement between Globe and Dow Corning. As of December 31, 2017 and 2016, the balance of non-controlling interest related to WVA was $80,868 thousand and $93,506 thousand, respectively.

Quebec Silicon Limited Partnership (QSLP), formed under the laws of the Province of Québec on August 20, 2010 is managed by its general partner, Quebec Silicon General Partner Inc., which is a wholly-owned subsidiary of Globe. QSLP owns and operates the silicon metal operations in Bécancour, Québec. QSLP's production output is subject to a supply agreement, which sells 51% of the production output to Globe and 49% to Dow Corning, which represents each member's ownership interest, at a price equal to QSLP's actual production cost plus 31 Canadian dollars per metric ton. As of December 31, 2017 and 2016, the balance of non-controlling interest related to QSLP was $46,830 thousand and $45,349 thousand, respectively.

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | **WVA US$'000** | **QSLP US$'000** | **WVA US$'000** | **QSLP US$'000** |
| **Statement of Financial Position** | | | | |
| Non-current assets | 88,532 | 68,521 | 69,329 | 30,410 |
| Current assets | 45,269 | 33,076 | 34,116 | 64,307 |
| Non-current liabilities | 14,678 | 14,213 | 4,226 | 12,276 |
| Current liabilities | 36,359 | 18,346 | 16,121 | 17,016 |
| **Income Statement** | | | | |
| Sales | 161,014 | 97,697 | 165,640 | 96,869 |
| Operating profit | 5,947 | 467 | 6,197 | 833 |
| Profit before taxes | 5,947 | 122 | 6,209 | 886 |
| Net Income | 14,678 | 42 | 9,782 | 886 |
| **Cash Flow Statement** | | | | |
| Cash flows from operating activities | 16,017 | 7,076 | 10,012 | 4,690 |
| Cash flows from investing activities | (2,193) | (5,422) | (8,496) | (6,142) |
| Cash flows from financing activities | (15,000) | (2) | — | — |
| Exchange differences on cash and cash equivalents in foreign currencies | — | 68 | — | 85 |
| Beginning balance of cash and cash equivalents | 1,516 | 742 | — | 2,109 |
| **Ending balance of cash and cash equivalents** | **340** | **2,462** | **1,516** | **742** |

## 14. Earnings (loss) per ordinary share

Basic earnings (loss) per ordinary share are calculated by dividing the consolidated profit (loss) for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held in the year, if any. Dilutive earnings (loss) per share assumes the exercise of stock options, provided that the effect is dilutive.

| | 2017 US$'000 (except for share amounts) | 2016 US$'000 (except for share amounts) | 2015(*) US$'000 (except for share amounts) |
|---|---|---|---|
| **Basic loss per ordinary share computation** | | | |
| Numerator: | | | |
| Loss attributable to the Parent | (678) | (338,427) | (43,268) |
| Denominator: | | | |
| Weighted average basic shares outstanding | 171,949,128 | 171,838,153 | 99,699,262 |
| **Basic loss per ordinary share** | **—** | **(1.97)** | **(0.43)** |
| **Diluted loss per ordinary share computation** | | | |
| Numerator: | | | |
| Loss attributable to the Parent | (678) | (338,427) | (43,268) |
| Denominator: | | | |
| Weighted average basic shares outstanding | 171,949,128 | 171,838,153 | 99,699,262 |
| Effect of dilutive securities | — | — | — |
| Weighted average dilutive shares outstanding | 171,949,128 | 171,838,153 | 99,699,262 |
| **Diluted loss per ordinary share** | **—** | **(1.97)** | **(0.43)** |

(*) Due to the exchange in shares outstanding in which the Company acquired all 200,000 of the issued and outstanding ordinary shares from Grupo VM, of FerroAtlántica in exchange for 98,078,161 newly-issued Ferroglobe Class A ordinary shares in connection with the Business Combination (see Note 13 — Equity), the Company considered the 98,078,163 newly-issued shares related to FerroAtlántica, as the Predecessor, as the total shares outstanding for the period from January 1, 2015 to December 23, 2015 (date of Business Combination) for the purposes of calculating average number of shares outstanding.

Potential ordinary shares of 170,673, 96,236, and 107,913 were excluded from the calculation of diluted earnings (loss) per ordinary share in 2017, 2016, and 2015 respectively because their effect would be anti-dilutive.

## 15. Provisions

Provisions comprise the following at December 31:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Non-Current US$'000 | Current US$'000 | Total US$'000 | Non-Current US$'000 | Current US$'000 | Total US$'000 |
| Provision for pensions | 59,195 | — | 59,195 | 60,660 | 216 | 60,876 |
| Environmental provision | 3,121 | 346 | 3,467 | 2,778 | 305 | 3,083 |
| Provisions for litigation | — | 11,732 | 11,732 | — | — | — |
| Provisions for third-party liability | 7,639 | — | 7,639 | 5,822 | 13 | 5,835 |
| Other provisions | 12,442 | 21,017 | 33,459 | 12,697 | 19,093 | 31,790 |
| **Total** | **82,397** | **33,095** | **115,492** | **81,957** | **19,627** | **101,584** |

The changes in the various line items of provisions in 2017 and 2016 were as follows:

| | Provision for Pensions US$'000 | Environmental Provision US$'000 | Provisions for Litigation in Progress US$'000 | Provisions for Third Party Liability US$'000 | Other Provisions US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| **Balance at January 1, 2016** | **58,503** | **2,725** | **787** | **7,288** | **21,560** | **90,863** |
| Charges for the year | 6,009 | 272 | — | — | 6,777 | 13,058 |
| Provisions reversed with a credit to income | — | — | — | (1,765) | (156) | (1,921) |
| Amounts used | (4,812) | (62) | — | (189) | (2,508) | (7,571) |
| Provision against equity | (4,297) | — | — | — | — | (4,297) |
| Transfers from/(to) other accounts | — | — | (787) | — | 7,384 | 6,597 |
| Exchange differences and others | 5,473 | 148 | — | 501 | 61 | 6,183 |
| Transfer to liabilities associated with assets held for sale (see Note 29) | — | — | — | — | (1,328) | (1,328) |
| **Balance at December 31, 2016** | **60,876** | **3,083** | **—** | **5,835** | **31,790** | **101,584** |
| Charges for the year | 5,082 | 133 | 10,807 | 2,451 | 8,440 | 26,913 |
| Provisions reversed with a credit to income | (1,321) | — | (237) | (181) | (545) | (2,284) |
| Amounts used | (2,304) | (93) | — | — | (8,818) | (11,215) |
| Provision against equity | (4,511) | — | — | — | — | (4,511) |
| Transfers from/(to) other accounts | — | — | 931 | (12) | (612) | 307 |
| Exchange differences and others | 1,373 | 344 | 231 | (454) | 1,739 | 3,233 |
| Transfer from liabilities associated with assets held for sale (see Note 29) | — | — | — | — | 1,465 | 1,465 |
| **Balance at December 31, 2017** | **59,195** | **3,467** | **11,732** | **7,639** | **33,459** | **115,492** |

**15. Provisions (Continued)**

The main provisions relating to employee obligations are as follows:

**France**

These relate to various obligations assumed by FerroPem, S.A.S. with various groups of employees relate to long-service benefits, medical insurance supplements and retirement obligations, all of which are defined benefit obligations, whose changes in 2017 and 2016 were as follows:

| | 2017 US$'000 | 2016 US$'000 |
|---|---|---|
| **Obligations at the beginning of year** | **29,733** | **26,834** |
| Current service cost | 1,834 | 1,530 |
| Borrowing costs | 383 | 527 |
| Actuarial differences | (4,570) | 2,854 |
| Benefits paid | (1,471) | (972) |
| Exchange differences | 3,859 | (1,040) |
| **Obligations at the end of year** | **29,768** | **29,733** |

At December 31, 2017 and 2016, the effect of a 1% change in the cost of this provision would have resulted in a change to the provision of approximately $3,970 thousand and $1,926 thousand, respectively.

The following table reflects the gross benefit payments that are expected to be paid for the benefit plans for the year ended December 31, 2017:

| | 2017 US$'000 |
|---|---|
| 2018 | 1,485 |
| 2019 | 1,066 |
| 2020 | 1,472 |
| 2021 | 1,211 |
| 2022 | 1,431 |
| Years 2023-2027 | 9,190 |

The subsidiary recognized provisions in this connection based on an actuarial study performed by an independent expert.

**South Africa**

Defined benefit plans relate to Retirement medical aid obligations and Retirement benefits. Actuarial valuations are performed periodically by independent third parties and in the actuary's opinion the fund was in a sound financial position. The valuation was based upon the amounts as per the latest valuation report received from third party experts.

**15. Provisions (Continued)**

*Retirement medical aid obligations*

The Company provides post-retirement benefits by way of medical aid contributions for employees and/or dependents.

*Retirement benefits*

It is the policy of the Company to provide retirement benefits to all its employees and therefore membership of the retirement fund is compulsory. The Company has both defined contribution and defined benefit plans. The pension fund obligation is recognized in current provisions as the Company will contribute the difference to the plan assets within the next 12 months.

The changes in this provision in 2017 and 2016 were as follows:

| | 2017 US$'000 | 2016 US$'000 |
|---|---|---|
| **Obligations at beginning of year** | **8,760** | **7,989** |
| Current service cost | 310 | 307 |
| Borrowing costs | 932 | 817 |
| Actuarial differences | (2,226) | (998) |
| Benefits paid | (740) | (424) |
| Exchange differences | 836 | 1,069 |
| **Obligations at end of year** | **7,872** | **8,760** |

At December 31, 2017 and 2016, the effect of a 1% change in the cost of the medical aid would have resulted in a change to the provision of approximately $297 thousand and $607 thousand, respectively.

The breakdown, in percentage, of the plan assets are as follows:

| | 2017 | 2016 |
|---|---|---|
| Cash | 47.45% | 17.42% |
| Equity | 24.79% | 35.31% |
| Bond | 7.66% | 13.23% |
| Property | 1.41% | 2.76% |
| International | 15.74% | 25.47% |
| Others | 2.95% | 5.81% |
| **Total** | **100.00%** | **100.00%** |

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

**15. Provisions (Continued)**

As of December 31, 2017 and 2016 the Plan assets amounted to $2,248 thousand and $3,532 thousand, respectively. Changes in the fair value of plan assets linked to the defined benefit plans in South Africa were as set forth in the following table:

| | 2017 US$'000 | 2016 US$'000 |
|---|---|---|
| **Fair value of plan assets at the beginning of the year** | **3,532** | **2,703** |
| Interest income on assets | 255 | 284 |
| Benefits paid | (2,609) | — |
| Actuarial differences | 270 | (112) |
| Other | 800 | 657 |
| **Fair value of plan assets at the end of the year** | **2,248** | **3,532** |
| **Actual return on assets** | **525** | **165** |

**Venezuela**

***Benefit Plan***

The company FerroVen has pension obligations to all of its employees who, once reaching retirement age, have accumulated at least 15 years of service to the company and receive a Venezuelan Social Security Institute (IVSS) pension. In addition to the pension paid by the IVSS, 80% of the basic salary accrued when the pension benefit is awarded is guaranteed and paid by means of a lifelong monthly pension.

The most recent of the present value of the defined benefit obligation actuarial valuation was determined at December 31, 2017 by independent actuaries. The present value of the obligation for defined benefit cost, the current service cost and past service cost were determined using the projected unit credit method.

The changes in this provision in 2017 and 2016 were as follows:

| | 2017 US$'000 | 2016 US$'000 |
|---|---|---|
| **Obligations at the beginning of year** | **2,955** | **3,089** |
| Current service cost | 158 | 89 |
| Borrowing costs | 2,255 | 535 |
| Actuarial differences | — | 2,262 |
| Benefits paid | (93) | (135) |
| Exchange differences | (3,392) | (2,885) |
| **Obligations at the end of year** | **1,883** | **2,955** |

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

**15. Provisions (Continued)**

The summary of the main actuarial assumptions used to calculate the aforementioned obligations is as follows:

| | France | | South Africa | | Venezuela | |
|---|---|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Salary increase | 1.60% - 6.10% | 1.60% - 6.10% | 8.1% | 8.2% | 207.25% | 60% |
| Discount rate | 2% | 2% | 10.3% | 9.8% | 219.54% | 76.80% |
| Expected inflation rate | 1.60% | 1.60% | 7.10% | 7.2% | 207% | 200% |
| Mortality | TGH05/TGF05 | TGH05/TGF05 | SA 85 - 90 / PA (90) | PA(90) | UP94 | UP94 |
| Retirement age | 65 | 65 | 63 | 63 | 63 | 63 |

**North America**

***a. Defined Benefit Retirement and Post-retirement Plans***

Globe Metallurgical Inc. (GMI) sponsors three non-contributory defined benefit pension plans covering certain employees, which were all frozen in 2003. Core Metals sponsors a non-contributory defined benefit pension plan covering certain employees, which was closed to new participants in April 2009.

Quebec Silicon, sponsors a contributory defined benefit pension plan and postretirement benefit plan for certain employees, based on length of service and remuneration. Post-retirement benefits consist of a group insurance plan covering plan members for life insurance, disability, hospital, medical, and dental benefits. The contributory defined benefit pension plan was closed to new participants in December 2013. On December 27, 2013, the Communications, Energy and Paper Workers Union of Canada ("CEP") ratified a new collective bargaining agreement, which resulted in a curtailment pertaining to the closure of the postretirement benefit plan for union employees retiring after January 31, 2016. The Company funding policy has been to contribute, as necessary, an amount in excess of the minimum requirements in order to achieve the Company's long-term funding targets.

**15. Provisions (Continued)**

*Benefit Obligations and Funded Status* — The following provides a reconciliation of the benefit obligations, plan assets and funded status of the North American plans as of December 31, 2017 and 2016:

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | USA | Canada | | | USA | Canada | | |
| | Pension Plans US$'000 | Pension Plans US$'000 | Post-retirement Plans US$'000 | Total US$'000 | Pension Plans US$'000 | Pension Plans US$'000 | Post-retirement Plans US$'000 | Total US$'000 |
| Benefit obligation | 38,195 | 24,788 | 8,837 | 71,820 | 36,762 | 21,854 | 7,382 | 65,998 |
| Fair value of plan assets | (32,869) | (19,283) | — | (52,152) | (29,711) | (16,859) | — | (46,570) |
| **Provision for pensions** | **5,326** | **5,505** | **8,837** | **19,668** | **7,051** | **4,995** | **7,382** | **19,428** |

All North American pension and post-retirement plans are underfunded. At December 31, 2017 and 2016, the accumulated benefit obligation was $62,983 thousand and $58,616 thousand for the defined pension plan and $8,837 thousand and $7,382 thousand for the postretirement plans, respectively.

The assumptions used to determine benefit obligations at December 31, 2017 and 2016 for the North American plans are as follows:

| | North America — 2017 | | | North America — 2016 | | |
|---|---|---|---|---|---|---|
| | USA | Canada | | USA | Canada | |
| | Pension Plan | Pension Plan | Post-retirement Plan | Pension Plan | Pension Plan | Post-retirement Plan |
| Salary increase | N/A | 2.75% - 3.00% | N/A | N/A | 2.75% - 3.00% | N/A |
| Discount rate | 3.50% | 3.60% | 3.65% | 3.75% - 4.00% | 3.95% | 4.05% |
| Expected inflation rate | N/A | N/A | N/A | N/A | N/A | N/A |
| Mortality | SOA RP-2014 Total Dataset Mortality | CPM2014-Private | CPM2014-Private | SOA RP-2014 Total Dataset Mortality | CPM2014-Private | CPM2014-Private |
| Retirement age | 65 | 62 | 62 | 65 | 65 | 55 |

The discount rate used in calculating the present value of our North American pension plan obligations is developed based on the BPS&M Pension Discount Curve for 2017 and 2016; and the Mercer Proprietary Yield Curve for 2017 and 2016 Quebec Silicon pension and post-retirement benefit plans and the expected cash flows of the benefit payments.

The Company expects to make discretionary contributions of approximately $1,119 thousand to the defined benefit pension and post-retirement plans for the year ending December 31, 2018.

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

**15. Provisions (Continued)**

The following reflects the gross benefit payments that are expected to be paid for the benefit plans for the year ended December 31, 2017:

| | Pension Plans US$'000 | Non-pension Post-retirement Plans US$'000 |
|---|---|---|
| 2018 | 3,222 | 230 |
| 2019 | 3,300 | 233 |
| 2020 | 3,338 | 232 |
| 2021 | 3,373 | 240 |
| 2022 | 3,373 | 240 |
| Years 2023 - 2027 | 17,689 | 1,533 |

The accumulated non-pension post-retirement benefit obligation has been determined by application of the provisions of the Company's health care and life insurance plans including established maximums, relevant actuarial assumptions and health care cost trend rates projected at 5.8% for 2017 and decreasing to an ultimate rate of 4.2% in fiscal 2033. At December 31, 2017 and 2016, the effect of a 1% increase in health care cost trend rate on the non-pension postretirement benefit obligation is $1,862 thousand and $1,857 thousand, respectively. At December 31, 2017 and 2016 the effect of a 1% decrease in health care cost trend rate on the non-pension postretirement benefit obligation is ($1,442) thousand and ($1,451) thousand, respectively.

The changes of this provision in 2017 were as follows:

| | 2017 | | | |
|---|---|---|---|---|
| | USA | Canada | | |
| | Pension Plans US$'000 | Pension Plans US$'000 | Post-retirement Plans US$'000 | Total US$'000 |
| **Obligations at the beginning of year** | **36,762** | **21,854** | **7,382** | **65,998** |
| Service cost | 169 | 136 | 302 | **607** |
| Borrowing cost | 1,421 | 873 | 305 | **2,599** |
| Actuarial differences | 1,782 | 1,310 | 463 | **3,555** |
| Benefits paid | (1,845) | (986) | (163) | **(2,994)** |
| Exchange differences | — | 1,601 | 548 | **2,149** |
| Expenses | (94) | — | — | **(94)** |
| Plan amendments | — | — | — | **—** |
| **Obligations at the end of year** | **38,195** | **24,788** | **8,837** | **71,820** |

**15. Provisions (Continued)**

The plan assets of the defined benefit and retirement and post retirement plans in North America are comprised of assets that have quoted market prices in an active market. The breakdown as of as of December 31, 2017 and 2016 of the assets by class are:

| | 2017 | 2016 |
|---|---|---|
| Cash | 2% | 2% |
| Equity Mutual Funds | 45% | 46% |
| Fixed Income Securities | 51% | 50% |
| Real Estate Mutual Funds | 2% | 2% |
| **Total** | **100%** | **100%** |

For the year ended December 31, 2017, the changes in Plan assets were as follows:

| | 2017 | | |
|---|---|---|---|
| | USA | Canada | |
| | Pension Plans US$'000 | Pension Plans US$'000 | Total US$'000 |
| **Fair value of plan assets at the beginning of the year** | **29,711** | **16,859** | **46,570** |
| Interest income on assets | 1,138 | 686 | 1,824 |
| Benefits paid | (1,845) | (986) | (2,831) |
| Actuarial return on plan assets | 3,980 | 785 | 4,765 |
| Other | (115) | 1,939 | 1,824 |
| **Fair value of plan assets at the end of the year** | **32,869** | **19,283** | **52,152** |

***b. Other Benefit Plans***

The Company administers healthcare benefits for certain retired employees through a separate welfare plan requiring reimbursement from the retirees.

The Company's subsidiary, GMI, provides two defined contribution plans (401(k) plans) that allow for employee contributions on a pretax basis. The Company agrees to match 25% of participants' contributions up to a maximum of 6% of compensation. Additionally, subsequent to the acquisition of Core Metals, the Company began sponsoring the Core Metals defined contribution plan. Under the plan the Company may make discretionary payments to salaried and non-union participants in the form of profit sharing and matching funds.

Other benefit plans offered by the Company include a Section 125 cafeteria plan for the pretax payment of healthcare costs and flexible spending arrangements.

**Environmental provision**

Environmental provisions relate to current ($346 thousand) and non-current ($3,121 thousand) environmental rehabilitation obligations.

## 15. Provisions (Continued)

### Provisions for litigation

In March 2017, the Company received a demand for mediation from our North American joint venture partner regarding a dispute in relation to the price of coal charged by our subsidiary, Alden, to our North American joint ventures. The parties are engaged in a non-binding mediation process and the Company has recognized a provision of $8,900 thousand during the year ended December 31, 2017 as part of the current portion of Provisions for litigation. The associated expense has been recorded to Other operating expense in the Consolidated Income Statement.

Certain employees of FerroPem, S.A.S., then known as Pechiney Electrometallurgie, S.A., may have been exposed to asbestos at its plants in France in the decades prior to FerroAtlántica's purchase of that business in December 2004. The Company has recognized a provision of $2,339 thousand during the year ended December 31, 2017 as part of the current portion of Provisions for litigation. The associated expense has been recorded to Staff costs in the Consolidated Income Statement. See Note 24 for further information.

The outcome of these disputes, including the amount and timing of any potential settlements, remains uncertain. The provision reflects the Company's best estimate of the expenditure required to settle its present obligations.

### Provisions for third-party liability

Provisions for third-party liability relate to current obligations ($7,639 thousand) relating to health costs for retired employees.

### Other provisions

Included in other provisions are current obligations arising from past actions that involve a probable outflow of resources that can be reliably estimated. Other provisions include asset retirement obligations of $8,679 thousand (non-current: $3,958 thousand and current: $4,721 thousand), retained acquisition contingencies of $4,976 thousand, all of which is non-current, and provisions for liabilities related to the emission of greenhouse gases of $7,280 thousand, all of which is current.

## 16. Bank borrowings

Bank borrowings comprise the following at December 31:

| | 2017 | | | |
|---|---|---|---|---|
| | Limit US$'000 | Non-Current Amount Drawn Down US$'000 | Current Amount Drawn Down US$'000 | Total US$'000 |
| **Borrowings carried at amortised cost:** | | | | |
| Credit facilities | 200,000 | — | — | — |
| Other loans | | — | 1,003 | 1,003 |
| **Total** | | **—** | **1,003** | **1,003** |

**16. Bank borrowings (Continued)**

| | 2016 | | | |
|---|---|---|---|---|
| | Limit US$'000 | Non-Current Amount Drawn Down US$'000 | Current Amount Drawn Down US$'000 | Total US$'000 |
| **Borrowings carried at amortised cost:** | | | | |
| Borrowings to finance investments | 76,000 | 8,198 | 64,545 | 72,743 |
| Credit facilities | 453,000 | 171,260 | 166,950 | 338,210 |
| Discounted bills and notes | 8,000 | — | 719 | 719 |
| Other loans | 10,000 | 15 | 9,604 | 9,619 |
| **Total** | | **179,473** | **241,818** | **421,291** |

On February 15, 2017, the Company issued senior notes with a principal amount of $350,000 thousand (see Note 18 for further details). The proceeds were used primarily to repay existing indebtedness, including borrowings to finance investments and certain credit facilities and other loans.

**Amended Revolving Credit Facility**

On February 15, 2017, Ferroglobe PLC and (collectively, together with certain subsidiaries of Ferroglobe party thereto from time to time as co-borrowers, the "Borrowers"), entered into an agreement to amend an existing revolving credit facility held by Globe.

The Amended Revolving Credit Facility provided for borrowings up to an aggregate principal amount of $200,000 thousand to be made available to the Borrowers in US dollars. During 2017, multicurrency borrowings under the Amended Revolving Credit Facility were available in Euros, Pound Sterling and such other mutually agreeable currencies to be determined in an aggregate amount not to exceed $100,000 thousand. The borrowings under the Amended Revolving Credit Facility were set to mature on August 20, 2018. Subject to certain exceptions, loans under the Amended Revolving Credit Facility were available to be borrowed, repaid and reborrowed at any time.

At Ferroglobe's option, loans under the Amended Revolving Credit Facility bore interest based on LIBOR ("LIBOR Rate Loans") or the administrative agent's base rate ("Base Rate Loans") plus 4.00% (in the case of LIBOR Rate Loans) and 3.00% (in the case of Base Rate Loans). Interest on Base Rate Loans was payable quarterly in arrears. Interest on LIBOR Rate Loans was payable at the end of each applicable interest period (one, two, three or six month periods) (or at three month intervals if earlier).

Immediately subsequent to the amendment, on February 15, 2017, borrowings under the Amended Revolving Credit Facility comprised US dollar loans of $84,766 thousand and Euro loans of €29,540 thousand. These loans were repaid over the course of the year ended December 31, 2017.

**16. Bank borrowings (Continued)**

Subsequent to December 31, 2017, Ferroglobe entered into a new revolving credit facility (see Note 30 for further details) and all sums outstanding under the Amended Revolving Credit Facility were repaid in full and the facility cancelled.

**Borrowings to finance investments**

Borrowings to finance investments include bank borrowings, secured by guarantee, arranged to finance investments in non-current assets. There were no borrowings to finance investments at December 31, 2017. Borrowings as at December 31, 2016 were as follows:

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Maturity | Limit US$'000 | Non-Current US$'000 | Current US$'000 | Total US$'000 |
| Corporate finance | 2021 | 14,000 | — | 13,350 | 13,350 |
| Sundry investments in South Africa | 2018 | 25,000 | — | 23,840 | 23,840 |
| Syndicated financing for sundry investments in France | 2018 | 17,000 | 8,198 | 8,199 | 16,397 |
| Investments in Mangshi plant | 2019 | 14,000 | — | 13,176 | 13,176 |
| Acquisition of SamQuarz (Pty.), Ltd. | 2018 | 6,000 | — | 5,781 | 5,781 |
| Others | | — | — | 199 | 199 |
| **Total** | | **76,000** | **8,198** | **64,545** | **72,743** |

The agreements for borrowings to finance investments include conditions relating to the achievement of certain financial and equity ratios based on the separate financial statements of the legal entity that is party to the agreement. With the exception of the syndicated credit facilities of FerroPem, S.A.S., Ferroglobe was not in compliance with these covenants and therefore the balances outstanding were presented as current as at December 31, 2016.

**Foreign currency exposure of bank borrowings**

The breakdown by currency of bank borrowings at December 31, is as follows:

| | 2017 | | |
|---|---|---|---|
| | Non-Current Amount Drawn Down US$'000 | Current Amount Drawn Down US$'000 | Total US$'000 |
| Borrowings in US Dollars | — | 992 | 992 |
| Borrowings in other currencies | — | 11 | 11 |
| **Total** | **—** | **1,003** | **1,003** |

## 16. Bank borrowings (Continued)

| | 2016 | | |
|---|---|---|---|
| | Non-Current Amount Drawn Down US$'000 | Current Amount Drawn Down US$'000 | Total US$'000 |
| Borrowings in Euros | 54,458 | 179,900 | 234,358 |
| Borrowings in US Dollars | 125,015 | 32,283 | 157,298 |
| Borrowings in other currencies | — | 29,635 | 29,635 |
| **Total** | **179,473** | **241,818** | **421,291** |

### Contractual maturity of non-current bank borrowings

There were no non-current bank borrowings outstanding at December 31, 2017.

The contractual maturity of non-current bank borrowings at December 31, 2016, was as follows:

| | 2016 | |
|---|---|---|
| | 2018 US$'000 | Total US$'000 |
| Borrowings to finance investments | 8,198 | 8,198 |
| Credit facilities | 171,260 | 171,260 |
| Other loans | 15 | 15 |
| **Total** | **179,473** | **179,473** |

## 17. Leases

### Obligations under finance leases

Obligations under finance leases comprise the following at December 31:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Non-Current US$'000 | Current US$'000 | Total US$'000 | Non-Current US$'000 | Current US$'000 | Total US$'000 |
| Hydroelectrical installations (including power lines and concessions) | 68,088 | 12,551 | 80,639 | — | — | — |
| Other finance leases | 1,625 | 369 | 1,994 | 3,385 | 1,852 | 5,237 |
| **Total** | **69,713** | **12,920** | **82,633** | **3,385** | **1,852** | **5,237** |

**17. Leases (Continued)**

The Company's most significant finance lease relates to its rights to use certain hydroelectrical installations. As of December 31, 2016, the Company has a non-current and current balance of $70,876 thousand and $10,507 thousand, respectively, related to its Spanish hydroelectrical installations. The Company signed an agreement for the sale of its Spanish energy business on December 12, 2016 and, as of December 31, 2016, these financial lease obligations were recognized in the account "Liabilities associated with assets held for sale — obligations under financial leases" (see Note 29). Subsequently, the Company did not receive the necessary regulatory approvals for the sale and the financial lease obligations of the Company's Spanish energy business are recognized in "Obligations under finance leases" as of December 31, 2017.

The detail, by maturity, of the non-current payment obligations under finance leases as of December 31, 2017 is as follows:

| | 2019 US$'000 | 2020 US$'000 | 2021 US$'000 | 2022 US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| Hydroelectrical installations (including power lines and concessions) | 13,173 | 13,824 | 14,506 | 26,585 | 68,088 |
| Other finance leases | 467 | 446 | 471 | 241 | 1,625 |
| **Total** | **13,640** | **14,270** | **14,977** | **26,826** | **69,713** |

**Operating leases**

The Company also enters into operating leases, the most significant of which relates to the Company's office leases. Expenses associated with operating leases are recorded in other operating expenses in the consolidated income statement, and the minimum lease payments on operating leases, at December 31, are as follows:

| | 2017 US$'000 | 2016 US$'000 |
|---|---|---|
| Within one year | 2,361 | 1,788 |
| Between one and five years | 6,557 | 5,555 |
| After five years | 3,789 | 2,315 |
| **Total** | **12,707** | **9,658** |

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

## 18. Debt instruments

Debt instruments comprise the following at December 31:

| | 2017 US$'000 |
|---|---|
| **Unsecured notes carried at amortised cost** | |
| Principal amount | 350,000 |
| Unamortised issuance costs | (10,668) |
| Accrued coupon interest | 10,938 |
| **Total** | **350,270** |
| Amount due for settlement within 12 months | 10,938 |
| Amount due for settlement after 12 months | 339,332 |
| **Total** | **350,270** |

On February 15, 2017, Ferroglobe and Globe (together, the "Issuers") issued $350,000 thousand aggregate principal amount of 9.375% Senior Notes due March 1, 2022. Issuance costs of $12,116 thousand were incurred. The principal amounts of the Notes issued by Ferroglobe and Globe were $150,000 thousand and $200,000 thousand, respectively. Interest on the Notes is payable semi-annually on March 1 and September 1 of each year, commencing on September 1, 2017.

At any time prior to March 1, 2019, the Issuers may redeem all or a portion of the Notes at a redemption price based on a "make-whole" premium. At any time on or after March 1, 2019, the Issuers may redeem all or a portion of the Notes at redemption prices varying based on the period during which the redemption occurs. In addition, at any time prior to March 1, 2019, the Issuers may redeem up to 35% of the aggregate principal amount of the Notes with the net proceeds from certain equity offerings at a redemption price of 109.375% of the principal amount of the Notes, plus accrued and unpaid interest.

The Notes are senior unsecured obligations of the Issuers and are guaranteed on a senior basis by certain subsidiaries of Ferroglobe. The Notes are listed on the Irish Global Exchange Market. The associated indenture of the notes contains certain negative covenants. Additionally, if the Issuers experience a change of control the indenture requires the Issuers to offer to redeem the Notes at 101% of their principal amount. At December 31, 2017, Grupo VM owned 55% of the Company's issued and outstanding shares and has pledged them to secure its obligations to certain banks. The Company would experience a change in control and would be required to offer redemption of bonds in accordance with the indenture if Grupo VM defaults on the underlying loan.

The fair value of the Notes, determined by reference to the closing market price on the last trading day of the year, was $378,000 thousand as at December 31, 2017.

## 19. Other financial liabilities

Other financial liabilities comprise the following at December 31:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Non-Current US$'000 | Current US$'000 | Total US$'000 | Non-Current US$'000 | Current US$'000 | Total US$'000 |
| Financial loans from government agencies | 10,971 | 88,420 | 99,391 | 85,768 | 1,592 | 87,360 |
| Derivative financial instruments | 38,040 | — | 38,040 | 699 | — | 699 |
| **Total** | **49,011** | **88,420** | **137,431** | **86,467** | **1,592** | **88,059** |

### Financial loans from government agencies

On September 8, 2016, FerroAtlántica, S.A., as borrower, and the Spanish Ministry of Industry, Tourism and Commerce (the 'Ministry'), as lender, entered into two loan agreements under which the Ministry made available to the borrower loans in aggregate principal amount of €44.9 million and €26.9 million, respectively, in connection with industrial development projects relating to the Company's solar grade silicon project. The loan of €44.9 million is contractually due to be repaid in 7 installments over a 10-year period with the first three years as a grace period. The loan of €26.9 million was repaid in April 2018. Interest on outstanding amounts under each loan accrues at an annual rate of 2.29%. As of December 31, 2017, the amortized cost of these loans was €72,517 thousand (equivalent to $86,969 thousand).

The agreements governing the loans contain the following limitations on the use of the proceeds of the outstanding loan: (1) the investment of the proceeds must occur between January 1, 2016 and May 23, 2018; (2) the allocation of the proceeds must adhere to certain approved budget categories; (3) if the final investment cost is lower than the budgeted amount, the borrower must reimburse the Ministry proportionally; and (4) the borrower must comply with certain statutory restrictions regarding related party transactions and the procurement of goods and services. The Company is currently seeking an extension from the Ministry in order to be able to use the proceeds subsequent to May 23, 2018. As of December 31, 2017, the carrying amount of these loans has been presented within current liabilities due to non-compliance with the loan conditions.

The remaining non-current and current balances are related to loans granted mainly by French and Spanish government agencies.

## 19. Other financial liabilities (Continued)

### Derivative financial instruments

Derivative financial instruments comprise the following at December 31:

| | 2017 US$'000 | 2016 US$'000 |
|---|---|---|
| **Derivatives designated as hedging instruments** | | |
| Cross currency swap | 26,219 | — |
| | | |
| **Derivatives not designated as hedging instruments** | | |
| Cross currency swap | 7,429 | — |
| Interest rate swaps | 4,392 | 699 |
| | **38,040** | **699** |

*Cross currency swap*

The Company's operations generate cash flows predominantly in Euros and US dollars. The Company is exposed to exchange rate fluctuations between these currencies as it expects to convert Euros into US dollars to settle a proportion of the interest and principal of the Notes (see Note 18). To manage this currency risk, the Parent Company entered a cross-currency swap (the "CCS") on May 12, 2017 where on a semi-annual basis it will receive interest of 9.375% on a notional of $192,500 thousand and pay interest of 8.062% on a notional of €176,638 thousand and it will exchange these Euro and US dollar notional amounts at maturity of the Notes in 2022. The timing of payments of interest and principal under the CCS coincide exactly with those of the Notes.

The fair value of the CCS at December 31, 2017 was $33,648 thousand (see Note 28).

The Parent Company, which has a Euro functional currency, has designated $150,000 thousand of the notional amount of the CCS as a cash flow hedge of the variability of the Euro functional currency equivalents of the future US dollar cash flows of $150,000 thousand of the principal amount of the Notes. This cash flow hedge was assessed to be highly effective at December 31, 2017. During the year ended December 31, 2017, the change in fair value of the CCS has resulted in a loss of $24,171 thousand recognized through other comprehensive income in the valuation adjustments reserve. Amounts transferred from the valuation adjustments reserve to the income statement comprise a loss of $14,791 thousand transferred to exchange differences and a gain of $1,216 thousand transferred to finance costs. At December 31, 2017, a balance of $10,596 thousand in respect of the cash flow hedge of the CCS remained in the valuation adjustment reserve and will be reclassified to the income statement as the hedged item affects profit or loss over the period to maturity of the Notes.

The remaining $42,500 thousand of the notional amount of the CCS is not designated as a cash flow hedge and is accounted for at fair value through profit or loss, resulting in an expense of $6,850 thousand for the year ended December 31, 2017, which is recorded in financial derivative loss in the consolidated income statement.

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

**19. Other financial liabilities (Continued)**

*Interest rate swaps*

The Company enters into interest rate swaps to manage the risk of changes in interest rates on certain non-current and current obligations. Since June 30, 2015, the interest rate swaps have been considered as ineffective hedges and as a result the changes in fair value of these derivatives are recognized through profit or loss.

The following interest rate swaps were outstanding at December 31:

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Nominal Amount US$'000 | Maturity | Fixed Interest Rate | Reference Floating Interest Rate | Fair Value US$'000 |
| Lease of hydroelectrical installations | 143,916 | 2022 | 2.05 | 6-month Euribor | (4,392) |
| **Total** | | | | | **(4,392)** |

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Nominal Amount US$'000 | Maturity | Fixed Interest Rate | Reference Floating Interest Rate | Fair Value US$'000 |
| Lease of hydroelectrical installations | 126,492 | 2022 | 2.05 | 6-month Euribor | (5,576) |
| Borrowings to finance investments in Chinese subsidiaries | 26,353 | 2019 | 2.81% | 6-month Euribor | (699) |
| **Total** | | | | | **(6,275)** |
| Presented in the statement of financial position as: | | | | | |
| Other financial liabilities | | | | | (699) |
| Liabilities associated with assets classified as held for sale | | | | | (5,576) |
| **Total** | | | | | **(6,275)** |

On February 15, 2017, the interest rate swap related to borrowings to finance investments in Chinese subsidiaries was settled together with the related borrowings.

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

## 20. Trade and other payables

Trade and other payables comprise the following at December 31:

| | 2017 US$'000 | 2016 US$'000 |
|---|---|---|
| Payable to suppliers | 172,566 | 153,289 |
| Trade notes and bills payable | 20,293 | 4,417 |
| **Total** | **192,859** | **157,706** |

## 21. Other liabilities

Other liabilities comprise the following at December 31:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Non-Current US$'000 | Current US$'000 | Total US$'000 | Non-Current US$'000 | Current US$'000 | Total US$'000 |
| Payable to non-current asset suppliers | — | 5,411 | 5,411 | — | 1,105 | 1,105 |
| Guarantees and deposits | 32 | 2 | 34 | 36 | — | 36 |
| Remuneration payable | — | 46,667 | 46,667 | — | 34,182 | 34,182 |
| Tax payables | 1,574 | 17,785 | 19,359 | — | 12,403 | 12,403 |
| Other liabilities | 1,930 | 20,704 | 22,634 | 5,701 | 17,090 | 22,791 |
| **Total** | **3,536** | **90,569** | **94,105** | **5,737** | **64,780** | **70,517** |

### Tax payables

Tax payables comprise the following at December 31:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Non-Current US$'000 | Current US$'000 | Total US$'000 | Non-Current US$'000 | Current US$'000 | Total US$'000 |
| VAT | — | 1,784 | 1,784 | — | 1,853 | 1,853 |
| Accrued social security taxes payable | — | 5,095 | 5,095 | — | 3,940 | 3,940 |
| Personal income tax withholding payable | — | 1,049 | 1,049 | — | 855 | 855 |
| Other | 1,574 | 9,857 | 11,431 | — | 5,755 | 5,755 |
| **Total** | **1,574** | **17,785** | **19,359** | **—** | **12,403** | **12,403** |

**21. Other liabilities (Continued)**

**Share-based compensation**

***a. Stock plan***

On May 29, 2016, the Board adopted the Ferroglobe PLC Equity Incentive Plan (the "Plan") and on June 29, 2016 the Plan was approved by the shareholders of the Company. The Plan is a discretionary benefit offered by Ferroglobe for the benefit of selected employees of Ferroglobe and members of its group. Its main purpose is to increase the interest of the employees in Ferroglobe's long term business goals and performance through share ownership. The Plan is an incentive for the employees' future performance and commitment to the goals of Ferroglobe.

The following share-based payment arrangements were in existence during the current and prior years:

| Option Series | Number | Grant Date | Expiration | Exercise Price | Fair Value at Grant Date |
|---|---|---|---|---|---|
| Equity Incentive plan | 475,090 | June 1, 2017 | June 1, 2027 | nil | $ 12.39 |
| Equity Incentive plan | 17,342 | June 20, 2017 | June 20, 2027 | nil | $ 11.65 |
| Equity Incentive plan | 264,933 | November 24, 2016 | November 24, 2026 | nil | $ 11.81 |

Option amounts above are based on the assumption that the Company will achieve 100% of target performance ROIC and NOPAT conditions described below. A participant may receive 0% to 200% of the option amounts listed above, depending on the financial performance of the Company during the performance period. All options vests when a plan participant's right to receive the share-based payment under the terms of the Plan is no more conditional on the satisfaction of any vesting conditions. All options granted under the Plan have a service condition of three years from the grant date. Performance conditions are linked to 737,902 of the total options issued on June 20, 2017, June 01, 2017 and November 24, 2016, that can be summarized as follows:

- 30% total shareholder return ("TSR") relative to a comparator group;
- 30% TSR relative to S&P Global 1200 Metals and Mining Index;
- 20% return on invested capital ("ROIC"); and
- 20% net operating profit after tax ("NOPAT").

There were no performance obligations linked to 19,463 of the options issued on June 1, 2017 which were issued as deferred share bonus awards.

**Fair Value**

The weighted average fair value of the share options granted during the year ended December 31, 2017 was $12.31 (2016: $11.94). The Company estimates the fair value of the stock options using the Stochastic and Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted for the remaining time from the date of valuation until

**21. Other liabilities (Continued)**

options are expected to be received, exercise restrictions (including the probability of meeting market conditions attached to the option), and performance considerations. Expected volatility is calculated over the period commensurate with the remainder of the performance period immediately prior to the date of grant. The Company has recently listed; therefore, a proxy volatility figure was used for the purposes of the valuation. The following assumptions were used to estimate the fair value of Ferroglobe stock options:

| Grant date | June 20, 2017 | June 01, 2017 | November 24, 2016 |
|---|---|---|---|
| Grant date share price | $10.50 | $10.96 | $11.81 |
| Exercise price | Nil | Nil | Nil |
| Expected volatility | 43.15% | 43.09 | 44.83% |
| Option life | 3.00 years | 3.00 years | 3.00 years |
| Dividend yield | 0% | 0% | 0% |
| Risk-free interest rate | 1.52% | 1.44% | 1.39% |
| Remaining performance period at grant date | 2.53 | 2.58 | 2.10 |
| Company TSR at grant date | (0.3%) | 4.0% | 40.0% |
| Median comparator group TSR at grant date | (7.2%) | (3.7%) | 56.4% |
| Median index TSR at grant date | 0.6% | 4.8% | 45.7% |

At the date of grant for these awards, all of the opening averaging period and some of the performance period had elapsed. The Company's TSR relative to the median comparator group TSR and median index TSR at grant date may impact the grant date fair value; starting from an advantaged position increases the fair value and starting from a disadvantaged position decreases the fair value.

**TSR Performance Conditions**

To model the impact of the TSR performance conditions, we have calculated the volatility of the comparator group using the same method used to calculate the Company's volatility, using historical data, where available, which matches the length of the remaining performance period grant date.

The Company's correlation with its comparator group was assessed on the basis of correlations above 20% being considered significant and incorporated into the valuation model (100% represents perfect positive correlation and 0% represents no correlation).

There were 492,432 options that were granted during 2017 under the Plan (2016: 264,933). There were no shares that were exercised during 2017 (2016: none). For the year ended December 31, 2017, share-based compensation expense related to this stock plan amounted to $2,405 thousand, which is recorded in Staff costs (2016: $106 thousand).

Share options outstanding as of December 31, 2017 had a weighted average contractual life 1.96 years (2016: 2.92 years).

**21. Other liabilities (Continued)**

***b. Options assumed under Business Combination***

Prior to the Business Combination, shares of Globe common stock were registered pursuant to Section 12(b) of the Exchange Act and listed on NASDAQ. As a result of the Business Combination (see Note 5), each share of Globe common stock was converted into the right to receive one Ferroglobe ordinary share. The shares of Globe common stock were suspended from trading on NASDAQ effective as of the opening of trading on December 24, 2015. Ferroglobe ordinary shares were approved for listing on The NASDAQ Global Market. At the effective time of the Business Combination, GSM stock and stock-based awards were replaced with stock and stock-based awards of Ferroglobe in a one to one exchange.

There were no new options granted by Globe during the year ended December 31, 2017 or for the year ended December 31, 2016. There were 34,990 options that were exercised and 71,027 share options that expired during the year ended December 31, 2017 (2016: no share options were exercised and 681,288 share options expired).

A summary of options outstanding is as follows:

| | Number of Options | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term in Years | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding as of December 31, 2015 | 1,310,666 | $ 16.80 | | |
| Expired | (681,288) | 18.83 | | |
| Outstanding as of December 31, 2016 | 629,378 | $ 14.59 | 1.75 | $ 580 |
| Exercised | (34,990) | 6.77 | | |
| Expired | (71,027) | 14.54 | | |
| Outstanding as of December 31, 2017 | 523,361 | $ 15.12 | 0.89 | $ 1,774 |
| Exercisable as of December 31, 2017 | 515,028 | $ 15.10 | 0.87 | $ 1,774 |

As of December 31, 2017, there are total vested options of 515,028 and 8,333 unvested options outstanding (2016: vested options of 588,545 and 40,833 unvested options).

For the year ended December 31, 2017, share based compensation expense related to stock options under this plan was $4 thousand (2016: $69 thousand). The expense is reported within Staff costs in the consolidated income statement.

***c. Executive bonus plan assumed under Business Combination***

Prior to the Business Combination, Globe also issued restricted stock units under its Executive Bonus Plan which were adopted by Ferroglobe under the Business Combination on a one-for-one basis. The fair value of restricted stock units is based on quoted market prices of the Company's stock at the end of each reporting period. These restricted stock units proportionally vest over three

**21. Other liabilities (Continued)**

years, but are not delivered until the end of the third year. The Company will settle these awards by cash transfer, based on the Company's stock price on the date of transfer. For the years ended December 31, 2017 and 2016, no restricted stock units were granted. For the year ended December 31, 2017, 371,570 restricted options were exercised and for the year ended December 31, 2016, 132,457 restricted options were exercised. As of December 31, 2017, and December 31, 2016, restricted stock units of 13,340 and 384,910, respectively, were outstanding.

For the year ended December 31, 2017, share based compensation expense for these restricted stock units was $343 thousand before tax and $202 thousand after tax (2016: $2,930 thousand before tax and $1,729 thousand after tax). The expense is reported within Staff costs in the consolidated income statement. At the year ended December 31, 2017 and 2016, the liability associated with the restricted stock option is $626 thousand and $4,566 thousand, respectively; of which $626 thousand and $997 thousand are included in other current liabilities, respectively; and $0 and $3,569 thousand included in other non-current liabilities, respectively.

***d. Stock appreciation rights assumed under Business Combination***

Globe issued cash-settled stock appreciation rights ("SARs") as an additional form of incentivized bonus and outstanding SARs were adopted by Ferroglobe under the Business Combination on a one-for-one basis. Stock appreciation rights vest and become exercisable in one-third increments over three years. The Company settles all awards by cash transfer, based on the difference between the Company's stock price on the date of exercise and the date of grant. The Company estimates the fair value of SARs using the Black-Scholes option pricing model. There were no SARs granted during the year ended December 31, 2017. There were 209,451 SARs cancelled and 168,135 SARs exercised during the year ended December 31, 2017 (2016: 16,510 SARs granted, 35,725 SARs cancelled and no SARs exercised). As of December 31, 2017, and 2016, there were 1,182,871 and 1,572,274 SARs outstanding, respectively.

For the year ended December 31, 2017, compensation expense for these SARs was $3,429 thousand before tax and $2,023 thousand after tax) (2016: $1,673 thousand before tax and $987 thousand after tax). As of December 31, 2017 and 2016, the liability associated with the SARs is $5,911 thousand and $2,943 thousand, respectively; of which $5,800 thousand and $2,698 thousand are included in other current liabilities, respectively; and $111 thousand and $245 thousand are included in other non-current liabilities, respectively.

***e. Unearned compensation expense***

As of December 31, 2017, the Company has no unearned pre-tax compensation expense related to non-vested liability classified stock options as all awards are fully vested. Unearned compensation expense represents the minimum expense to be recognized over the grant date vesting terms or earlier as a result of accelerated expense recognition due to remeasurement of compensation cost for liability classified awards. Future expense may exceed the unearned compensation expense in the future due to the remeasurement of liability classified awards. As of December 31, 2017, and 2016, the Company has unearned pre-tax compensation expense of $1 thousand and $5 thousand, respectively; related to non-vested equity classified stock options over a weighted average term of 0.01 and 0.04, respectively.

## 22. Tax matters

The components of current and deferred income tax expense (benefit) are as follows:

| | 2017 US$'000 | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| **Consolidated income statement** | | | |
| **Current income tax** | | | |
| Current income tax charge (credit) | 30,491 | (14,885) | 42,544 |
| Adjustments in current income tax in respect of prior years | 753 | 1,220 | — |
| **Total** | **31,244** | **(13,665)** | **42,544** |
| **Deferred tax** | | | |
| Origination and reversal of temporary differences | (14,857) | (33,030) | 7,398 |
| Impact of tax rate changes | (31,688) | — | — |
| Adjustments in deferred tax in respect of prior years | 480 | — | — |
| | **(46,065)** | **(33,030)** | **7,398** |
| | **(14,821)** | **(46,695)** | **49,942** |

The Company has significant business operations in Spain, France, South Africa and the United States. The following is a reconciliation of a weighted blended statutory income tax rate to our effective tax rate for the years ended December 31, 2017, 2016, and 2015:

| | 2017 US$'000 | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| Accounting profit (loss) before income tax | (20,643) | (405,308) | (8,530) |
| At weighted effective tax rate of 31% (2016: 31% and 2015: 28%) | (6,399) | (125,645) | (2,388) |
| | — | — | |
| Other non-taxable income (expenses) | 18,374 | 81,648 | 19,454 |
| Movements in unprovided deferred tax | 7,138 | 15,326 | 35,754 |
| US tax rate change | (31,257) | — | — |
| Differing territorial tax rates | 2 | (22,949) | 4,859 |
| Adjustments in respect of prior periods | 1,233 | — | — |
| Other items | (845) | 890 | — |
| Permanent differences | (227) | 5,196 | (4,799) |
| Incentives and deductions | (3,188) | (1,161) | (2,938) |
| Total State, local and other taxes | 348 | — | — |
| **Income tax (expense) benefit** | **(14,821)** | **(46,695)** | **49,942** |

The Tax Cuts and Jobs Act ("TCJA") was enacted into law on December 22, 2017. The material impact of the TCJA on the Company's 2017 position was a deferred tax credit of $31.2 million representing the remeasurement of the Company's U.S. net deferred tax liability as a consequence of the reduction of the U.S. federal corporate statutory tax rate from 35% to 21% with effect from January 1, 2018. In addition, a one-off tax charge of $1.7 million has been included representing the Company's best estimate of its liability for the one-time transition tax imposed by

**22. Tax matters (Continued)**

the TCJA on certain of its historic non-U.S. earnings. Further work will be performed during 2018 to refine this estimate, but any change in the amount provided resulting from this work is not expected to be material. While the Company continues to evaluate the effect of the provisions that will impact 2018, noting that further guidance and regulations on the new legislation are expected to be released during the year, no other significant impacts of the change in law have been identified. Therefore, in future periods the Company's effective tax rate is expected to decrease as a result of the reduction in the U.S. federal tax rate.

**Deferred taxes**

The changes in deferred tax assets and liabilities in 2017 and 2016 were as follows:

| | Deferred Tax Assets US$'000 | Deferred Tax Liabilities US$'000 |
|---|---|---|
| **Balance at January 1, 2016** | **39,070** | **191,748** |
| Increases | 27,920 | 9,150 |
| Business combination (Note 5) | 337 | — |
| Decreases | (21,056) | (62,128) |
| Exchange differences | (1,321) | 765 |
| **Balance at December 31, 2016** | **44,950** | **139,535** |
| Discontinued operations | 1,948 | 11,667 |
| Increase | 10,805 | 14,643 |
| Decrease | (4,346) | (47,665) |
| Exchange differences | 2,491 | (2,463) |
| **Balance at December 31, 2017** | **55,848** | **115,717** |

**22. Tax matters (Continued)**

Significant components of the Company's deferred tax assets and liabilities at December 31, 2017 and 2016 consist of the following:

| | 2017 US$'000 | 2016 US$'000 |
|---|---|---|
| **Deferred tax assets:** | | |
| Non-current assets | 465 | 8,822 |
| Provisions | 25,534 | 15,418 |
| Depreciation and amortization charge | 6,598 | 807 |
| Hedging instruments | 1,239 | 199 |
| Tax losses, incentives, reductions and credits carryforwards | 20,723 | 19,391 |
| Other | 1,289 | 313 |
| **Total** | **55,848** | **44,950** |
| **Deferred tax liabilities:** | | |
| Non-current assets | 8,428 | — |
| Depreciation and amortization charge | 86,356 | 132,481 |
| Inventories | 243 | 1,441 |
| Other | 20,690 | 5,613 |
| **Total** | **115,717** | **139,535** |
| **Net total deferred tax asset (liability)** | **(59,869)** | **(94,585)** |
| **Presented in the statement of financial position as follows:** | | |
| Deferred tax assets | 5,273 | 44,950 |
| Deferred tax liabilities | 65,142 | 139,535 |
| **Net total deferred tax asset (liability)** | **(59,869)** | **(94,585)** |

**Management of tax risks**

The Company is committed to conducting its tax affairs consistent with the following objectives:

(i) to comply with relevant laws, rules, regulations, and reporting and disclosure requirements in whichever jurisdiction it operates;

(ii) to maintain mutual trust, transparency and respect in its dealings with all tax authorities; and

(iii) to adhere with best practice and comply with the Company's internal corporate governance procedures, including but not limited to its Code of Conduct

In the jurisdictions in which the Company operates, tax returns cannot be deemed final until they have been audited by the tax authorities or until the statute-of-limitations has expired. The number of open tax years subject to examination varies depending on the tax jurisdiction. In general, the Company has the last four years open to review. The criteria that the tax authorities

## 22. Tax matters (Continued)

might adopt in relation to the years open for review could give rise to tax liabilities which cannot be quantified.

## 23. Related party transactions and balances

### Balances with related parties — continued operations

Balances with related parties at December 31 are as follows:

| | 2017 | | | |
|---|---|---|---|---|
| | Receivables | | Payables | |
| | Non-Current US$'000 | Current US$'000 | Non-Current US$'000 | Current US$'000 |
| Inmobiliaria Espacio, S.A. | — | 3,033 | — | 4 |
| Grupo Villar Mir, S.A.U. | — | 83 | — | — |
| Enérgya VM Generación, S.L | — | 1,420 | — | 6 |
| Villar Mir Energía, S.L.U. | 2,398 | 35 | — | 12,065 |
| Espacio Information Technology, S.A.U. | — | — | — | 861 |
| Blue Power Corporation, S.L. | — | — | — | 29 |
| Other related parties | 2 | 1 | — | 8 |
| **Total** | **2,400** | **4,572** | **—** | **12,973** |

| | 2016 | | | |
|---|---|---|---|---|
| | Receivables | | Payables | |
| | Non-Current US$'000 | Current US$'000 | Non-Current US$'000 | Current US$'000 |
| Inmobiliaria Espacio, S.A. | — | 2,664 | — | 1,751 |
| Grupo Villar Mir, S.A.U. | — | 6,743 | — | — |
| Marco International Corporation | — | 756 | — | — |
| Enérgya VM Generación, S.L | — | — | — | 23 |
| Enérgya VM Gestión, S.L | — | 1,765 | — | — |
| Villar Mir Energía, S.L.U. | 2,108 | 39 | — | 5,239 |
| Espacio Information Technology, S.A.U. | — | — | — | 130 |
| Alloys International | — | — | — | 918 |
| Blue Power Corporation, S.L. | 9,845 | — | — | — |
| Key management personnel (Note 26) | — | — | — | 22,672 |
| Other related parties | — | 4 | — | 5 |
| **Total** | **11,953** | **11,971** | **—** | **30,738** |

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

**23. Related party transactions and balances (Continued)**

**Balances with related parties — assets held for sale**

| | 2016 | | | |
|---|---|---|---|---|
| | Receivables | | Payables | |
| | Non-Current US$'000 | Current US$'000 | Non-Current US$'000 | Current US$'000 |
| Enérgya VM Generación, S.L | — | 2,792 | — | — |
| Villar Mir Energía, S.L.U. | — | — | — | 231 |
| Other related parties | — | — | — | 23 |
| | **—** | **2,792** | **—** | **254** |

The short-term loans granted by Grupo VM relate mainly to renewable cash loans earning interest at a market rate and maturing at short term.

The loan granted to Inmobiliaria Espacio, S.A. accrues a market interest and has a maturity in the short-term that is renewed tacitly upon maturity, unless the parties agreed it's repaid until maturity, extended it automatically for one year.

A former member of the board of directors until the end of 2016 is affiliated with Marco International Corporation, from which the Company purchases certain raw materials and to whom the Company sells silicon-based alloys.

During 2016 the loan granted to Blue Power Corporation, S.L. relates mainly to the financing of the new Spanish solar project. This loan accrues a market interest and will be repaid on long-term basis. On February 24, 2017, the loan was novated to OpCo as part of a capital injection by Blue Power to OpCo.

The balance with the other related parties arose as a result of the commercial transactions performed with them (see explanation of main transactions below).

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

**23. Related party transactions and balances (Continued)**

**Transactions with related parties and other related parties**

Transactions with related parties in 2017, 2016 and 2015 are as follows:

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Sales and Operating Income US$'000 | Cost of Sales US$'000 | Staff costs US$'000 | Other Operating Expenses US$'000 | Finance Income (Note 25.4) US$'000 |
| Inmobiliaria Espacio, S.A. | — | — | — | 2 | 70 |
| Villar Mir Energía, S.L.U. | — | 94,049 | — | 3,362 | — |
| Espacio Information Technology, S.A.U. | — | — | — | 3,807 | — |
| Enérgya VM Generación, S.L | 17,222 | — | — | 226 | — |
| Enérgya VM Gestión, S.L | — | — | — | 22 | — |
| Other related parties | — | — | — | 1,440 | 154 |
| **Total** | **17,222** | **94,049** | **—** | **8,859** | **224** |

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Sales and Operating Income US$'000 | Cost of Sales US$'000 | Staff costs US$'000 | Other Operating Expenses US$'000 | Finance Income (Note 25.4) US$'000 |
| Inmobiliaria Espacio, S.A. | — | — | — | 2 | 74 |
| Grupo Villar Mir, S.A.U. | 403 | — | — | — | — |
| Villar Mir Energía, S.L.U. | 45 | 69,083 | — | 3,626 | — |
| Espacio Information Technology, S.A.U. | — | — | — | 4,049 | — |
| Enérgya VM Generación, S.L | 20,553 | — | — | 503 | — |
| Enérgya VM Gestión, S.L | — | 253 | — | — | — |
| Marco International Corporation | 765 | 5,212 | — | — | — |
| Key management personnel (Note 26) | — | — | 10,080 | — | — |
| Other related parties | — | — | — | 92 | — |
| **Total** | **21,766** | **74,548** | **10,080** | **8,272** | **74** |

**23. Related party transactions and balances (Continued)**

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Sales and Operating Income US$'000 | Cost of Sales US$'000 | Staff costs US$'000 | Other Operating Expenses US$'000 | Finance Income (Note 25.4) US$'000 |
| Inmobiliaria Espacio, S.A. | — | — | — | 3 | 170 |
| Enérgya VM Generación, S.L | 28,881 | — | — | 306 | — |
| Grupo Villar Mir, S.A.U. | — | — | — | — | 255 |
| Torre Espacio Castellana, S.A.U. | — | — | — | 1,138 | — |
| Villar Mir Energía, S.L.U. | 66 | 85,511 | — | 4,850 | — |
| Espacio Information Technology, S.A.U. | — | — | — | 2,581 | — |
| Marco International Corporation | — | 360 | — | — | — |
| Key management personnel (Note 26) | — | — | 3,909 | | |
| Other related parties | 1 | — | — | 156 | — |
| **Total** | **28,948** | **85,871** | **3,909** | **9,034** | **425** |

"Cost of sales" of the related parties vis-à-vis Villar Mir Energía, S.L.U. relates to the purchase of energy from the latter by the Company's Electrometallurgy — Europe segment. FerroAtlántica pays VM Energía a service charge in addition to paying for the cost of energy purchase from the market. For the fiscal years ended December 31, 2017, 2016 and 2015, FerroAtlántica's and Hidro Nitro Española's obligations to make payments to VM Enérgia under their respective agreements — for the purchase of energy plus the service charge — amounted to $94,049 thousand, $69,083 thousand and $85,511 thousand, respectively. These contracts are similar to contracts FerroAtlántica signs with other third-party brokers.

"Other operating expenses" relates mainly to service fees paid to Espacio Information Technology, S.A.U. for managing and maintenance services rendered related, basically, to the enterprise resource planning ('ERP') that some Company entities use; and, and other IT development projects.

"Sales and operating income" relates mainly to sales from Hidro Nitro Española to Enérgya VM for the sales made by its hydroelectric plant of $7,419 thousand, $5,155 thousand and $6,686 thousand for the fiscal years ended December 31, 2017, 2016 and 2015 and FerroAtlántica sales to Enérgya VM for the sales made by its hydroelectric plant of $9,803 thousand, $15,398 thousand and $22,195 thousand for the fiscal years ended December 31, 2017, 2016 and 2015.

During 2017, under the solar joint venture agreement FerroAtlántica and other subsidiaries have purchased property, plant and equipment of $3,611 thousand from Aurinka and Blue Power Corporation, S.L.

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

## 24. Guarantee commitments to third parties and other contingent assets and liabilities

### Guarantee commitments to third parties

As of December 31, 2017 and 2016, the Company has provided bank guarantees commitments to third parties amounting $18,943 thousand and $43,944 thousand, respectively. Management believes that any unforeseen liabilities at December 31, 2017 and 2016 that might arise from the guarantees given would not be material.

### Contingent assets

In 2015, FerroAtlántica filed a claim to recover the initial joint venture contribution of approximately $22,000 thousand from its counterparty in relation to the Joint Venture Agreement between FerroAtlántica Group and Zeus Mineraçao Ltda., José Rubens Moretti Junior and Guilherme Moretti. There was an arbitration hearing in April 2015 and, on June 10, 2016, an award of $22,000 thousand, plus costs, was confirmed in favor of FerroAtlántica. The defendants have since applied to the Brazilian courts to annul the award and the parties are awaiting an order on the request. While the Company intends to continue to pursue recovery, the Company considers recovery against the claim unlikely due to the apparent financial condition of the respondents and has written off the full amount of the claim as of December 31, 2016 and December 31, 2017.

### Contingent liabilities

In the ordinary course of its business, Ferroglobe is subject to lawsuits, investigations, claims and proceedings, including, but not limited to, contractual disputes and employment, environmental, health and safety matters. Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations, claims and proceedings asserted against it, we do not believe any currently pending legal proceeding to which it is a party will have a material adverse effect on its business, prospects, financial condition, cash flows, results of operations or liquidity.

*Asbestos claims*

Certain employees of FerroPem, S.A.S., then known as Pechiney Electrometallurgie, S.A. ("PEM"), may have been exposed to asbestos at its plants in France in the decades prior to FerroAtlántica Group's purchase of that business in December 2004. During the period in question, PEM was wholly-owned by Pechiney Bâtiments, S.A., which had certain indemnification obligations to our FerroAtlántica Group division pursuant to the 2003 Share Sale and Purchase Agreement under which our FerroAtlántica Group acquired PEM. As of the date of this annual report, approximately 89 such employees have "declared" asbestos-related injury to the French social security agencies, based either on the occurrence of work accidents ("accident du travail") or on administrative recognition of an occupational disease ("maladie professionelle"). Of these, 51 cases are closed, approximately 38 are pending before the French social security agencies or courts and, of the latter, 17 include assertions of "inexcusable negligence" ("faute inexcusable") which, if upheld, may lead to material liability on the part of FerroPem. Other employees may declare further asbestos-related injuries in the future, and may likewise assert inexcusable negligence. In 2016, FerroPem initiated an arbitration process seeking to enforce indemnification provisions in the Share Sale and Purchase Agreement against Río Tinto France as successor to Pechiney Bâtiments with respect to pending asbestos claims. On July 11, 2017, however, the claims in arbitration were

**24. Guarantee commitments to third parties and other contingent assets and liabilities (Continued)**

denied in their entirety on various grounds, including that the claims were untimely, and Ferropem is without further recourse against Río Tinto. Litigation against, and material liability on the part of, FerroPem will not necessarily arise in each case, and to date a majority of such declared injuries have been minor and have not led to significant liability on Ferropem's part. Whether material liability will arise is determined case-by-case, often over a period of years, depending on, inter alia, the evolution of the claimant's asbestos-related condition, the possibility that the claimant was exposed while working for other employers and, where asserted, the claimant's ability to prove inexcusable negligence on FerroPem's part. Because of such uncertainties, no reliable estimate can be made at this time of FerroPem's eventual liability in these matters, with exception of three grave cases that have been litigated through the appeal process and in which claimants' assertions of inexcusable negligence were upheld. Liabilities in respect to this matter have been recorded at December 31, 2017 at an estimated amount of $2,339 thousand in Provisions for litigation in progress.

*Environmental matters*

On August 31, 2016, the U.S. Department of Justice (the "DOJ") requested a meeting with GMI to discuss potential resolution of a July 1, 2015 NOV/FOV that GMI received from the U.S. Environmental Protection Agency (the "EPA") alleging certain violations of the Prevention of Significant Deterioration ("PSD") and New Source Performance Standards provisions of the Clean Air Act associated with a 2013 project performed at GMI's Beverly facility. Specifically, the July 2015 NOV/FOV alleges violations of the facility's existing operating and construction permits, including allegations related to opacity emissions, sulfur dioxide and particulate matter emissions, and failure to keep necessary records and properly monitor certain equipment. On October 27, 2016, GMI met with the DOJ and the EPA to discuss the alleged violations, GMI's preliminary assessment of those alleged violations, and its possible defenses to the NOV/FOV. As a result of that meeting, GMI has agreed to the government's request that GMI prepare an assessment of Best Available Control Technologies ("BACT") that could be applicable to the facility under the federal PSD program, to conduct a ventilation study to assess emissions at the facility, and to continue discussions with the government regarding an appropriate resolution of the NOV/FOV by consent. In February 2017, the EPA formally issued a request under Section 114 of the Clean Air Act, requiring GMI to conduct the ventilation study that GMI had previously agreed to conduct. On January 4, 2017, GMI received a second NOV/FOV dated December 6, 2016, arising from the same facts as the July 2015 NOV/FOV and subsequent EPA inspections. The second NOV/FOV alleges opacity exceedances at certain units, failure to prevent the release of particulate emissions through the use of furnace hoods at a certain unit, and the failure to install Reasonably Available Control Measures (as defined) at certain emission units at the Beverly facility. As part of the on-going consent process to resolve the NOVs/FOVs, the government could demand that GMI install additional pollution control equipment and/or implement other measures to reduce emissions from the facility, as well as pay a civil penalty. GMI's environmental consultants have completed the ventilation study and a Ventilation Evaluation Report documenting the same, which GMI provided to EPA on October 6, 2017. Since that time, GMI and the government have continued negotiations regarding potential resolution of the NOV/FOVs, which negotiations are ongoing. At this time, however, GMI does not know the extent of

**24. Guarantee commitments to third parties and other contingent assets and liabilities (Continued)**

potential injunctive relief or the amount of a civil penalty a negotiated resolution of this matter may entail. Should the DOJ and GMI be unable to reach a negotiated resolution of the NOVs/FOVs, the government could institute formal legal proceedings for injunctive relief and civil penalties. The statutory maximum penalty is $93,750 per day per violation, from April 2013 to the present.

**25. Income and expenses**

***25.1 Sales***

Sales by segment for the years ended December 31 are as follows:

| | 2017 US$'000 | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| Electrometallurgy — North America | 541,143 | 521,192 | 10,062 |
| Electrometallurgy — Europe | 1,083,200 | 949,547 | 1,174,968 |
| Electrometallurgy — South Africa | 122,504 | 142,160 | 219,890 |
| Other segments | 60,199 | 90,337 | 129,123 |
| Eliminations | (65,353) | (127,199) | (217,453) |
| **Total** | **1,741,693** | **1,576,037** | **1,316,590** |

Sales by geographical area for the years ended December 31 are as follows:

| | 2017 US$'000 | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| Spain | 253,991 | 201,403 | 221,558 |
| Germany | 245,152 | 241,046 | 230,996 |
| Italy | 94,590 | 90,267 | 120,016 |
| Other EU Countries | 340,877 | 236,746 | 314,078 |
| USA | 547,309 | 563,619 | 208,412 |
| Rest of World | 259,774 | 242,956 | 221,530 |
| **Total** | **1,741,693** | **1,576,037** | **1,316,590** |

***25.2 Staff costs***

The average monthly number of employees (including Executive Directors) was:

| | 2017 Number | 2016 Number | 2015 Number |
|---|---|---|---|
| Directors | 9 | 9 | 9 |
| Senior Managers | 274 | 258 | 298 |
| Employees | 3,735 | 3,760 | 3,903 |
| **Total** | **4,018** | **4,027** | **4,210** |

**25. Income and expenses (Continued)**

Staff costs are comprised of the following for the years ended December 31:

| | 2017 US$'000 | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| Wages, salaries and similar expenses | 222,733 | 212,098 | 133,868 |
| Pension plan contributions | 13,631 | 10,647 | 8,986 |
| Employee benefit costs | 65,599 | 73,654 | 63,015 |
| **Total** | **301,963** | **296,399** | **205,869** |

***25.3 Depreciation and amortization charges, operating allowances and write-downs***

Depreciation and amortization charges, operating allowances and write-downs are comprised of the following for the years ended December 31:

| | 2017 US$'000 | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| Amortization of intangible assets (Note 8) | 8,440 | 12,649 | 4,547 |
| Depreciation of property, plant and equipment (Note 9) | 94,051 | 105,695 | 55,668 |
| Change in impairment losses on uncollectible trade receivables (Note 10) | 1,784 | 7,578 | 5,305 |
| Change in inventory write-downs (Note 11) | 405 | — | 917 |
| Other | (151) | (245) | 613 |
| **Total** | **104,529** | **125,677** | **67,050** |

***25.4 Finance income and finance cost***

Finance income is comprised of the following for the year ended December 31:

| | 2017 US$'000 | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| Finance income of related parties (Note 23) | 224 | 74 | 425 |
| Other finance income | 3,484 | 1,462 | 671 |
| **Total** | **3,708** | **1,536** | **1,096** |

Ferroglobe PLC and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

December 31, 2017, 2016, and 2015

**25. Income and expenses (Continued)**

Finance costs are comprised of the following for the year ended December 31:

| | 2017 US$'000 | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| Interest on debt instruments | 28,961 | — | — |
| Interest on loans and credit facilities | 15,834 | 18,630 | 15,318 |
| Interest on note and bill discounting | 7,403 | 1,503 | 1,697 |
| Interest on interest rate swaps | 2,689 | 2,525 | 2,618 |
| Interest on finance leases | 2,917 | 3,186 | 3,656 |
| Trade receivables securitization expense (Note 10) | 7,256 | — | — |
| Other finance costs | 352 | 4,407 | 7,116 |
| **Total** | **65,412** | **30,251** | **30,405** |

***25.5 Impairment losses and net loss (gain) due to changes in the value of assets***

Impairment losses and net loss (gain) due to changes in the value of assets are comprised of the following for the years ended December 31:

| | 2017 US$'000 | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| Impairment of goodwill (Note 7) | 30,618 | 194,612 | — |
| Impairment of intangible assets (Note 8) | 443 | 230 | 6,442 |
| Impairment of property, plant and equipment (Note 9) | (104) | 67,624 | 45,600 |
| Impairment of non-current financial assets (Note 10) | — | 5,623 | — |
| **Impairment losses** | **30,957** | **268,089** | **52,042** |
| (Increase) decrease in fair value of biological assets (Note 28) | (7,504) | (1,891) | (1,336) |
| (Gain) loss on financial investments | — | — | 2,248 |
| **Net (gain) loss due to changes in the value of assets** | **(7,504)** | **(1,891)** | **912** |

***25.6 Loss (gain) on disposal of non-current assets***

Loss (gain) on disposal of non-current assets is comprised of the following for the years ended December 31:

| | 2017 US$'000 | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| Loss on disposal of intangible assets | 503 | — | 3,350 |
| Gain on disposal of property, plant and equipment | (1,779) | (468) | (1,767) |
| Loss on disposal of property, plant and equipment | 3,733 | — | 631 |
| Loss on disposal of other non-current assets | 1,859 | 128 | — |
| **Total** | **4,316** | **(340)** | **2,214** |

## 25. Income and expenses (Continued)

### *25.7 Auditor's remuneration*

The total remuneration of the Company's auditor, Deloitte, and other member firms of Deloitte, for services provided to the Company during the year is set out below:

| | 2017 US$'000 | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| Audit of the parent company and consolidated financial statements | 4,556 | 4,459 | 2,484 |
| Audit of the financial statements of the Company's subsidiaries | 298 | 171 | 973 |
| **Audit fees** | **4,854** | **4,630** | **3,457** |
| | | | |
| Audit-related fees | 507 | 114 | 27 |
| Fees payable to other auditors | — | 225 | — |
| Tax fees | 91 | 284 | 9 |
| Other fees | — | 17 | 81 |
| **Non-audit fees** | **598** | **640** | **117** |
| **Total fees** | **5,452** | **5,270** | **3,574** |

## 26. Remuneration and other benefits paid to key management personnel

Remuneration and other benefits paid to the directors, who are the key management personnel of the Company, during the years ended December 31 is as follows:

| | 2017 US$'000 | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| Fixed remuneration | 5,625 | 4,494 | 2,054 |
| Variable remuneration | 3,710 | 3,258 | 1,658 |
| Contributions to pension plans and insurance policies | 215 | 281 | 152 |
| Share-based payments | 1,738 | — | — |
| Other remuneration | 17 | 177 | 45 |
| **Total** | **11,305** | **8,210** | **3,909** |

In addition to the compensation information above, during 2016, fixed remuneration, variable remuneration, contributions to pension plans and insurances policies corresponding to the Company's former Executive Chairman amounted to $1,117 thousand, $749 thousand, and $4 thousand, respectively. In addition, as of December 31, 2016, severance benefits were accrued in the amount of $22,672 thousand, related to the resignation of the former Company's Executive Chairman.

During 2017, 2016 and 2015, no loans and advances have been granted to key management personnel.

**27. Financial risk management**

Ferroglobe operates in an international and cyclical industry which exposes it to a variety of financial risks such as currency risk, liquidity risk, interest rate risk, credit risk and risks relating to the price of finished goods, raw materials and power.

The Company's management model aims to minimize the potential adverse impact of such risks upon the Company's financial performance. Risk is managed by the Company's executive management, supported by the Risk Management, Treasury and Finance functions. The risk management process includes identifying and evaluating financial risks in conjunction with the Company's operations and quantifying them by project, region and subsidiary. Management provides written policies for global risk management, as well as for specific areas such as foreign currency risk, credit risk, interest rate risk, liquidity risk, the use of hedging instruments and derivatives, and investment of surplus liquidity.

The financial risks to which the Company is exposed in carrying out its business activities are as follows:

***a) Market risk***

Market risk is the risk that the Company's future cash flows or the fair value of its financial instruments will fluctuate because of changes in market prices. The primary market risks to which the Company is exposed comprise foreign currency risk, interest rate risk and risks related to prices of finished goods, raw materials and power.

*Foreign currency risk*

Ferroglobe generates sales revenue and incurs operating costs in various currencies. The prices of finished goods are to a large extent determined in international markets, primarily in US dollars and Euros. Foreign currency risk is partly mitigated by the generation of sales revenue, the purchase of raw materials and other operating costs being denominated in the same currencies. Although it has done so on occasions in the past, and may decide to do so in the future, the Company does not generally enter into foreign currency derivatives in relation to its operating cash flows. At December 31, 2017, the Company was not party to any foreign currency forward contracts.

In February 2017, the Company completed a restructuring of its finances which included the issue of $350,000 thousand of senior notes due 2022 (see Note 18) and the repayment of certain existing indebtedness denominated in a number of currencies across its subsidiaries. The Company is exposed to foreign exchange risk as the interest and principal of the Notes is payable in US dollars, whereas its operations principally generate a combination of US dollar and Euro cash flows. Following approval by the Board, the Company entered into a cross currency interest rate swap to exchange 55% of the principal and interest payments in US dollars for principal and interest payments in Euros (see Note 19). The Company has designated a proportion of the cross currency swap as a cash flow hedge (see Note 19), with the remainder accounted for at fair value through profit or loss.

**27. Financial risk management (Continued)**

*Interest rate risk*

Ferroglobe is exposed to interest rate risk in respect of its financial liabilities that bear interest at floating rates. These primarily comprise credit facilities (see Note 16) and obligations under finance leases related to hydroelectrical installations (see Note 17).

During the year ended December 31, 2017, the Company did not enter into any interest rate derivatives in relation to its interest bearing credit facilities. At December 31, 2017, there was no balance outstanding under its credit facilities.

Prior to the Business Combination, the Company entered into interest rate swaps to fix the interest payable in respect of its obligations under finance leases until 2022. Details of the interest rate derivative financial instruments at December 31, 2017 and 2016 are included in Note 19 to these consolidated financial statements.

***b) Credit risk***

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss. The Company's main credit risk exposure relates to the following financial assets:

- trade and other receivables; and
- loans and receivables (other financial assets) arising from the Company's accounts receivable securitization program (see Note 10).

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. The Company has established policies, procedures and controls relating to customer credit risk management. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, the Company insures its trade receivables with reputable credit insurance companies.

Since August 2017, the Company has sold substantially all of the trade receivables generated by its subsidiaries in the US, Canada, Spain and France to an accounts receivable securitization programme (see Note 10). This has enabled it to monetize these assets earlier than it did previously and significantly reduce working capital.

***c) Liquidity risk***

The purpose of the Company's liquidity and financing policy is to ensure that the Company keeps sufficient funds available to meet its financial obligations as they fall due. The Company's main sources of financing at December 31, 2017 were as follows:

- $350,000 thousand 9.375% senior notes due 2022. The proceeds from the Notes, issued by Ferroglobe and Globe in February 2017, were primarily used to repay certain existing indebtedness of the Parent Company and its subsidiaries. Interest is payable semi-annually on March 1 and September 1 of each year. If Ferroglobe experiences a change of control, the Company is required to offer to redeem the Notes at 101% of their principal amount (see Note 18).

**27. Financial risk management (Continued)**

- $200,000 thousand Amended Revolving Credit Facility. Loans under the Amended Revolving Credit Facility were available to be borrowed, repaid and reborrowed until the maturity of the facility in August 2018. Borrowings are available to be used to provide for the working capital and general corporate requirements of the Parent Company and its subsidiaries (including permitted acquisitions and permitted capital expenditures). At December 31, 2017 the full amount of the facility was available for drawdown. Subsequent to year-end, the facility was replaced by a new $250,000 thousand revolving credit facility maturing in February 2021(see Note 30).

- Hydroelectric finance lease. In May 2012, the Company entered into a sale and leaseback agreement with respect to certain hydroelectric assets in Spain. The lease payments are due in 120 installments from May 2012 to maturity in May 2022 (see note 17).

To ensure that there are sufficient funds available for the Company to repay its financial obligations as they fall due, each year the Company's Financial Planning and Analysis department prepares a financial budget that is approved by the Board of Directors and details all financing needs and how such financing will be provided. The budget projects the funds necessary for the most significant cash requirements, such as prepayments for capital expenditures, debt repayments and, where applicable, working capital requirements.

***Quantitative information***

i. Interest rate risk:

At December 31, the Company's interest-bearing financial liabilities were as follows:

| | 2017 | | |
|---|---|---|---|
| | **Fixed rate US$'000** | **Floating rate US$'000** | **Total US$'000** |
| Bank borrowings | — | 1,003 | 1,003 |
| Obligations under finance leases | — | 82,633 | 82,633 |
| Debt instruments | 350,270 | — | 350,270 |
| Other financial liabilities(*) | 86,238 | 13,153 | 99,391 |
| | **436,508** | **96,789** | **533,297** |

(*) Other financial liabilities comprise loans from government agencies and exclude derivative financial instruments (see Note 19).

**27. Financial risk management (Continued)**

| | 2016 | | |
|---|---|---|---|
| | **Fixed rate US$'000** | **Floating rate US$'000** | **Total US$'000** |
| Bank borrowings | — | 421,291 | 421,291 |
| Obligations under finance leases | — | 5,237 | 5,237 |
| Debt instruments | — | — | — |
| Other financial liabilities(*) | 75,797 | 11,563 | 87,360 |
| | **75,797** | **438,091** | **513,888** |

(*) Other financial liabilities comprise loans from government agencies and exclude derivative financial instruments (see Note 19).

In respect of the above financial liabilities, at December 31, 2017, the Company had floating to fixed interest rate swaps in place covering 83% of its exposure to floating interest rates (2016: 3%). The increase in the proportion of floating rate financial liabilities covered by interest rate swaps reflects that in February 2017 the Company completed a comprehensive refinancing, replacing floating rate debt with fixed rate debt, and that at December 31, 2016, the Company's obligations under finance leases related to the Spanish energy business and related interest rate swaps were separately classified on the balance sheet as part of a disposal group held for sale (see Note 29).

*Analysis of sensitivity to interest rates*

At December 31, 2017, given that the majority of the Company's interest-bearing financial liabilities are at fixed interest rates and that the Company has interest rate swaps in place in respect of substantially all of its obligations under finance leases, management do not consider that there are reasonably possible changes in interest rates that would have a material impact on the Company's profitability.

At December 31, 2016, the Company performed a sensitivity analysis for floating rate financial liabilities that, taking into consideration the February 2017 refinancing discussed in Notes 16 and 18, indicated that an increase of 1% in interest rates would have given rise to additional borrowing costs of $1.8 million in 2017.

ii. Foreign currency risk:

*Notes and cross currency swap*

The Parent Company is exposed to exchange rate fluctuations as it has a Euro functional currency and future commitments to pay interest and principal in US dollars in respect of its outstanding debt instruments of $150,000 thousand (see Note 18). To manage this foreign currency risk, the Parent Company has entered into a cross currency swap and designated a portion of this as an effective cash flow hedge of the future interest and principal amounts due on its debt instruments. As discussed in Note 19, the notional amount of the cross currency swap exceeds the principal amount of the Parent Company's debt instruments by $42,500 thousand and therefore a portion of the cross currency swap is not designated as a hedge and is accounted for at fair value through profit or loss. The Company has performed a sensitivity analysis that indicates that if the Euro was to strengthen (weaken) against the US Dollar by 10% it would record a loss (gain) of $5,831 thousand in respect of the portion of the cross currency swap accounted for at fair value through profit or loss.

**27. Financial risk management (Continued)**

*Foreign currency swaps in relation to trade receivables and trade payables*

The proportion of foreign currency accounts receivable and accounts payable for which foreign currency swaps had been arranged were as follows at December 31:

| | 2017 | 2016 |
|---|---|---|
| Percentage of accounts receivable in foreign currencies for which currency swaps have been arranged | —% | 13.7% |
| Percentage of accounts payable in foreign currencies for which currency swaps have been arranged | —% | 2.5% |

At December 31, 2017, the Company has no foreign currency swaps in place in respect of foreign currency accounts receivable and accounts payable. The fair value of outstanding foreign currency swaps at December 31, 2016, was €(0.8) million.

The sensitivity of the Company's profit or loss to the impact of changes in the foreign exchange rates on its foreign currency swaps is as follows:

| | 2017 | 2016 |
|---|---|---|
| +10% (appreciation of the Euro) | — | 2.5 |
| –10% (depreciation of the Euro) | — | (2.5) |

Foreign currency derivatives mainly cover monetary items in the statement of financial position and, therefore, exchange differences on these items would be partly offset by the above changes in fair value of its derivatives.

iii. Liquidity risk:

The table below summarises the maturity profile of the Company's financial liabilities at December 31, 2017, based on contractual undiscounted payments. The table includes both interest and principal cash flows. The cash flows for debt instruments assume that principal of the Notes is repaid at maturity in March 2022 (see Note 18).

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Less than 1 year US$'000 | Between 1 - 2 years US$'000 | Between 2 - 5 years US$'000 | After 5 years US$'000 | Total US$'000 |
| Bank borrowings | 1,003 | — | — | — | 1,003 |
| Finance leases | 15,379 | 15,504 | 58,225 | — | 89,108 |
| Debt instruments | 32,813 | 32,813 | 432,031 | — | 497,656 |
| Financial loans from government agencies | 88,127 | 2,362 | 2,349 | 1,056 | 93,894 |
| Derivative financial instruments | 595 | 203 | 18,108 | — | 18,906 |
| Payables to related parties | 12,973 | — | — | — | 12,973 |
| Trade and other payables | 192,859 | — | — | — | 192,859 |
| | **343,749** | **50,882** | **510,713** | **1,056** | **906,399** |

**Ferroglobe PLC and Subsidiaries**

**Notes to the Consolidated Financial Statements (Continued)**

**December 31, 2017, 2016, and 2015**

**27. Financial risk management (Continued)**

The amounts disclosed in the table above for derivative financial instruments are the net undiscounted cash flows. The following table shows the gross inflows and outflows and the corresponding reconciliation of those amounts to the net carrying value of the derivatives.

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Less than 1 year US$'000 | Between 1 - 2 years US$'000 | Between 2 - 5 years US$'000 | After 5 years US$'000 | Total US$'000 |
| Inflows | 18,198 | 17,996 | 237,526 | — | 273,720 |
| Outflows | (18,793) | (18,199) | (255,634) | — | (292,626) |
| Net cash flow | (595) | (203) | (18,108) | — | (18,906) |
| Discounted at the applicable interbank rates | (995) | (985) | (36,060) | — | (38,040) |

***Changes in liabilities arising from financing activities***

The changes in liabilities arising from financing activities during the year ended December 31, 2017, were as follows:

| | January 1, 2017 US$'000 | Reclassification of business held for sale(*) US$'000 | Changes from financing cash flows US$'000 | Effect of changes in foreign exchange rates US$'000 | Changes in fair values US$'000 | Other changes US$'000 | December 31, 2017 US$'000 |
|---|---|---|---|---|---|---|---|
| Bank borrowings | 421,291 | — | (426,641) | 1,916 | — | 4,437 | 1,003 |
| Obligations under finance leases | 5,237 | 81,383 | (14,610) | 10,623 | — | — | 82,633 |
| Debt instruments | — | — | 337,383 | — | — | 12,887 | 350,270 |
| Financial loans from government agencies (Note 19) | 87,360 | — | — | 12,031 | — | — | 99,391 |
| Derivative financial instruments (Note 19) | 699 | 5,576 | — | 1,971 | 31,614 | (1,820) | 38,040 |
| **Total liabilities from financing activities** | **514,587** | **86,959** | **(103,868)** | **26,541** | **31,614** | **15,504** | **571,337** |
| Proceeds from stock option exercises | | | 180 | | | | |
| Other amounts paid due to financing activities | | | (9,709) | | | | |
| **Net cash (used) by financing activities** | | | **(113,397)** | | | | |

(*) Liabilities associated with the Spanish energy business were separately presented in the consolidated statement of financial position at December 31, 2016, as part of a disposal group held for sale. The business ceased to be classified as held for sale during the year ended December 31, 2017 (see Note 29).

## 28. Fair value measurement

### Fair value of assets and liabilities that are measured at fair value on a recurring basis

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities that are carried at fair value in the statement of financial position:

| | December 31, 2017 | | | |
|---|---|---|---|---|
| | **Total US$'000** | Quoted prices in active markets (Level 1) US$'000 | Significant observable inputs (Level 2) US$'000 | Significant unobservable inputs (Level 3) US$'000 |
| **Other non-current assets (Note 12):** | | | | |
| Biological assets | **27,279** | — | — | 27,279 |
| **Other non-current financial liabilities (Note 19):** | | | | |
| Derivative financial instruments — cross currency swap | **(33,648)** | — | (33,648) | — |
| Derivative financial instruments — interest rate swaps | **(4,392)** | — | (4,392) | — |

| | December 31, 2016 | | | |
|---|---|---|---|---|
| | **Total US$'000** | Quoted prices in active markets (Level 1) US$'000 | Significant observable inputs (Level 2) US$'000 | Significant unobservable inputs (Level 3) US$'000 |
| **Other non-current assets (Note 12):** | | | | |
| Biological assets | **17,365** | — | — | 17,365 |
| **Other non-current financial liabilities (Note 19):** | | | | |
| Derivative financial instruments — interest rate swaps | **(699)** | — | (699) | — |
| **Liabilities associated with assets held for sale (Note 29):** | | | | |
| Derivative financial instruments — interest rate swaps | **(6,630)** | — | (6,630) | — |

*Cross currency swap*

The cross currency swap is valued using a discounted cash flow technique. The valuation model incorporates foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and forward interest rates. The valuation also incorporates a credit risk adjustment, calculated based on credit spreads derived from current credit default swap prices (see Note 19).

**28. Fair value measurement (Continued)**

*Interest rate swaps*

Interest rate swaps are valued using a discounted cash flow technique. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

*Biological assets*

Biological assets comprise timber farms in South Africa, which are a source of raw materials used for the production of silicon metal. The timber farms plantations are measured at fair value less the incremental costs to be incurred until the related products are at the point of sale. The main assumptions used include the number of hectares planted and the age and average annual growth of the plantations. The changes in the fair value of this asset are recognized in the income statement in the line "net gain (loss) due to changes in the value of assets" (see Note 25.5).

The methodology for determining the fair value has been applied on a consistent basis in the current and prior year and the key assumptions are as follows:

- the arm's length price (market price) used by the market for wood of varying ages;
- the wood pulp industry Mean Annual Increment (MAI) index of 15 for gum and 10.5 for pine is used to determine the annual growth rate of the plantations; and
- the density index used to convert cubic meters of wood to metric tons is 0.94 for pine and 1 for wood pulp.

The changes fair value of biological assets classified at level 3 in the hierarchy were as follows:

| | Level 3<br>US$'000 |
|---|---|
| **January 1, 2016** | **13,767** |
| Gain recognized in profit or loss (Note 25.5) | 1,891 |
| Translation differences | 1,707 |
| **December 31, 2016** | **17,365** |
| Gain recognized in profit or loss (Note 25.5) | 7,504 |
| Translation differences | 2,410 |
| **December 31, 2017** | **27,279** |

## 29. Non-current assets held for sale

### Plan to dispose of Spanish energy business

On December 12, 2016, the Company entered into a sale agreement to dispose of its Spanish energy business. The assets and associated liabilities of this business were classified as held for sale in the balance sheet at December 31, 2016. Subsequently, in July 2017, the Company announced that it did not receive the required regulatory approvals to divest of its Spanish energy business and although it will continue to explore all options to capture the full value of these assets, completion of the previously announced sale is no longer considered to be highly probable. Accordingly, the Company in the second quarter of 2017 ceased to classify the assets and liabilities of the business as held for sale.

In accordance with IFRS 5, the Company ceased to recognize depreciation expense in relation to its Spanish energy business while it was classified as held for sale. When the business ceased to be classified as held for sale, the Company recorded an adjustment of $2,608 thousand to the carrying amount of its assets, equivalent to the depreciation that would have been charged if the business had not been classified as held for sale. This loss is charged in the income statement within the line item "other loss".

**29. Non-current assets held for sale (Continued)**

As at December 31, 2016, the assets of the Spanish energy business classified as held for sale and associated liabilities were as follows:

| | 2016 US$'000 |
|---|---|
| **ASSETS** | |
| **Non-current assets** | |
| Property, plant and equipment | 83,935 |
| Deferred tax assets | 1,948 |
| Other non-current assets | 582 |
| **Total non-current assets** | **86,465** |
| **Current assets** | |
| Inventories | 32 |
| Trade and other receivables | 3,596 |
| Current receivables from related parties | 2,792 |
| Other current assets | 1 |
| Cash and cash equivalents | 51 |
| **Total current assets** | **6,472** |
| **Assets and disposal groups classified as held for sale** | **92,937** |
| **LIABILITIES** | |
| **Non-current liabilities** | |
| Provisions | 89 |
| Obligations under finance leases | 70,876 |
| Other financial liabilities | 5,576 |
| Deferred tax liabilities | 11,667 |
| **Total non-current liabilities** | 88,208 |
| **Current liabilities** | |
| Provisions | 1,265 |
| Obligations under finance leases | 10,507 |
| Payables to related parties | 254 |
| Trade and other payables | 3,651 |
| Other current liabilities | 3,797 |
| **Total current liabilities** | **19,474** |
| **Liabilities associated with assets held for sale** | **107,682** |

The assets held for sale and associated liabilities shown in the table above are presented after the elimination of intercompany balances with other subsidiaries of Ferroglobe.

*Other financial liabilities*

Other financial liabilities comprise the fair value of interest rate swaps, which were taken out to hedge the risk of changes in interest rates of finance leases for hydroelectrical installations. As

## 29. Non-current assets held for sale (Continued)

detailed in Note 19, since June 30, 2015, these interest rate swaps have been considered ineffective for the purposes of hedge accounting and as a result the changes in their fair value have been recognized in the income statement.

*Obligations under financial leases*

Obligations under financial leases comprise a finance lease that relates to the Company's rights to use certain hydroelectrical installations. This lease expires in 2022, ten years from the date on which it was entered into, and bears interest at a variable market rate.

The minimum lease payments on hydroelectrical installation finance leases at December 31, 2016 are as follows:

| | **2016 US$'000** |
|---|---|
| Within one year | 10,507 |
| Between one and five years | 47,510 |
| After five years | 23,366 |
| **Total** | **81,383** |

## 30. Events after the reporting period

*Biological Assets in South Africa*

In January 2018, the Board of Directors of the Company authorized the potential divestiture or alternative strategic transaction of biological assets in South Africa. The Company considers these assets non-core. Any potential transaction regarding these assets may require certain regulatory approvals, which, along with other factors, may not result in successful completion.

*Acquisition of Glencore's European manganese plants in France and Norway*

On February 1, 2018, Ferroglobe completed the acquisition from a wholly-owned subsidiary of Glencore International AG ("Glencore") of a 100% interest in Glencore's manganese alloys plants in Mo i Rana (Norway) and Dunkirk (France), after receiving the necessary regulatory approvals in France, Germany and Poland. The new subsidiaries have been renamed as Ferroglobe Mangan Norge and Ferroglobe Manganèse France. Ferroglobe has completed the acquisition through Grupo FerroAtlántica.

The acquisition of the Glencore plants in France and Norway represents a unique opportunity for Ferroglobe to increase its size in the manganese alloys industry, becoming one of the world's largest producers with over half a million tons of sales of ferromanganese and silicomanganese. In 2016, the combined sales of these plants were approximately 160,000 tons of ferromanganese and 110,000 of silicomanganese. During the same year, Ferroglobe sold approximately 135,000 tons of ferromanganese and 132,000 tons of silicomanganese.

**30. Events after the reporting period (Continued)**

The integration of the acquired assets allows Ferroglobe to consolidate a network of manganese alloy plants in Europe, to diversify its manganese alloy production base and to capture cost improvements through the sharing of best practices and the optimization of logistics flows. It also provides significant advantages to our customers as Ferroglobe is better positioned to serve multiple locations in a more agile and responsive manner.

Simultaneously with the acquisition, Glencore and Ferroglobe have entered into exclusive agency arrangements for the marketing of Ferroglobe's manganese alloys worldwide and the procurement of manganese ores to supply Ferroglobe's plants, in both cases for a period of ten years.

The acquisition price for the two facilities included an up-front payment satisfied on closing plus an earn-out payment, payable over eight and a half years, based on the annual performance of each of the acquired plants.

The initial accounting for the acquisition is incomplete as at the date these financial statements are authorized for issue. The acquisition-date fair value of the consideration transferred, the fair value of the assets acquired and liabilities assumed and the amount of goodwill arising on the acquisition will be disclosed in forthcoming periods.

**New revolving credit facility**

On February 27, 2018, Ferroglobe repaid $88,316 thousand of outstanding borrowings under the Amended Revolving Credit Facility and entered into a new revolving facility that provides for borrowings up to an aggregate principal amount of $250,000 thousand (the "New Revolving Credit Facility"). In addition to loans in US dollars, multicurrency borrowings under the New Revolving Credit Facility are available in Euros, Pound Sterling and any other currency approved by the administrative agent and lenders. Subject to certain exceptions, loans under the New Revolving Credit Facility may be borrowed, repaid and reborrowed at any time until the facility's expiration date in February 27, 2021.

Ferroglobe's obligations under the New Revolving Credit Facility are guaranteed by certain subsidiaries and borrowings are secured by certain assets of Ferroglobe and its subsidiaries.

In addition to certain affirmative and negative covenants, the New Revolving Credit Facility contains certain maintenance financial covenants, including a maximum net total leverage ratio and a minimum interest coverage ratio.

**Dividend**

On May 21, 2018, the Board announced an interim dividend of $0.06 per share. The dividend has a record date of June 8, 2018 and a payment date of June 29, 2018.

## PARENT COMPANY BALANCE SHEET

## AS OF DECEMBER 31, 2017 AND 2016

| | Notes | 2017 US$'000 | 2016 US$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment in subsidiaries | 3 | 1,118,945 | 1,018,461 |
| Trade and other receivables | 4 | 279,058 | — |
| **Total non-current assets** | | **1,398,003** | **1,018,461** |
| **Current assets** | | | |
| Trade and other receivables | 4 | 29,425 | 1,117 |
| Other current assets | | 469 | 1,613 |
| Cash and cash equivalents | | 1,848 | 19,218 |
| **Total current assets** | | **31,742** | **21,948** |
| **Total assets** | | **1,429,745** | **1,040,409** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | | 1,796 | 1,795 |
| Other reserves | | (277,332) | (279,917) |
| Translation differences | | 109,630 | 4,396 |
| Valuation adjustments | | (10,596) | — |
| Retained earnings | | 1,325,262 | 1,187,082 |
| Total equity | 7 | **1,148,760** | **913,356** |
| **Net current assets (liabilities)** | | **(70,167)** | **(105,105)** |
| **Total assets less current liabilities** | | **1,327,836** | **913,356** |
| **Non-current liabilities** | | | |
| Debt instruments | 8 | 145,428 | — |
| Other financial liabilities | 9 | 33,648 | — |
| **Total non-current liabilities** | | **179,076** | **—** |
| **Current liabilities** | | | |
| Bank borrowings | 6 | — | 19,035 |
| Debt instruments | 8 | 4,687 | — |
| Trade and other payables | 5 | 91,468 | 105,692 |
| Other current liabilities | | 5,754 | 2,326 |
| **Total current liabilities** | | **101,909** | **127,053** |
| **Total equity and liabilities** | | **1,429,745** | **1,040,409** |

The Company reported a profit for the financial year ended December 31, 2017 of $138,180 thousand (2016: loss of $25,554 thousand).

The financial statements of Ferroglobe PLC with registration number 9425113 were approved by the Board and authorized for issue on May 29, 2018.

Signed on behalf of the Board.

**Pedro Larrea Paguaga**
**Director**

Notes 1 to 9 are an integral part of these financial statements.

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR 2017 AND 2016

| | Equity attributable to equity holders of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Share capital US$'000 | Other reserves US$'000 | Translation differences US$'000 | Valuation adjustments US$'000 | Retained earnings US$'000 | Total US$'000 |
| **Balance at December 31, 2015** | **1,288,862** | **(280,023)** | **371** | **—** | **(19,443)** | **989,767** |
| Comprehensive income (loss) for 2016 | — | — | 4,025 | — | (25,554) | (21,529) |
| Capital reduction | (1,287,067) | — | — | — | 1,287,067 | — |
| Dividends paid | — | — | — | — | (54,988) | (54,988) |
| Share-based compensation | — | 106 | — | — | — | 106 |
| **Balance at December 31, 2016** | **1,795** | **(279,917)** | **4,396** | **—** | **1,187,082** | **913,356** |
| Comprehensive income (loss) for 2017 | — | — | 105,234 | (10,596) | 138,180 | 232,818 |
| Issue of share capital | 1 | 180 | — | — | — | 181 |
| Share-based compensation | — | 2,405 | — | — | — | 2,405 |
| **Balance at December 31, 2017** | **1,796** | **(277,332)** | **109,630** | **(10,596)** | **1,325,262** | **1,148,760** |

**Notes to the Parent Company Financial Statements**

**For the year ended December 31, 2017**

## 1. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council (the "FRC"). In the year ended December 31, 2017 the Company has continued to adopt FRS 101 as issued by the FRC. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) *Reduced Disclosure Framework* as issued by the FRC incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and July 2016.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements

The financial statements have been prepared on the historical cost basis except for the remeasurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in Notes 3 and 4 to the consolidated financial statements except as noted below.

*Investment in subsidiaries and impairment*

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. At each balance sheet date, the Company reviews the carrying amount of its investments to determine whether there is any indication that those assets have suffered an impairment loss if any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years a reversal of an impairment loss is recognized immediately in profit or loss.

## 2. Profit (loss) for the year

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account or statement of other comprehensive income for the year. The profit (loss) attributable to the Company is disclosed directly beneath the Company's balance sheet.

**Notes to the Parent Company Financial Statements (Continued)**

**For the year ended December 31, 2017**

## 2. Profit (loss) for the year (Continued)

The auditor's remuneration for audit and other services is disclosed in note 25.7 to the consolidated financial statements.

## 3. Investment in subsidiaries

| | 2017<br>US$'000 | 2016<br>US$'000 |
|---|---|---|
| Opening balance | 1,018,461 | 1,018,461 |
| Translation differences | 100,484 | — |
| **Closing balance** | **1,118,945** | **1,018,461** |

The Company's investments at the balance sheet date in the share capital of its subsidiaries include the following:

| Company | Country | Ownership | Currency | Purpose |
|---|---|---|---|---|
| Grupo FerroAtlántica, S.A.U. | Spain | 100% | EUR | Electrometallurgy and Energy |
| Globe Specialty Metals, Inc. | United States of America | 100% | USD | Electrometallurgy |

The Directors believe that the carrying value of the investments is supported by their underlying net assets or expected cash generation.

The following are the principal subsidiaries of the Company:

| Name | Country of incorporation | Nature of the business |
|---|---|---|
| FerroAtlántica, S.A.U | Spain(1) | Electrometallurgy and Energy |
| Hidro-Nitro Española, S.A. | Spain(1) | Electrometallurgy and Energy |
| Grupo FerroAtlántica, S.A.U. | Spain(1) | Electrometallurgy |
| FerroPem, S.A.S. | France(2) | Electrometallurgy |
| Silicon Smelters (Pty.), Ltd. | South Africa(3) | Electrometallurgy |
| Globe Metallurgical, Inc. | United States of America(4) | Electrometallurgy |
| WVA Manufacturing, LLC | United States of America(5) | Electrometallurgy |
| Quebec Silicon LP | Canada(6) | Electrometallurgy |
| Globe Metales, S.A. | Argentina(7) | Electrometallurgy |

Registered Offices:

(1) P° Castellana, N° 259-D Planta 49ª, 28046, Madrid, Spain

(2) 517, Av. de la Boisse., Chambery, France

(3) Beyersnek Road Po Box 657, Polokwane, 0700 ZA, South Africa

(4) 1595 Sparling Road, Waterford OH 45786, United States

(5) Route 60 East, Alloy WV 25002, United States

(6) 6500 Rue Yvon-Trudeau, Becancour Québec G9H 2V8, Canada

(7) Pico 1641 — Floor 8th — Rooms A and C, Buenos Aires, Argentina

**Notes to the Parent Company Financial Statements (Continued)**

**For the year ended December 31, 2017**

### 3. Investment in subsidiaries (Continued)

The investments in subsidiaries are all stated at cost less provision for impairments.

Further information about subsidiaries, including disclosures about non-controlling interests, is provided in Note 2 to the consolidated financial statements.

### 4. Trade and other receivables

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Non-current US$'000 | Current US$'000 | Total US$'000 | Non-current US$'000 | Current US$'000 | Total US$'000 |
| Amounts receivable from related parties | 279,058 | 27,923 | 306,981 | — | 863 | 863 |
| VAT recoverable | — | 1,502 | 1,502 | — | 254 | 254 |
| **Total** | **279,058** | **29,425** | **308,483** | **—** | **1,117** | **1,117** |

Current amounts receivable from related parties comprise $27,840 thousand receivable from subsidiaries (2016: $791 thousand) and $83 thousand receivable from entities under common control (2016: $72 thousand).

Non-current amounts receivable from related parties comprise loans receivable from subsidiaries. The loans bear interest at a rate of 10.375% per annum and mature on March 1, 2022.

### 5. Trade and other payables

| | 2017 US$'000 | 2016 US$'000 |
|---|---|---|
| Amounts payable to related parties | 87,794 | 101,614 |
| Trade payables | 3,674 | 4,078 |
| **Total** | **91,468** | **105,692** |

Amounts payable to related parties comprise $87,760 thousand payable to subsidiaries (2016: $101,580 thousand) and $34 thousand payable to entities under common control (2016: $23 thousand). Amounts payable to subsidiaries include loans of $49,460 thousand that bear interest at a rate of either EURIBOR or LIBOR plus 2.5% and that are repayable with 90 days' notice (2016: $66,319 thousand)

The Company will guarantee the debts and liabilities of certain of its UK subsidiaries at the balance sheet date in accordance with section 479C of the Companies Act 2006. The Company has assessed the probability of loss under these guarantees as remote.

### 6. Bank borrowings

On December 28, 2016, the Company entered into a financing agreement with Goldman Sachs Lending Partners LLC, with a limit of $20,000 thousand. The amortized cost of this credit facility at December 31, 2016 amounted to $19,035 thousand and bore interest of 4.5% payable

**Notes to the Parent Company Financial Statements (Continued)**

**For the year ended December 31, 2017**

### 6. Bank borrowings (Continued)

upon maturity of the loan. This credit facility matured on February 15, 2017, when it was repaid together with accrued interest.

### 7. Shareholders' funds

Other reserves comprise brought forward retained earnings, the share premium account, a share-based compensation reserve, share issuance costs and a non-distributable merger reserve.

On June 22, 2016, Ferroglobe completed a reduction of its share capital and as such the nominal value of each Ordinary Share was reduced from $7.50 to $0.01, with the amount of the capital reduction of $1,287 thousand being credited to a distributable reserve.

### 8. Debt instruments

Debt instruments comprise the following at December 31:

| | 2017 US$'000 |
|---|---|
| **Unsecured notes carried at amortised cost** | |
| Principal amount | 150,000 |
| Unamortised issuance costs | (4,572) |
| Accrued coupon interest | 4,687 |
| **Total** | **150,115** |
| Amount due for settlement within 12 months | 4,687 |
| Amount due for settlement after 12 months | 145,428 |
| **Total** | **150,115** |

On February 15, 2017, Ferroglobe issued $150,000 thousand aggregate principal amount of 9.375% Senior Notes due March 1, 2022 (the "Notes"). Issuance costs of $5,193 thousand were incurred. Interest on the Notes is payable semi-annually on March 1 and September 1 of each year, commencing on September 1, 2017.

At any time prior to March 1, 2019, the Company may redeem all or a portion of the Notes at a redemption price based on a "make-whole" premium. At any time on or after March 1, 2019, the Company may redeem all or a portion of the Notes at redemption prices varying based on the period during which the redemption occurs. In addition, at any time prior to March 1, 2019, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net proceeds from certain equity offerings at a redemption price of 109.375% of the principal amount of the Notes, plus accrued and unpaid interest.

The Notes are senior unsecured obligations of the Issuers and are guaranteed on a senior basis by certain subsidiaries of Ferroglobe. The Notes are listed on the Irish Global Exchange Market. The associated indenture of the Notes contains certain negative covenants. Additionally, if the Issuers experience a change of control the indenture requires the Issuers to offer to redeem the Notes at 101% of their principal amount. At December 31, 2017, Grupo VM owned 55% of the Company's issued and outstanding shares and has pledged them to secure its obligations to

**Notes to the Parent Company Financial Statements (Continued)**

**For the year ended December 31, 2017**

**8. Debt instruments (Continued)**

certain banks. The Company would experience a change in control and would be required to offer redemption of bonds in accordance with the indenture if Grupo VM defaults on the underlying loan.

The fair value of the Notes, determined by reference to the closing market price on the last trading day of the year was $162,000 thousand as at December 31, 2017.

**9. Other financial liabilities**

Other financial liabilities comprise a derivative financial liability in respect of the Company's cross currency swap, for further details, refer to Notes 19, 27 and 28 in the consolidated financial statements.

## Appendix 1 — Non-IFRS financial metrics

Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Profit, Working Capital, Free Cash Flow, Net Debt, Net Debt to total assets and Net Debt to Capital are non-IFRS financial metrics that Ferroglobe utilizes to measure its success. The Company has included these financial metrics to provide supplemental measures of its performance. We believe these metrics are important because they eliminate items that have less bearing on the Company's current and future operating performance and highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures.

### Adjusted EBITDA

| | 2017 US$'000 | 2016 US$'000 |
|---|---|---|
| **Profit (loss) attributable to the parent** | **(678)** | **(338,427)** |
| Loss attributable to non-controlling interest | (5,144) | (20,186) |
| Income tax (benefit) expense | (14,821) | (46,695) |
| Net finance expense | 61,704 | 28,715 |
| Financial derivatives loss | 6,850 | — |
| Exchange differences | (8,214) | 3,513 |
| Depreciation and amortization charges, operating allowances and write-downs | 104,529 | 125,677 |
| **EBITDA** | **144,226** | **(247,403)** |
| Non-controlling interest settlement | 1,751 | — |
| Power credit | (3,696) | — |
| Long lived asset charge due to reclassification of discontinued operations to continuing operations | 2,608 | — |
| Accrual of contingent liabilities | 12,444 | — |
| Impairment loss | 30,618 | 267,449 |
| Transaction and due diligence expenses | — | 7,979 |
| Business interruption | (1,980) | 2,532 |
| Inventory impairment | — | 5,410 |
| Executive severance | — | 24,430 |
| Revaluation of biological assets | (5,195) | — |
| Globe purchase price allocation adjustments | — | 10,022 |
| Step-up valuation adjustment | 3,757 | — |
| **Adjusted EBITDA** | **184,533** | **70,419** |

**Adjusted Net Profit**

| | 2017 US$'000 | 2016 US$'000 |
|---|---|---|
| **Profit (loss) attributable to the parent** | **(678)** | **(338,427)** |
| Tax rate adjustment | (8,215) | 83,004 |
| Non-controlling interest settlement | 1,191 | — |
| Power credit | (2,513) | — |
| Long lived asset charge due to reclassification of discontinued operations to continuing operations | 1,773 | — |
| Accrual of contingent liabilities | 8,462 | — |
| Impairment loss | 20,820 | 181,865 |
| Transaction and due diligence expenses | — | 5,426 |
| Business interruption | (1,346) | 1,722 |
| Inventory impairment | — | 3,679 |
| Executive severance | — | 16,612 |
| Revaluation of biological assets | (3,533) | — |
| Globe purchase price allocation adjustments | — | 6,815 |
| Step-up valuation adjustment | 2,555 | — |
| **Adjusted Net Profit** | **18,516** | **(39,304)** |

**Working Capital**

| | 2017 US$'000 | 2016 US$'000 |
|---|---|---|
| Inventories | 361,231 | 316,702 |
| Trade and other receivables | 111,463 | 209,406 |
| Trade and other payables | (192,859) | (157,706) |
| Working Capital | **279,835** | **368,402** |

**Free Cash Flow**

| | 2017 US$'000 | 2016 US$'000 |
|---|---|---|
| Net cash provided by operating activities | 150,375 | 121,169 |
| Payments for property, plant and equipment | (74,616) | (71,119) |
| Free Cash Flow | **75,759** | **50,050** |

**Net Debt**

| | 2017 US$'000 | 2016* US$'000 |
|---|---|---|
| Bank borrowings | 1,003 | 421,291 |
| Debt instruments | 350,270 | — |
| Obligations under finance leases | 82,633 | 5,237 |
| Other financial liabilities | 137,431 | 88,059 |
| Cash and cash equivalents | (184,472) | (196,931) |
| Net Debt | **386,865** | **317,656** |

* At December 31, 2016, Net Debt excludes obligations under finance leases of $86,959 thousand and cash and cash equivalents of $51 thousand related to the Spanish energy business as these balances were classified as held for sale as at that date (see Note 29). If these balances had been included, Net Debt at December 31, 2016 would have been $404,615 thousand.

**Capital**

| | 2017 US$'000 | 2016 US$'000 |
|---|---|---|
| Net Debt | 386,865 | 317,656 |
| Equity | 937,758 | 892,042 |
| Capital | **1,324,623** | **1,209,698** |

**Exhibit 99.3**

**Ferroglobe PLC**

**Extracts from the 2017 Form 20-F**

**To accompany the Ferroglobe PLC Annual Report and Accounts 2017**

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## ITEM 3. KEY INFORMATION

### D. Risk factors.

An investment in our ordinary shares carries a significant degree of risk. You should carefully consider the following risks and all other information in this annual report, including our Consolidated Financial Statements. Additional risks and uncertainties we are not presently aware of, or that we currently deem immaterial, could also affect our business operations and financial condition. If any of these risks are realized, our business, results of operations and financial condition could be adversely affected to a material degree. As a result, the trading price of our ordinary shares could decline and you could lose part or all of your investment.

### Risks Related to Our Business and Industry

***Our operations depend on industries including the aluminum, steel, polysilicon, silicone and photovoltaic/solar industries, which, in turn, rely on several end-markets. A downturn in these industries or end-markets could adversely affect our business, results of operations and financial condition.***

Because we primarily sell the silicon metal, silicon-based alloys, manganese-based alloys and other specialty alloys we produce to manufacturers of aluminum, steel, polysilicon, silicones, and photovoltaic products, our results are significantly affected by the economic trends in the steel, aluminum, polysilicon, silicone and photovoltaic industries. Primary end users that drive demand for steel and aluminum include construction companies, shipbuilders, electric appliance and car manufacturers, and companies operating in the rail and maritime industries. Primary end users that drive demand for polysilicon and silicones include the automotive, chemical, photovoltaic, pharmaceutical, construction and consumer products industries. Demand for steel, aluminum, polysilicon and silicones from such companies is driven primarily by gross domestic product growth and is affected by global economic conditions. Fluctuations in steel and aluminum prices may occur due to sustained price shifts reflecting underlying global economic and geopolitical factors, changes in industry supply-demand balances, the substitution of one product for another in times of scarcity, and changes in national tariffs. An easing of demand for steel and aluminum can quickly cause a substantial build-up of steel and aluminum stocks, resulting in a decline in demand for silicon metal, silicon-based alloys, manganese-based alloys, and other specialty alloys. Polysilicon and silicone producers are subject to fluctuations in crude oil, platinum, methanol and natural gas prices, which could adversely affect their businesses. The photovoltaic industry has been growing in the recent years. However, changes in power regulations in different countries, fluctuations in the relative costs of different sources of energy, and supply-demand balances in the different parts of the value chain, among other factors, may significantly affect the growth prospects of the photovoltaic industry. A significant and prolonged downturn in the end-markets for steel, aluminum, polysilicon, silicone and photovoltaic products, could adversely affect these industries and, in turn, our business, results of operations and financial condition.

***The metals industry is cyclical and has been subject in the past to swings in market price and demand which could lead to volatility in our revenues.***

Our business has historically been subject to fluctuations in the price of our products and market demand for them, caused by general and regional economic cycles, raw material and energy price fluctuations, competition and other factors. The timing, magnitude and duration of these cycles and the resulting price fluctuations are difficult to predict. For example, we experienced a weakened economic environment in national and international metals markets, including a sharp decrease in silicon metal prices in all major markets, from late 2014 to late 2017. The weakened economic environment adversely affected our profitability for the year ended December 31, 2016.

Historically, our subsidiary Globe Metallurgical Inc., has been affected by recessionary conditions in the end-markets for its products, such as the automotive and construction industries. In April 2003, Globe Metallurgical Inc. sought protection under Chapter 11 of the U.S. Bankruptcy Code following its inability to restructure or refinance its indebtedness amidst a confluence of several negative economic and other factors, including an influx of low-priced, dumped imports, which caused it to default on then-outstanding indebtedness. A recurrence of such economic factors could have a material adverse effect on our business, results of operations and financial condition.

Additionally, as a result of unfavorable conditions in the end-markets for its products, Globe Metales S.R.L. ("Globe Metales") became subject to reorganization proceedings ("*concurso preventivo*") in 1999, which are scheduled to end in 2020. While such reorganization proceedings are ongoing, Globe Metales cannot dispose of or encumber its registered assets (including its real estate) or perform any action outside its ordinary course of business without prior court approval.

In calendar years 2009 and 2016, the global silicon metal, manganese- and silicon-based alloys industries suffered from unfavorable market conditions. Any decline in the global silicon metal, manganese- and silicon-based alloys industries could have a material adverse effect on our business, results of operations and financial condition. In addition, our business is directly related to the production levels of our customers, whose businesses are dependent on highly cyclical markets, such as the automotive, residential and non-residential construction, consumer durables, polysilicon, steel, and chemical industries. In response to unfavorable market conditions, customers may request delays in contract shipment dates or other contract modifications. If we grant modifications, these could adversely affect our anticipated revenues and results of operations. Also, many of our products are traded internationally at prices that are significantly affected by worldwide supply and demand. Consequently, our financial performance will fluctuate with the general economic cycle, which could have a material adverse effect on our business, results of operations and financial condition.

***Our business is particularly sensitive to increases in energy costs, which could materially increase our cost of production.***

Electricity is one of our largest production components. The price of electricity is determined in the applicable domestic jurisdiction and is influenced both by supply and demand dynamics and by domestic regulations. Changes in local energy policy, increased costs due to scarcity of energy supply, climate conditions, the termination or non-renewal of any of our power purchase contracts and other factors may affect the price of electricity supplied to our plants and adversely affect our results of operations and financial conditions.

Because electricity is indispensable to our operations and accounts for a high percentage of our production costs, we are particularly vulnerable to supply limitations and cost fluctuations in energy markets. For example, at our Spanish, Argentine, South African and Chinese plants, production must be modulated to reduce consumption of energy in peak hours or in seasons with higher energy prices, in order for us to maintain profitability. Our Venezuelan operations depend on national hydraulic energy production (rainfall) to produce sufficient power to provide a reliable source of supply, which is not always possible. Moreover, electricity prices in Venezuela recently have been affected by severe currency fluctuations. Generation of electricity in Spain and France by our own hydroelectric power operations partially mitigates our exposure to price increases in those two markets. However, we have pursued in the past the possibility of disposing of those operations, and may do so in the future. Such a divestiture, if completed, would result in a greater exposure to increases in electricity prices.

Electrical power to our U.S. and Canada facilities is supplied mostly by American Electric Power Co., Alabama Power Co., Brookfield Renewable Partners L.P., Hydro-Québec, the Tennessee Valley Authority, and Niagara Mohawk Power Corporation through dedicated lines. Our Alloy, West Virginia facility obtains approximately 56% of its power needs under a fixed-price power purchase agreement with a nearby hydroelectric facility owned by a Brookfield affiliate. This facility is over 70 years old and any breakdown could result in the Alloy facility having to purchase more grid power at higher rates. The energy supply for our Mendoza, Argentina facility is supplied by local utility Edemsa under a power purchase agreement expiring in December 2019. Energy rates in Argentina have increased on average by 200% since February 2016, resulting in challenges before the courts (with preliminary injunctive relief having been granted) as alternative arrangements are being negotiated. There can be no assurance that such negotiations will be completed on terms we consider to be commercially reasonable, or at all.

Energy supply to our facilities in South Africa is provided by Eskom (State-owned power utility) through rates that are approved annually by the national power regulator (NERSA). These rates have had an upward trend in the past years, due to the instability of available supply, and are likely to continue increasing. Also, NERSA applies certain revisions to rates based on cost variances for Eskom that are not within our control. We have completed negotiations with Eskom for a new power contract for 2018 and 2019.

In Spain, power is purchased in a competitive wholesale market. Our facilities have to pay access tariffs to the national grid and get certain payments in exchange for providing services to the grid (*i.e.*, interruptibility services). The volatile nature of the wholesale market in Spain results in price uncertainty that can be only partially offset by financial hedging contracts.

***Energy prices in Spain are volatile and such volatility could have a material adverse effect on our business, results of operations, and financial condition.***

Almost all of the revenues from Ferroglobe's energy segment are tied, either directly or indirectly, to wholesale market prices for electricity in Spain, which are volatile and may decline due to a number of factors that are not within our control. These include the price of fuels used to generate electricity by other means, the amount of excess generating capacity relative to load in particular markets, the cost of controlling polluting emissions, the structure and regulation of the electricity market overall, and fluctuations in demand, including weather conditions that impact electrical load. In addition, other power generators may develop new technologies or improvements to traditional technologies to produce power that could increase the supply of electricity and cause a sustained reduction in market prices for electricity.

The possible divestiture in the future of any of our hydroelectric power operations would result in a greater exposure to increases in electricity prices in that market.

***Our energy operations and revenues depend largely on government regulation of the power sector and our business may be adversely affected if such policies are amended or eliminated.***

Our energy operations and revenues depend largely on government regulation of the power sector. For example, in 2013, Spain introduced a new regulatory regime for renewable energies, which, among other things, suspended the pre-existing feed-in tariff support scheme for renewable energy producers that had benefitted us. This has had an adverse effect on the profitability of our energy operations, as prices at which we are able to sell electricity are now substantially dependent on the volatile wholesale market. If other power sector programs and regulations are adversely amended, reduced, eliminated, or subjected to new restrictions, it could have a material adverse effect on the profitability of our energy operations.

***Losses caused by disruptions in the supply of power would reduce our profitability.***

Large amounts of electricity are used to produce silicon metal, manganese-and silicon-based alloys and other specialty alloys, and our operations are heavily dependent upon a reliable supply of electrical power. We may incur losses due to a temporary or prolonged interruption of the supply of electrical power to our facilities, which can be caused by unusually high demand, blackouts, equipment failure, natural disasters or other catastrophic events, including failure of the hydroelectric facilities that currently provide power under contract to our West Virginia, New York, Québec and Argentina facilities. Additionally, on occasion, we have been instructed to suspend operations for several hours by the sole energy supplier in South Africa due to a general power shortage in the country. It is possible that this supplier may instruct us to suspend our operations for a similar or longer period in the future. Such interruptions or reductions in the supply of electrical power adversely affect production levels and may result in reduced profitability. Our insurance coverage does not cover all interruption events and may not be sufficient to cover losses incurred as a result.

In addition, investments in Argentina's electricity generation and transmission systems have been lower than the increase in demand in recent years. If this trend is not reversed, there could be electricity supply shortages as the result of inadequate generation and transmission capacity. Given the heavy dependence on electricity of our manufacturing operations, any electricity shortages could adversely affect our financial results.

Government regulations of electricity in Argentina give priority of use of hydroelectric power to residential users and subject violators of these restrictions to significant penalties. This preference is particularly acute during Argentina's winter months due to a lack of natural gas. We have previously successfully petitioned the government to exempt us from these restrictions given the demands of our business for continuous supply of electric power. If we are unsuccessful in our petitions or in any action we take to ensure a stable supply of electricity, our production levels may be adversely affected and our profitability reduced.

***Any decrease in the availability, or increase in the cost, of raw materials or transportation could materially increase our costs.***

Principal components in the production of silicon metal, silicon-based alloys and manganese-based alloys include metallurgical-grade coal, charcoal, graphite and carbon electrodes, manganese ore, quartzite, wood chips, steel scrap, and other metals. While we own certain sources of raw materials, we also buy raw materials on a spot or contracted basis. The availability of these raw materials and the prices at which we purchase them from third-party suppliers depend on market supply and demand and may be volatile. Our ability to obtain these materials in a cost efficient and timely manner is dependent on certain suppliers, their labor union relationships, mining and lumbering regulations and output and general local economic conditions.

We make extensive use of shipping by sea, rail and truck to obtain the raw materials used in our production and deliver our products to customers, depending on the geographic region and product or input. Raw materials and products often must be transported over long distances between mines and other production sites and the plants where raw materials are consumed, and between those sites and our customers. Any severe delay, interruption or other disruption in such transportation, any material damage to raw materials utilized by us or to our products while being transported, or a sharp rise in transportation prices could have a material adverse effect on our business, results of operations and financial condition. In addition, because we may not be able to obtain adequate supplies of raw materials from alternative sources on terms as favorable as our current arrangements, or at all, any disruption or shortfall in the production and delivery of raw materials could result in higher raw materials costs and likewise materially adversely affect our business, results of operations and financial condition.

***Cost increases in raw material inputs may not be passed on to our customers, which could negatively impact our profitability.***

The prices of our raw material inputs are determined by supply and demand, which may be influenced by, *inter alia*, economic growth and recession, changes in world politics, unstable governments in exporting nations, and inflation. The market prices of raw material inputs will thus fluctuate over time, and we may not be able to pass significant price increases on to our customers. If we do try to pass them on, we may lose sales and thereby revenue, in addition to having the higher costs. Additionally, decreases in the market prices of our products will not necessarily enable us to obtain lower prices from our suppliers.

***Metallurgical manufacturing and mining are inherently dangerous activities and any accident resulting in injury or death of personnel or prolonged production shutdowns could adversely affect our business and operations.***

Metallurgical manufacturing generally, and smelting in particular, is inherently dangerous and subject to fire, explosion and sudden major equipment failure. Quartz and coal mining are inherently dangerous and subject to numerous hazards, including collisions, equipment failure, accidents arising from the operation of large mining and rock transportation equipment, dust inhalation, flooding, collapse, blasting operations and operating in extreme climatic conditions. These hazards have led to accidents resulting in the serious injury and death of production personnel and prolonged production shutdowns in the past. We may experience fatal accidents or equipment malfunctions in the future, which could have a material adverse effect on our business and operations.

***We are heavily dependent on our mining operations, which are subject to risks that are beyond our control and which could result in materially increased expenses and decreased production levels.***

We mine quartz and quartzite at open pit mining operations and coal at underground and surface mining operations. We are heavily dependent on these mining operations for our quartz and coal supplies. Certain risk factors beyond our control could disrupt our mining operations, adversely affect production and shipments, and increase our operating costs, such as: a major incident at the mine site that causes all or part of the operations of the mine to cease for some period of time; mining, processing and plant equipment failures and unexpected maintenance problems; changes in reclamation costs; the inability to renew mining concessions upon their expiration; the expropriation of territory subject to a valid concession without sufficient compensation; and adverse weather and natural disasters, such as heavy rains or snow, flooding and other natural events affecting operations, transportation or customers.

Regulatory agencies have the authority under certain circumstances following significant health and safety violations or incidents to order a mine to be temporarily or even permanently closed. If this occurs, we may be required to incur significant legal and capital expenditures to re-open the affected mine. In addition, environmental regulations and enforcement could impose unexpected costs on our mining operations, and future regulations could increase those costs or limit our ability to produce quartz and sell coal. A failure to obtain and renew permits necessary for our mining operations could limit our production and negatively affect our business. It is also possible that we have extracted or may in the future extract quartz from territory beyond the boundary of our mining concession or mining right, which could result in penalties or other regulatory action or liabilities.

***We are subject to environmental, health and safety regulations, including laws that impose substantial costs and the risk of material liabilities.***

Our operations are subject to extensive foreign, federal, national, state, provincial and local environmental, health and safety laws and regulations governing, among other things, the generation, discharge, emission, storage, handling, transportation, use, treatment and disposal of hazardous substances; land use, reclamation and remediation; waste management and pollution prevention measures; greenhouse gas emissions; and the health and safety of our employees. We are also required to obtain permits from governmental authorities for certain operations, and to comply with related laws and regulations. We may not have been and may not be at all times in complete compliance with such permits and related laws and regulations. If we violate or fail to comply with these permits and related laws and regulations, we could be subject to penalties, restrictions on operations or other sanctions, obligations to install or upgrade pollution control equipment and legal claims, including for alleged personal injury or property or environmental damages. Such liability could adversely affect our reputation, business, results of operations and financial condition. In addition, in the context of an investigation, the government may impose technology upgrades to our facilities that could represent material capital expenses. For example, we have received two Notices and Findings of Violation ("NOV/FOV") from the federal government, alleging numerous violations of the Clean Air Act relating to Globe Metallurgical Inc.'s ("GMI") Beverly facility. Should GMI and the federal government be unable to reach a negotiated resolution of the NOV/FOVs, the government could file a formal lawsuit in federal court for injunctive relief, potentially requiring GMI to implement emission reduction measures, and for civil penalties. The statutory maximum penalty is $93,750 per day per violation, from April, 2013 to the present. See "Item 8.A. — Financial Information — Consolidated Financial Statements and Other Financial Information — Legal proceedings" for additional information.

The metals and mining industry is generally subject to risks and hazards, including fire, explosion, toxic gas leaks, spilling of polluting substances or other hazardous materials, rockfalls, and incidents involving mobile equipment, vehicles or machinery. These could occur by accident or by breach of operating and maintenance standards, and could result in personal injury, illness or death of employees or contractors, or in environmental damage, delays in production, monetary losses and possible legal liability.

Under certain environmental laws, we could be required to remediate or be held responsible for all of the costs relating to any contamination at our or our predecessors' past or present facilities and at third party waste disposal sites. We could also be held liable under these environmental laws for sending or arranging for hazardous substances to be sent to third party disposal or treatment facilities if such facilities are found to be contaminated. Under these laws we could be held liable even if we did not know of, or did not cause, such contamination, or even if we never owned or operated the contaminated disposal or treatment facility.

There are a variety of laws and regulations in place or being considered at the international, federal, regional, state and local levels of government that restrict or are reasonably likely to restrict emissions of carbon dioxide and other greenhouse gases. These legislative and regulatory developments may cause us to incur material costs if we are required to reduce or offset greenhouse gas emissions, or to purchase emission credits or allowances, and may result in a material increase in our energy costs due to additional regulation of power generators. Environmental laws are complex, change frequently and are likely to become more stringent in the future. Because environmental laws and regulations are becoming more stringent and new environmental laws and regulations are continuously being enacted or proposed, such as those relating to greenhouse gas emissions and climate change, the level of expenditures required for environmental matters could increase in the future. Future legislative action and regulatory initiatives could result in changes to operating permits, additional remedial actions, material changes in operations, increased capital expenditures and operating costs, increased costs of the goods we sell, and decreased demand for our products that cannot be assessed with certainty at this time.

Therefore, our costs of complying with current and future environmental laws, and our liabilities arising from past or future releases of, or exposure to, hazardous substances may adversely affect our business, results of operations and financial condition.

***Compliance with existing and proposed climate change laws and regulations, could adversely affect our performance.***

Under current European Union legislation, all industrial sites are subject to cap-and-trade programs, by which every facility with carbon emissions is required to purchase in the market emission rights for volumes of emission that exceed a certain allocated level. So far, and until 2020, the allocated level of emissions is such that the potential requirements of emissions rights purchases will have a limited impact on our business. After 2020, however, new regulations may require significant purchases of emissions rights in the market. Also, certain Canadian provinces have implemented cap-and-trade programs. As a result, our facilities in Canada and in the European Union may be required to purchase emission credits in the future (85% of the cost of which may be exempted in the European Union). The requirement to purchase emissions rights in the market could result in material increased compliance costs, additional operating restrictions for our business, and an increase in the cost of the products we produce, which could have a material adverse effect on our financial position, results of operations, and liquidity.

In other jurisdictions, including the United States and South Africa, some of the proposals for climate change legislation would require businesses that emit greenhouse gases to buy emission credits from the government, other businesses or through an auction process. While no such requirements applicable to our business have yet been adopted, if any such program were adopted in the future, we may be required to purchase emission credits for greenhouse gas emissions resulting from our operations. Although it is not possible at this time to predict what, if any, climate change laws or regulations will be adopted, any new restrictions on greenhouse gas emissions, including a cap-and-trade program or an emissions tax, could result in material increased compliance costs, additional operating restrictions for our business, and an increase in the cost of the products we produce, which could have a material adverse effect on our financial position, results of operations and liquidity.

***We make a significant portion of our sales to a limited number of customers, and the loss of a portion of the sales to these customers could have a material adverse effect on our revenues and profits.***

In the year ended December 31, 2017, Ferroglobe's ten largest customers accounted for approximately 47.1% of Ferroglobe's consolidated revenue and sales corresponding to Dow Corning Corporation, including sales from our joint venture operations, represented 12.2% of our sales. We expect that we will continue to derive a significant portion of our business from sales to these customers.

Some of the contracts with our customers do not provide commitments from our customers to purchase specified or minimum volumes of products for terms longer than one month to one year. Accordingly, with respect to these contracts, we do not benefit from any contractual protection mechanism in case of unexpected reduced demand for our products from such customers as a result of, for instance, downturns in the industries in which these customers operate or any other factor affecting their business, and this could have a material adverse effect on our revenues and profits.

If we were to experience a significant reduction in the amount of sales we make to some or all of these customers and could not replace these sales with sales to other customers, this could have a material adverse effect on our revenues and profits.

***Our business benefits from antidumping and countervailing duty orders and laws that protect our products by imposing special duties on unfairly traded imports from certain countries. If these duties or laws change, certain foreign competitors might be able to compete more effectively.***

Antidumping and countervailing duty orders are designed to provide relief from imports sold at unfairly low or subsidized prices by imposing special duties on such imports. Such orders normally benefit domestic suppliers and foreign suppliers not covered by the orders. In the United States, antidumping duties are in effect covering silicon metal imports from China and Russia. In the European Union, antidumping duties are in place covering silicon metal imports from China and ferrosilicon imports from China and Russia. In Canada, antidumping and countervailing duties are in place covering silicon metal imports from China.

The current antidumping and countervailing duty orders may not remain in effect and continue to be enforced from year to year, the products and countries now covered by orders may no longer be covered, and duties may not continue to be assessed at the same rates. In the United States, rates of duty can change as a result of "administrative reviews" of antidumping and countervailing duty orders. These orders can also be revoked as a result of periodic "sunset reviews," which determine whether the orders will continue to apply to imports from particular countries. A sunset review of the U.S. antidumping order covering silicon metal imports from China is currently being conducted. Antidumping and countervailing duties in the European Union and Canada are also subject to periodic reviews. In the European Union and in Canada, such reviews can include interim reviews, expiry reviews and other types of proceedings that may result in changes in rates of duty or termination of the duties.

Similarly, export duties imposed by foreign governments that are currently in place may change. For example, duties on Chinese exports of types of ferroalloys produced by Ferroglobe could be reduced.

Changes in any of these factors could adversely affect our business and profitability. Finally, at times, in filing trade actions, we arguably act against the interests of our customers. Certain of our customers may not continue to do business with us as a result.

In December 2016, Ferroglobe subsidiaries in Canada filed a complaint with the Canada Border Services Agency alleging that silicon metal from Brazil, Kazakhstan, Laos, Malaysia, Norway, Russia and Thailand is dumped, and that silicon metal from Brazil, Kazakhstan, Malaysia, Norway and Thailand is subsidized. In March 2017, Ferroglobe subsidiary Globe Specialty Metals petitioned the U.S. Department of Commerce and the U.S. International Trade Commission to provide relief from dumped and subsidized silicon metal imports from Australia, Brazil, Kazakhstan and Norway. In both cases, the agencies found that imports covered by the cases were unfairly traded, but determined that the domestic industry was not injured by the unfair imports. These injury determinations could adversely affect our business and profitability in the United States and Canada. Such determinations are subject to judicial review. In Canada, an appeal is pending; in the United States, the possibility of an appeal is being evaluated.

In June 2017, Euroalliages (representing European Union producers including Ferroglobe) filed a complaint with DG Trade of the European Commission alleging that ferro-silicon originating in Egypt and Ukraine is dumped. In April 2018, the Commission notified interested parties that the complaint had been withdrawn and that it considered that the investigation should be terminated without measures. The fact that the case is not going to be successful could adversely affect our sales or our relationships with customers in the European Union.

In November 2017, Ferroglobe subsidiaries in the European Union filed a complaint with DG Trade of the European Commission alleging that silicon metal originating in Brazil and Bosnia is dumped. That investigation is ongoing and no findings have been issued yet.

***Products we manufacture may be subject to unfair import competition that may affect our profitability.***

A number of the products we manufacture, including silicon metal and ferrosilicon, are globally-traded commodities that are sold primarily on the basis of price. As a result, our sales volumes and prices may be adversely affected by influxes of imports of these products that are dumped or are subsidized by foreign governments. Our silicon metal and ferrosilicon operations have been injured by such unfair import competition in the past. The antidumping and countervailing duty laws provide a remedy for unfairly traded imports in the form of special duties imposed to offset the unfairly low pricing or subsidization. However, the process for obtaining such relief is complex and uncertain. As a result, while we have sought and obtained such relief in the past, in some cases we have not been successful. Thus, there is no assurance that such relief will be obtained, and if it is not, unfair import competition could have a material adverse effect on our business, results of operations and financial condition.

***Competitive pressure from Chinese steel, aluminum, polysilicon and silicone producers may adversely affect the business of our customers, reducing demand for our products. Our customers may relocate to China, where they may not continue purchasing from us.***

China's aluminum, polysilicon and steel producing capacity exceeds local demand and has made China an increasingly large net exporter of aluminum and steel, and the Chinese silicone manufacturing industry is growing. Chinese aluminum, polysilicon, steel and silicone producers — who are unlikely to purchase silicon metal, manganese- and silicon-based alloys and other specialty metals from our plants outside of China due to the ample availability of domestic Chinese production — may gain global market share at the expense of our customers. An increase in Chinese aluminum, steel, polysilicon and silicone industry market share could adversely affect the production volumes, revenue and profits of our customers, resulting in reduced purchases of our products.

Moreover, our customers might seek to relocate or refocus their operations to China or other countries with lower labor costs and higher growth rates. Any that do so might thereafter choose to purchase from other suppliers of silicon metal, manganese- and silicon-based alloys and other specialty metals which in turn could have a material adverse effect on our business, results of operations and financial condition.

***We are subject to the risk of union disputes and work stoppages at our facilities, which could have a material adverse effect on our business.***

A majority of our employees are members of labor unions. In the future, we may experience protracted negotiations with labor unions, strikes, work stoppages or other industrial actions from time to time. Strikes called by employees or unions could materially disrupt our operations, including productions schedules and delivery times. 2014, there was a strike at our South African subsidiary that required us to reduce production for seven days. We have also experienced strikes by our employees in France from time to time. Any such work stoppage could have a material adverse effect on our business, results of operations and financial condition.

New labor contracts will have to be negotiated to replace expiring contracts from time to time. It is possible that future collective bargaining agreements will contain terms less favorable than the current agreements. Any failure to negotiate renewals of labor contracts on terms acceptable to us, with or without work stoppages, could have a materially adverse effect on our business, results of operations and financial condition.

Many of our key customers or suppliers are similarly subject to union disputes and work stoppages, which may reduce their demand for our products or interrupt the supply of critical raw materials and impede their ability to fulfil their commitments under existing contracts. In 2016, we temporarily reduced production at one of our plants as a result of a strike affecting one of our customers which resulted in delays in contract shipment dates and led to a decrease in prices for certain of our products.

***We are dependent on key personnel.***

Our success depends in part upon the retention of key employees. Competition for qualified personnel can be intense. Current and prospective employees may experience uncertainty about the effect of the Business Combination, which may impair our ability to attract, retain and motivate key management, sales, technical and other personnel.

If key employees depart, further integration of our FerroAtlántica and Globe divisions may be more difficult and our overall business may be harmed. We also may have to incur significant costs in identifying, hiring and retaining replacements for departing employees, may lose significant expertise and talent relating to our business and our ability to further realize the anticipated benefits of the Business Combination may be adversely affected. In addition, the departure of key employees could cause disruption or distractions for management and other personnel. Furthermore, we cannot be certain that we will be able to attract and retain replacements of a similar caliber as departing key employees.

The long term success of our Business Combination, which was consummated on December 23, 2015, depends to a significant degree on the continued employment of our core senior management team. In particular, we are dependent on the skills, knowledge and experience of Javier López Madrid, our Executive Chairman, Pedro Larrea Paguaga, our Chief Executive Officer, and Joseph Ragan, our Chief Financial Officer. If these employees are unable to continue in their respective roles, or if we are unable to attract and retain other skilled employees, our business, results of operations and financial condition could be adversely affected. We currently have employment agreements with Messrs. López Madrid, Larrea Paguaga and Ragan. These agreements contain certain non-compete provisions, which may not be fully enforceable by us. Additionally, we are substantially dependent upon key personnel among our financial and information technology staff, who enable us to meet our regulatory, contractual and financial reporting obligations, including reporting requirements under our credit facilities.

***In certain circumstances, the members of our Board may have interests that may conflict with yours as a holder of ordinary shares.***

Our directors have no duty to us with respect to any information such directors may obtain (i) otherwise than as our directors and (ii) in respect of which directors owe a duty of confidentiality to another person, provided that where a director's relationship with such other person gives rise to a conflict, such conflict has been authorized by our Board in accordance with our articles of association ("Articles"). Our Articles provide that a director shall not be in breach of the general duties directors owe to us pursuant to the UK Companies Act 2006 because such director:

- fails to disclose any such information to our Board, directors or officers; or
- fails to use or apply any such information in performing such director's duties as a director.

In such circumstances, certain interests of the members of our Board may not be aligned with your interests as a holder of ordinary shares and the members of our Board may engage in certain business and other transactions without any accountability or obligation to us.

***Shortages of skilled labor could adversely affect our operations.***

We depend on skilled labor for the operation of our submerged arc furnaces and other facilities. Some of our facilities are located in areas where demand for skilled personnel often exceeds supply. Shortages of skilled furnace technicians and other skilled workers could restrict our ability to maintain or increase production rates, lead to production inefficiencies and increase our labor costs.

***We may not realize the cost savings, synergies and other benefits that we expect to achieve from the Business Combination.***

The integration of formerly independent companies is a complex, costly and time-consuming process. We thus are required to devote significant management attention and resources to integrating our business practices and operations. The ongoing integration process may disrupt our business and, if implemented ineffectively, could preclude full realization of the anticipated benefits of the Business Combination. In our efforts to integrate our operations fully and successfully, we may encounter material unanticipated problems, expenses, liabilities, competitive responses, loss of client relationships, and a resulting diversion of management's attention. The challenges of combining the operations of FerroAtlántica and Globe include, among others:

- managing a significantly larger company;
- coordinating geographically separate organizations;
- potential diversion of management focus and resources from ordinary operational matters and future strategic opportunities;
- retaining existing customers and attracting new customers;
- maintaining employee morale and retaining key management and other employees;
- integrating two unique business cultures that are not necessarily compatible;
- the possibility of faulty assumptions underlying expectations of the Business Combination;
- issues in achieving anticipated operating efficiencies, business opportunities and growth prospects;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations;
- issues in integrating information technology, communications and other systems;
- changes in applicable laws and regulations;
- changes in tax laws (including under applicable tax treaties) and regulations or to the interpretation of such tax laws or regulations by the governmental authorities; and
- managing tax costs or inefficiencies associated with integrating our operations.

Many of these factors are outside of our control and any one of them could result in increased costs, decreased revenues and diversion of management's time and energy, which could materially impact our business, results of operations and financial condition. Moreover, even if the operations of FerroAtlántica and Globe are integrated successfully, we may not fully realize the benefits of the Business Combination, including the synergies, cost savings or sales or growth opportunities that we expect, within the anticipated time frame or at all. As a result, we cannot assure our shareholders that the Business Combination will result in the full realization of the benefits anticipated.

***Because the proceeds of the R&W Policy will not be sufficient to fully compensate for losses attributable to breaches of representations and warranties made by Grupo VM and FerroAtlántica in the Business Combination Agreement, and the proceeds under the R&W Policy are required to be distributed to the holders of the Trust Units, we may be required to use our existing cash on hand or draw under our credit facility to fund any actual loss incurred.***

We purchased a Representations and Warranties insurance policy (the "R&W Policy") in connection with the Business Combination to insure us against breaches of certain representations and warranties made by Grupo Villar Mir S.A.U. ("Grupo VM") and FerroAtlántica in the Business Combination Agreement (as defined below). The R&W Policy has a face amount equal to $50,000,000 and is subject to an initial retention amount of $10,000,000, as well as other limitations and conditions. As a result of Grupo VM's ownership of the Company following completion of the Business Combination, the R&W Policy only provides insurance to the extent of approximately 43% of insurable losses incurred by us. Accordingly, the proceeds of the R&W Policy will not be sufficient to fully compensate for losses attributable to breaches of representations and warranties made by Grupo VM and FerroAtlántica. In addition, we will not be able to recover losses attributable to breaches of representations and warranties that are excluded from the R&W Policy (including, for example, any purchase price, net worth or similar adjustment provisions of the Business Combination Agreement (hereinafter "Business Combination Agreement" or "BCA"), transfer pricing, environmental or pollution matters, the intended tax treatment of the Business Combination, etc.), or losses that would result in payments under the R&W Policy in excess of the $50,000,000 face amount of the R&W Policy.

On November 18, 2016, Ferroglobe completed the distribution to the holders of our ordinary shares at the time of beneficial interest units (the "Trust Units") in a newly formed Delaware Statutory Trust, Ferroglobe Representation and Warranty Insurance Trust ("Ferroglobe R&W Trust"), to which Ferroglobe had assigned its interest in the R&W Policy. Having assigned the R&W Policy, if we suffer a loss attributable to breaches of representations and warranties by Grupo VM or FerroAtlántica, we will be required to use our existing cash on hand or draws under our credit facility to fund the actual loss incurred to the extent that it is not met by Grupo VM, in the case of a breach by Grupo VM. Losses attributable to breaches of representations and warranties by Grupo VM or FerroAtlántica could have a material adverse effect on our business, financial condition and results of operations.

***Any failure to integrate recently acquired businesses successfully or to complete future acquisitions successfully could be disruptive of our business and/or limit our future growth.***

From time to time, we expect to pursue acquisitions in support of our strategic goals. In connection with any such acquisition, we could face significant challenges in managing and integrating our expanded or combined operations, including acquired assets, operations and personnel. There can be no assurance that acquisition opportunities will be available on acceptable terms or at all or that we will be able to obtain necessary financing or regulatory approvals to complete potential acquisitions. Our ability to succeed in implementing our strategy will depend to some degree upon the ability of our management to identify, complete and successfully integrate commercially viable acquisitions. Acquisition transactions may disrupt our ongoing business and distract management from other responsibilities.

For example, in February 2018, we completed the acquisition from a wholly-owned subsidiary of Glencore International AG ("Glencore") of a 100% interest in Glencore's manganese alloys plants in Mo I Rana (Norway) and Dunkirk (France). Although the purchase was made under what we believe to be favorable financial terms and we expect it to result in a 10-20% increase in Company-wide revenue, the acquisition increases the management complexity of our operations, adds a new currency (Norwegian Krone) to our foreign exchange exposure, and will require additional attention from management in order for us to successfully integrate and capture synergies. There can be no assurance that the acquisition will result in the realization of the benefits anticipated.

***Grupo VM, our principal shareholder, has significant voting power with respect to corporate matters considered by our shareholders.***

Our principal shareholder, Grupo VM, owns shares representing approximately 53% of the aggregate voting power of our capital stock. By virtue of Grupo VM's voting power, as well as Grupo VM's representation on the Board, Grupo VM will have significant influence over the outcome of any corporate transaction or other matters submitted to our shareholders for approval. Grupo VM will be able to block any such matter, including ordinary resolutions, which, under English law, require approval by a majority of outstanding shares cast in the vote. Grupo VM will also be able to block special resolutions, which, under English law, require approval by the holders of at least 75% of the outstanding shares entitled to vote and voting on the resolution, such as an amendment of the Articles or the exclusion of preemptive rights. Our principal shareholder has, and will continue to have, directly or indirectly, the power, among other things, to affect our legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management and to approve other changes to our operations.

***Grupo VM, which owns approximately 53% of our outstanding shares, has pledged most of its shares to secure its obligations to Crédit Agricole Corporate and Investment Bank, Banco Santander and HSBC; if Grupo VM defaults on the underlying loan, we could experience a change in control.***

Grupo VM guaranteed its obligations pursuant to a credit agreement (the "GVM Credit Agreement"), which allows them to borrow up to €415 million ("GVM Loan"). In March 2015, Grupo VM entered into a security and pledge agreement, as amended and restated on February 14, 2018 (the "GVM Pledge Agreement"), with Crédit Agricole Corporate and Investment Bank, S.A., Banco Santander, S.A., HSBC Bank PLC and Société Générale, S.A. (the "Lenders"), pursuant to which Grupo VM agreed to pledge most of its shares to the Lenders to secure the outstanding GVM Loan. In the event Grupo VM defaults under the GVM Credit Agreement, the Lenders may foreclose on the shares subject to the pledge. In such case, we could experience a change of control. Upon a change in control, we may be required, among other things, immediately to repay outstanding principal as well as, accrued interest and any other amounts owed by us under one or more of our bank facilities or our other debt. If upon a change of control, we do not have sufficient funds available to make such payments out of our available cash, third party financing would be needed, yet may be impermissible under our other debt agreements. In addition, certain other contracts we are party to from time to time may contain change of control provisions. Upon a change in control, such provisions may be triggered, which could cause our contracts to be terminated or give rise to other obligations, each of which could have a material adverse effect on our business, results of operations and financial condition.

***We may engage in related party transactions with affiliates of Grupo VM, our principal shareholder.***

Conflicts of interest may arise between our principal shareholder and your interests as a shareholder. Our principal shareholder has, and will continue to have, directly or indirectly, the power, among other things, to affect our day-to-day operations, including the pursuit of related party transactions. We have entered, and may in the future enter, into agreements with companies who are affiliates of Grupo VM, our principal shareholder. Such agreements have been approved by, or would be subject to the approval of, the Board. The terms of such agreements may present material risks to our business and results of operations. For example, we recently entered into a series of projects and an agreement in respect of a joint venture with AurinkaPhotovoltaic Group S.L. ("Aurinka") and Blue Power Corporation S.L. ("Blue Power"), a company partly owned by Mr. Javier López Madrid, our Executive Chairman. We have also entered into a number of other agreements with affiliates of Grupo VM with respect to, among other things, the provision of information technology and data processing services and the management of certain aspects of our hydroelectric plants. See "Item 7.B. — Major Shareholders and Related Party Transactions — Related Party Transactions."

***We are exposed to significant risks in relation to compliance with anti-bribery and corruption laws, anti-money laundering laws and regulations, and economic sanctions programs.***

Doing business on a worldwide basis requires us to comply with the laws and regulations of various jurisdictions. In particular, our international operations are subject to anti-corruption laws, most notably the U.S. Foreign Corrupt Practices Act of 1977 ("FCPA") and the UK Bribery Act of 2010 (the "Bribery Act"), international trade sanctions programs, most notably those administered by the U.N., U.S. and European Union, anti-money laundering laws and regulations, and laws against human trafficking and slavery, most notably the UK Modern Slavery Act 2015 ("Modern Slavery Act").

The FCPA and Bribery Act prohibit offering or providing anything of value to foreign officials for the purposes of obtaining or retaining business or securing any improper business advantage. We may deal from time to time with both governments and state-owned business enterprises, the employees of which are considered foreign officials for purposes of these laws. International trade sanctions programs restrict our business dealings with or relating to certain sanctioned countries and certain sanctioned entities and persons no matter where located.

As a result of doing business internationally, we are exposed to a risk of violating applicable anti-bribery and corruption ("ABC") laws, international trade sanctions, and anti-money laundering ("AML") laws and regulations. Some of our operations are located in developing countries that lack well-functioning legal systems and have high levels of corruption. Our continued expansion and worldwide operations, including in developing countries, our development of joint venture relationships worldwide, and the engagement of local agents in the countries in which we operate tend to increase the risk of violations of such laws and regulations. Violations of ABC laws, AML laws and regulations, and trade sanctions are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licenses, as well as criminal penalties including possible imprisonment. Moreover, any major violations could have a significant impact on our reputation and consequently on our ability to win future business.

For its part, the Modern Slavery Act requires any commercial organization that carries on a business or part of a business in the United Kingdom which (i) supplies goods or services and (ii) has an annual global turnover of £36 million to prepare a slavery and human trafficking statement for each financial year ending on or after March 31, 2016. In this statement, the commercial organization must set out the steps it has taken to ensure there is no modern slavery in its own business and its supply chain, or provide an appropriate negative statement. The UK Secretary of State may enforce this duty by means of civil proceedings. Ferroglobe is currently in compliance with the Act, and we believe it will remain so, but the nature of our operations and the regions in which we operate may make it difficult or impossible for us to detect all incidents of modern slavery in certain of our supply chains. Any failure in this regard would not violate the Modern Slavery Act *per se*, but could have a significant impact on our reputation and consequently on our ability to win future business.

We seek to build and continuously improve our systems of internal controls and to remedy any weaknesses identified. As part of our efforts to comply with all applicable law and regulation, we have introduced a global ethics and compliance program. We believe we are devoting appropriate time and resources to its implementation, related training, and to monitoring compliance. Despite these efforts, we cannot be certain that our policies and procedures will be followed at all times or that we will prevent or timely detect violations of applicable laws, regulations or policies by our personnel, partners or suppliers. Any actual or alleged failure to comply with applicable laws or regulations could lead to material liabilities not covered by insurance or other significant losses, which in turn could have a material adverse effect on our business, results of operations, and financial condition.

***We operate in a highly competitive industry.***

The silicon metal market and the silicon-based and manganese-based alloys markets are global, capital intensive and highly competitive. Our competitors may have greater financial resources, as well as other strategic advantages, to maintain, improve and possibly expand their facilities, and, as a result, they may be better positioned than we are to adapt to changes in the industry or the global economy. Advantages that our competitors have over us from time to time, new entrants that increase competition in our industry, and/or increases in the use of substitutes for certain of our products could have a material adverse effect on our business, results of operations and financial condition.

***Though we are not currently operating at full capacity, we have historically operated at near the maximum capacity of our operating facilities. Because the cost of increasing capacity may be prohibitively expensive, we may have difficulty increasing our production and profits.***

Our facilities are able to manufacture, collectively, approximately 416,750 tons of silicon metal (including Dow Corning's portion of the capacity of our Alloy, West Virginia and Bécancour, Québec plants), 534,000 tons of silicon-based alloys and 689,000 tons of manganese-based alloys on an annual basis. Our ability to increase production and revenues will depend on expanding existing facilities, acquiring facilities or building new ones. Increasing capacity is difficult because:

- adding 30,000 tons of new production capacity to an existing silicon manufacturing plant would cost approximately $120,000 thousand and take at least 12 to 18 months to complete once permits are obtained;

- a greenfield development project would take at least three to five years to complete and would require significant capital expenditure and, regulatory compliance costs; and

- obtaining sufficient and dependable electric power at competitive rates in areas near the required natural resources is extremely difficult.

We may not have sufficient funds to expand existing facilities, acquire new facilities, or open new ones and may be required to incur significant debt to do so, which could have a material adverse effect on our business and financial condition.

***Our actual financial position and results of operations may differ materially from certain of the financial data included in this annual report, and, despite our best efforts, the historical financial information included in this annual report may not be representative of our results for the periods presented or future periods.***

Ferroglobe PLC was formed upon the consummation of the Business Combination on December 23, 2015. FerroAtlántica is the Company's "Predecessor" for accounting purposes. Therefore, the historical data and results of Ferroglobe for the 2015 fiscal year are composed of the results of:

- Ferroglobe PLC for the period beginning February 5, 2015 (inception of the entity) and ending December 31, 2015;
- FerroAtlántica, the Company's "Predecessor," for the twelve-month period ended December 31, 2015; and
- Globe for the eight-day period ended December 31, 2015.

The historical data and results of fiscal years before 2015 correspond exclusively to the Predecessor, unless otherwise expressly stated. This affects the comparability of our historical data and results for the year ended December 31, 2015 and any subsequent periods with our historical data and results for any previous periods.

Furthermore, the historical financial information included in this annual report may not be indicative of our future financial performance or our ability to meet our obligations.

***We are subject to restrictive covenants under our credit facilities and other financing agreements. These covenants could significantly affect the way in which we conduct our business. Our failure to comply with these covenants could lead to an acceleration of our debt.***

We have entered into credit facilities that contain covenants that in certain circumstances, among other things, restrict our ability to sell assets; incur, repay or refinance indebtedness; create liens; make investments; engage in mergers or acquisitions; pay dividends, including dividends by subsidiaries to Ferroglobe PLC; repurchase stock; or make capital expenditures. These credit facilities also require compliance with specified financial covenants, including minimum interest coverage and maximum leverage ratios. We cannot borrow under the credit facilities if the additional borrowings would cause a breach of such financial covenants. Further, a significant portion of our assets are pledged to secure the indebtedness. For example, certain equity interests and assets are pledged to secure the New Revolving Credit Facility.

We have in the past breached certain financial covenants, including financial maintenance covenants under the Old Revolving Credit Facility as of and for the three months ended September 30 and December 31, 2016, certain covenants under our credit facilities. Our ability to comply with applicable debt covenants may be affected by events beyond our control, potentially leading to future breaches. The breach of any of the covenants contained in our credit facilities, unless waived, would constitute an event of default, in turn permitting the lenders to terminate their commitments to extend credit under, and accelerate the maturity of, the credit facilities in question. If in such circumstances we were unable to repay lenders and holders, or obtain waivers from them on acceptable terms or at all, the lenders and holders could foreclose upon the collateral securing the credit facilities and exercise other rights. Such events, should they occur, could have a material adverse effect on our business, results of operations and financial condition. See "— Risks Related to Our Capital Structure — We are subject to restrictive covenants under our financing agreements, which could impair our ability to run our business" below.

***Our insurance costs may increase materially, and insurance coverages may not be adequate to protect us against all risks and potential losses to which we may be subject.***

We maintain various forms of insurance covering a number of specified and consequential risks and losses arising from insured events under the policies, including certain business interruptions and claims for damage and loss caused by certain natural disasters, such as earthquakes, floods and windstorms. Our existing property and liability insurance coverage contains various exclusions and limitations on coverage. In some previous insurance policy renewals, we have acceded to larger premiums, self-insured retentions and deductibles. For example, as a result of the explosion at our facility in Chateau Feuillet, France, the applicable property insurance premium increased. We may also be subject to additional exclusions and limitations on coverage in future insurance policy renewals. There can be no assurance that the insurance policies we have in place are or will be sufficient to cover all potential losses we may incur. In addition, due to changes in our circumstances and in the global insurance market, insurance coverage may not continue to be available to us on terms we consider commercially reasonable or be sufficient to cover multiple large claims.

***We have operations and assets in the United States, Spain, France, Canada, China, South Africa, Norway, Venezuela, Poland, Argentina, Mauritania and may have operations and assets in other countries in the future. Our international operations and assets may be subject to various economic, social and governmental risks.***

Our international operations and sales may expose us to risks that are more significant in developing markets than in developed markets and which could negatively impact future revenue and profitability. Operations in developing countries may not operate or develop in the same way or at the same rate as might be expected in a country with an economy, government and legal system similar to western countries. The additional risks that we may be exposed to in such cases include, but are not limited to:

- tariffs and trade barriers;
- sanctions and other restrictions in our ability to conduct business with certain countries, companies or individuals;
- recessionary trends, inflation or instability of financial markets;
- regulations related to customs and import/export matters;
- tax issues, such as tax law changes, changes in tax treaties and variations in tax laws;
- changes in regulations that affect our business, such as new or more stringent environmental requirements or sudden and unexpected raises in power rates;
- limited access to qualified staff;
- inadequate infrastructure;
- cultural and language differences;
- inadequate banking systems;
- restrictions on the repatriation of profits or payment of dividends;
- crime, strikes, riots, civil disturbances, terrorist attacks or wars;
- nationalization or expropriation of property;
- law enforcement authorities and courts that are weak or inexperienced in commercial matters; and
- deterioration of political relations among countries.

In addition to the foregoing, exchange controls and restrictions on transfers abroad and capital inflow restrictions have limited, and can be expected to continue to limit, the availability of international credit. For example, the results of operations of our subsidiary in Venezuela have been adversely affected by changes to exchange rate policies there, and while Argentina recently lifted its restrictions limiting the ability of companies to buy foreign currency and to make dividend payments abroad, it devalued the peso, which is likely to fuel inflation and increase operating costs.

***The critical social, political and economic conditions in Venezuela have adversely affected, and may continue to adversely affect, our results of operations.***

Among other policies in recent years, the Venezuelan government has continuously devalued the Bolívar. The resulting inflation has devastated the country, which is experiencing all manner of shortages of basic materials and other goods and difficulties in importing raw materials. In 2016, we idled our Venezuelan operations and sought to determine the recoverable value of the long lived assets there. We concluded that the costs to dispose of the facility exceeded the fair value of the assets, primarily due to political and financial instability in Venezuela. Accordingly, we wrote down the full value of our Venezuelan operations. Our Venezuelan subsidiary has been able to meet its obligations (tax, labor, power costs and others) in the past through the sales of existing stock to customers, while remaining cash neutral in its operation. However, our inability to generate cash in that market may cause us to default on some of our obligations there in the future, which may result in administrative intervention or other consequences. If the social, political and economic conditions in Venezuela continue as they are, or worsen, our business, results of operations and financial condition could be adversely affected.

***We are exposed to foreign currency exchange risk and our business and results of operations may be negatively affected by the fluctuation of different currencies.***

We transact business in numerous countries around the world and a significant portion of our business entails cross border purchasing and sales. Our sales made in a particular currency do not exactly match the amount of our purchases in such currency. We prepare our consolidated financial statements in U.S. Dollars, while the financial statements of each of our subsidiaries are prepared in the entities functional currency. Accordingly, our revenues and earnings are continuously affected by fluctuations in foreign currency exchange rates. For example, our sales made in U.S. Dollars exceed the amount of our purchases made in U.S. Dollars, such that the appreciation of certain currencies (like the Euro or the South African Rand) against the U.S. Dollar would tend to have an adverse effect on our costs. Such adverse movements in relevant exchange rates could have a material adverse effect on our business, results of operations and financial condition.

***We depend on a limited number of suppliers for certain key raw materials. The loss of one of these suppliers or the failure of one of any of them to meet contractual obligations to us could have a material adverse effect on our business.***

Colombia and the United States are among the preferred sources for the metallurgical coal consumed in the production of silicon metal and silicon-based alloys, and the vast majority of produces source coal from these two countries. In the year ended December 31, 2017, approximately 71% of our coal was purchased from third parties. Of our third party purchases, approximately 63% came from Colombia. Additionally, the great majority of manganese ore we purchase comes from suppliers located in South Africa and Gabon, which supplied approximately 94% of the manganese ore we purchased in 2017. We do not control these third party suppliers and must rely on them to perform in accordance with the terms of their contracts. If these suppliers fail to provide us with the required raw materials in a timely manner, or at all, or if the quantity or quality of the materials they provide is lower than that contractually agreed, we may not be able to procure adequate supplies of raw materials from alternative sources on comparable terms, or at all, which could have a material adverse effect on our business, results of operations and financial condition.

***Planned investments in the expansion and improvement of existing facilities and in the construction of new facilities may not be successful.***

We are engaged in significant capital improvements to our existing facilities to upgrade and add capacity to those facilities. We also may engage in the development and construction of new facilities. Should any such efforts not be completed in a timely manner and within budget, or be unsuccessful otherwise, we may incur additional costs or impairments which could have a material adverse effect on our business, results of operations and financial condition.

***If hydrology conditions at our hydropower facilities are unfavorable or below our estimates, our electricity production, and therefore our revenue, may be substantially below our expectations.***

The revenues generated by our hydroelectric operations are determined by the amount of electricity generated, which in turn is entirely dependent upon available water flows that may vary significantly over time. Rainfall and resulting hydrology conditions naturally vary from season to season and from year to year and may also change permanently because of climate change or other factors. A material reduction in seasonal rainfall will cause affected hydropower plants to run at a reduced capacity and therefore produce less electricity, adversely impacting revenue and profitability.

Moreover, if too much rainfall occurs at any one time, water may flow too quickly and at volumes in excess of a particular hydropower plant's designated operational levels, requiring the discharge of water through sluice gates rather than the plant's turbines. Such conditions, as well as flooding, lightning strikes, earthquakes, severe storms, wildfires, and other unfavorable weather conditions (including those due to climate change), may adversely impact water flow rates of the rivers on which our hydropower plants depend and require us to bypass turbines or shut down facilities, decreasing electricity production levels and revenues.

***Any delay or failure to procure, renew or maintain necessary governmental permits, including environmental permits and concessions to operate our hydropower plants would adversely affect our results of operations.***

The operation of our hydropower plants is highly regulated, requires various governmental permits, including environmental permits and concessions, and may be subject to the imposition of conditions by government authorities. We cannot predict whether the conditions prescribed in such permits and concessions will be achievable. The denial of a permit essential to a hydropower plant or the imposition of impractical conditions would impair our ability to operate the plant. If we fail to satisfy the conditions or comply with the restrictions imposed by governmental permits or concessions, or restrictions imposed by other applicable statutory or regulatory requirements, we may face enforcement action and be subject to fines, penalties or additional costs or revocation of such permits or concessions. Any failure to procure, renew or abide by necessary permits and concessions would adversely affect the operation of our hydropower plants.

In Spain, the use and exploitation of the hydropower plants located in Aragón and Galicia are not only subject to the limitations imposed on their concession certificates, but also to the limitations imposed by environmental regulation related to water distribution and flows. Power generation and the use of water at all hydropower plants must meet the requirements set out in the Spanish National Hydrological Plan and the various provisions and acts of the Spanish Water

Administration. Any further restrictions on our ability to use water at these plants would negatively impact our hydropower production and further expose us to increases in power prices in Spain.

***Equipment failures may lead to production curtailments or shutdowns and repairing any failure could require us to incur capital expenditures and other costs.***

Many of our business activities are characterized by substantial investments in complex production facilities and manufacturing equipment. Because of the complex nature of our production facilities, any interruption in manufacturing resulting from fire, explosion, industrial accidents, natural disaster, equipment failures or otherwise could cause significant losses in operational capacity and could materially and adversely affect our business, results of operations and financial condition.

Our hydropower generation assets and other equipment may not continue to perform as they have in the past or as they are expected. A major equipment failure due to wear and tear, latent defect, design error or operator error, early obsolescence, natural disaster or other force majeure event could cause significant losses in operational capacity. Repairs following such failures could require us to incur capital expenditures and other costs. Such major failures also could result in damage to the environment or damages and harm to third parties or the public, which could expose us to significant liability. Such costs and liabilities could adversely affect our business, results of operations and financial condition.

***We depend on proprietary manufacturing processes and software. These processes may not yield the cost savings that we anticipate and our proprietary technology may be challenged.***

We rely on proprietary technologies and technical capabilities in order to compete effectively and produce high quality silicon metal and silicon-based alloys, including:

- computerized technology that monitors and controls production furnaces;
- electrode technology and operational know-how;
- metallurgical processes for the production of solar-grade silicon metal;
- production software that monitors the introduction of additives to alloys, allowing the precise formulation of the chemical composition of products; and
- flowcaster equipment, which maintains certain characteristics of silicon-based alloys as they are cast.

We are subject to a risk that:

- we may not have sufficient funds to develop new technology and to implement effectively our technologies as competitors improve their processes;
- if implemented, our technologies may not work as planned; and
- our proprietary technologies may be challenged and we may not be able to protect our rights to these technologies.

Patent or other intellectual property infringement claims may be asserted against us by a competitor or others. Our intellectual property rights may not be enforceable and may not enable us to prevent others from developing and marketing competitive products or methods. An infringement action against us may require the diversion of substantial funds from our operations and may require management to expend efforts that might otherwise be devoted to operations. A successful challenge to the validity of any of our patents may subject us to a significant award of damages, and may oblige us to secure licenses of others' intellectual property, which could have a material adverse effect on our business, results of operations and financial condition.

We also rely on trade secrets, know-how and continuing technological advancement to maintain our competitive position. We may not be able to effectively protect our rights to unpatented trade secrets and know-how.

***Ferroglobe PLC is a holding company whose principal source of revenue is the income received from its subsidiaries.***

Ferroglobe PLC is dependent on the income generated by its subsidiaries in order to earn distributable profits and pay dividends to shareholders. The amounts of distributions and dividends, if any, to be paid to us by any operating subsidiary will depend on many factors, including such subsidiary's results of operations and financial condition, limits on dividends under applicable law, its constitutional documents, documents governing any indebtedness, applicability of tax treaties and other factors which may be outside our control. If our operating subsidiaries do not generate sufficient cash flow, we may be unable to earn distributable profits and/or pay dividends on our shares.

***Our business operations may be impacted by various types of claims, lawsuits, and other contingent obligations.***

We are involved in various legal and regulatory proceedings including those that arise in the ordinary course of our business. We estimate such potential claims and contingent liabilities and, where appropriate, record provisions to address these contingent liabilities. The ultimate outcome of the legal matters currently pending against our Company is uncertain, and although such claims, lawsuits and other legal matters are not expected individually to have a material adverse effect, such matters in the aggregate could have a material adverse effect on our business, results of operations and financial condition. Furthermore, we could, in the future, be subject to judgments or enter into settlements of lawsuits and claims that could have a material adverse effect on our results of operations in any particular period. While we maintain insurance coverage in respect of certain risks and liabilities, we may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against such claims. See "Item 8.A. — Financial Information — Consolidated Statements and Other Financial Information — Legal proceedings" for additional information regarding legal proceedings to which we are party.

***We are exposed to changes in economic conditions where we operate and globally that are beyond our control.***

Our industry is affected by changing economic conditions, including changes in national, regional and local unemployment levels, changes in national, regional and local economic development plans and budgets, shifts in business investment and consumer spending patterns, credit availability, and business and consumer confidence. Disruptions in national economies and volatility in the financial markets may and often will reduce consumer confidence, negatively affecting business investment and consumer spending. The outlook for the global economy in the near to medium term is uncertain due to several factors, including geopolitical risks and concerns about global growth and stability. Concerns also remain regarding the sustainability of the European Monetary Union and its common currency, the Euro, in their current form, particularly following the vote in favor of the United Kingdom's exit from the European Union in June 2016 and the UK Prime Minister's formal delivery of a notice of withdrawal from the European Union in March 2017, and in light of elections held, or to be held, in several European countries in 2017 and 2018.

We are not able to predict the timing or duration of periods economic growth in the countries where we operate and/or sell products, nor are we able to predict the timing or duration of any economic downturn or recession that may occur in the future.

***Cybersecurity breaches and threats could disrupt our business operations and result in the loss of critical and confidential information.***

We rely on the effective functioning and availability of our information technology and communication systems and the security of such systems for the secure processing, storage and transmission of confidential information. The sophistication and magnitude of cybersecurity incidents are increasing and include, among other things, unauthorized access, computer viruses, deceptive communications and malware. Information technology security processes may not effectively detect or prevent cybersecurity breaches or threats and the measures we have taken to protect against such incidents may not be sufficient to anticipate or prevent rapidly evolving types of cyber-attacks. Breaches of the security of our information technology and communication systems could result in destruction or corruption of data, the misappropriation, corruption or loss of critical or confidential information, business disruption, reputational damage, litigation and remediation costs.

***Possible new tariffs and duties that might be imposed by certain governments, including the United States, the European Union and others, could have a material adverse effect on our results of operations.***

In March 2018, the President of the United States announced import tariffs of 25 percent on steel and 10 percent on aluminum, with exemptions for Canada and Mexico only. In April 2018, the U.S. government released a list of Chinese products (in addition to steel and aluminum) that are subject to new tariffs, including a wide array of raw materials, construction machinery, agricultural equipment, electronics, medical devices, and consumer goods. China has already announced a plan to impose tariffs on a wide range of US products in retaliation for the new US tariffs on steel and aluminum and may impose additional tariffs in response to the new US tariffs on other Chinese products. These and like actions by the United States and China could result in the imposition of new tariffs by other countries. Any resulting "trade war" could have a significant adverse effect on world trade and the world economy. To date tariffs have not affected our business to a material degree. It is too early to predict how the recently enacted tariffs on imported aluminum and steel will impact our business.

***Our suppliers, customers, agents or business partners may be subject to or affected by export controls or trade sanctions imposed by government authorities from time to time, which may restrict our ability to conduct business with them and potentially disrupt our production or our sales.***

The US, EU, UN and other authorities have variously imposed export controls and trade sanctions on certain countries, companies, individuals and products, restricting our ability to trade normally with or in them. At present, compliance with such trade regulation is not affecting our business to a material degree. However, new trade regulations may be imposed at any time that target or otherwise affect our customers, suppliers, agents or business partners or their products. In particular, trade sanctions could be imposed that restrict our ability to do business with one or more critical suppliers and/or require special licenses to do so. Such events could potentially disrupt our production or sales and have a material adverse effect on our business, results of operations and financial condition.

## Risks Related to Our Capital Structure

***We have recorded a significant amount of goodwill and we may not realize the full value thereof.***

We have recorded a significant amount of goodwill. Total goodwill, which represents the excess of the cost of acquisitions over our interest in the net fair value of the assets acquired and liabilities and contingent liabilities assumed, was $205,287 thousand as of December 31, 2017, or 10% of our total assets. Goodwill is recorded on the date of acquisition and, in accordance with IFRS, is tested for impairment annually and whenever there is any indication of impairment. Impairment may result from, among other things, deterioration in our performance, a decline in expected future cash flows, adverse market conditions, adverse changes in applicable laws and regulations (including changes that restrict or otherwise affect our mining and other operating activities) and a variety of other factors. The amount of any impairment must be expensed immediately as a charge to our consolidated income statement. For example, in 2017, in connection with our annual goodwill impairment test, the Company recognized an impairment charge of $30,618 thousand related to the partial impairment of goodwill related to our business unit in Canada, which was recorded as a result of a sustained decline in future estimated sales prices and a decrease in our estimated long-term growth rate that led the Company to revise its expected future cash flows from its Canadian operations. See "Item 5.A. — Operating and Financial Review and Prospects — Operating Results — Critical Accounting Policies — Goodwill." Our forecasts present inevitable elements of uncertainty due to the unpredictability of future events and the characteristics of the relevant market; therefore, our ability to meet forecasts may affect future evaluations, including goodwill impairment assessments. Any future impairment of goodwill may result in material reductions of our income and equity under IFRS.

***Our leverage may make it difficult for us to service our debt and operate our business.***

We have significant outstanding indebtedness and debt service requirements. Our leverage could have important consequences, including:

- making it more difficult for us to satisfy our obligations to all creditors and holders;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thus reducing the availability of our cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing our vulnerability to a downturn in our business or economic or industry conditions;
- placing us at a competitive disadvantage compared to our competitors that have less indebtedness in relation to cash flow;
- limiting our flexibility in planning for or reacting to changes in our business and our industry;
- restricting us from investing in growing our business, pursuing strategic acquisitions and exploiting certain business opportunities; and
- limiting, among other things, our and our subsidiaries' ability to incur additional indebtedness or raise equity capital in the future and increasing the costs of such additional financings.

Our ability to service our indebtedness will depend on our future performance and liquidity, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors. Many of these factors are beyond our control. We may not be able to generate enough cash flow from operations or obtain enough capital to service our indebtedness or fund our planned capital expenditures. If we cannot service our indebtedness and meet our other obligations and commitments, we might be required to refinance our indebtedness, obtain additional financing, delay planned capital expenditures or to dispose of assets to obtain funds for such purpose. We cannot assure you that any refinancing or asset dispositions could be effected on a timely basis or on satisfactory terms, if at all, or would be permitted by the terms of our outstanding debt instruments.

***We are subject to restrictive covenants under our financing agreements, which could impair our ability to run our business.***

Restrictive covenants under our financing agreements, including the Indenture and the New Revolving Credit Facility, may restrict our ability to operate our business. Our failure to comply with these covenants, including as a result of events beyond our control, could result in an event of default that could materially and adversely affect our business, results of operations and financial condition.

In particular, the Indenture and the New Revolving Credit Facility contain negative covenants restricting, among other things, our ability to:

- make certain advances, loans or investments;
- incur indebtedness or issue guarantees;
- create security;
- sell, lease, transfer or dispose of assets;
- merge or consolidate with other companies;
- transfer all or substantially all of our assets;
- make a substantial change to the general nature of our business;
- pay dividends and make other restricted payments;
- create or incur liens;
- agree to limitations on the ability of our subsidiaries to pay dividends or make other distributions;
- engage in sales of assets and subsidiary stock;
- enter into transactions with affiliates;
- amend organizational documents;
- enter into sale-leaseback transactions; and
- enter into agreements that contain a negative pledge.

All of these limitations are subject to significant exceptions and qualifications.

The restrictions contained in our financing agreements could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, make strategic acquisitions, investments or alliances, restructure our organization or finance our capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under our financing agreements.

If there were an event of default under any of our debt instruments that is not cured or waived, the holders of the defaulted debt could terminate their commitments thereunder and declare all amounts outstanding with respect to such indebtedness due and payable immediately, which, in turn, could result in cross-defaults under our other outstanding debt instruments. Any such actions could force us into bankruptcy or liquidation.

***We may not be able to generate sufficient cash to pay our accounts payable, meet our debt service obligations or meet our obligations under other financing agreements, in which case our creditors could declare all amounts owed to them due and payable, leading to liquidity constraints.***

Our ability to make interest payments and to meet our other debt service obligations, or to refinance our debt, depends on our future operating and financial performance, which, in turn, depends on our ability to successfully implement our business strategies and plans as well as general economic, financial, competitive, regulatory and other factors beyond our control. If we cannot generate sufficient cash to meet our debt service requirements, we may, among other things, need to refinance all or a portion of our debt to obtain additional financing, delay planned capital expenditures or investments or sell material assets.

If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our debt obligations. If we are also unable to satisfy our obligations on other financing arrangements, we could be in default under our existing financing agreements or other relevant financing agreements that we may enter into in the future. In the event of certain defaults under existing agreements, the lenders under the respective facilities or financing instruments could take certain actions, including terminating their commitments and declaring all principal amounts outstanding under our credit facilities and other indebtedness due and payable, together with accrued and unpaid interest. Such a default, or a failure to make interest payments, could mean that borrowings under other debt instruments that contain cross-acceleration or cross-default provisions may, as a result, also be accelerated and become due and payable. If the debt under any of the material financing arrangements that we have entered into or will subsequently enter into were to be accelerated, our assets may be insufficient to repay the outstanding debt in full. Any such actions could force us into bankruptcy or liquidation, and we might not be able to repay our obligations under our financing agreements in such an event.

**Risks Related to Our Ordinary Shares**

***Our share price may be volatile, and purchasers of our ordinary shares could incur substantial losses.***

Our share price has been volatile in the recent past and may be so in the future. Moreover, stock markets in general experience periods of extreme volatility that are often unrelated to the operating performance of particular companies. As a result of this volatility, you may not be able to sell our ordinary shares at or above the price at which you purchase them. The market price for our shares may be influenced by many factors, including:

- the success of competitive products or technologies;
- regulatory developments in the United States and other countries;
- developments or disputes concerning patents or other proprietary rights;
- the recruitment or departure of key personnel;

- quarterly or annual variations in our financial results or those of companies that are perceived to be similar to us;
- market conditions in the industries in which we compete and issuance of new or changed securities analysts' reports or recommendations;
- the failure of securities analysts to cover our ordinary shares or changes in financial estimates by analysts;
- the inability to meet the financial estimates of analysts who follow our ordinary shares;
- investor perception of our Company and of the industries in which we compete; and
- general economic, political and market conditions.

***If securities or industry analysts do not publish or cease publishing research reports about us, if they adversely change their recommendations regarding our ordinary shares, or if our operating results do not meet their expectations, the price of our ordinary shares could decline.***

The trading market for our ordinary shares will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. Securities and industry analysts currently publish limited research on us. If there is limited or no securities or industry analyst coverage of us, the market price and trading volume of our ordinary shares would likely be negatively impacted. Moreover, if any of the analysts who may cover us downgrade our ordinary shares or provide relatively more favorable recommendations concerning our competitors, or if our operating results or prospects do not meet their expectations, the market price of our ordinary shares could decline. If any of the analysts who may cover us were to cease coverage or fail regularly to publish reports about our Company, we could lose visibility in the financial markets, which, in turn, could cause our share price or trading volume to decline.

***As a foreign private issuer and "controlled company" within the meaning of the rules of NASDAQ, we are subject to different U.S. securities laws and NASDAQ governance standards than domestic U.S. issuers of securities. These may afford relatively less protection to holders of our ordinary shares, and you may not receive all corporate and company information and disclosures that you are accustomed to receiving or in a manner in which you are accustomed to receiving it.***

As a foreign private issuer, the rules governing the information that we disclose differ from those governing U.S. corporations pursuant to the U.S. Securities Exchange Act of 1934, as amended ("U.S. Exchange Act"). Although we intend to report periodic financial results and certain material events, we are not required to file quarterly reports on Form 10 Q or provide current reports on Form 8 K disclosing significant events within four days of their occurrence. In addition, we are exempt from the SEC's proxy rules, and proxy statements that we distribute will not be subject to review by the SEC. Our exemption from Section 16 rules requiring the reporting of beneficial ownership and sales of shares by insiders means that you will have less data in this regard than shareholders of U.S. companies that are subject to this part of the U.S. Exchange Act. As a result, in deciding whether to purchase our shares, you may not have all the data that you are accustomed to having when making investment decisions with respect to domestic U.S. public companies.

As a "controlled company" within the meaning of the corporate governance standards of NASDAQ, we may elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of our Board consist of independent directors;

- the requirement that our Board have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and

- the requirements that director nominees are selected, or recommended for selection by our Board, either by (1) independent directors constituting a majority of our Board's independent directors in a vote in which only independent directors participate, or (2) a nominations committee composed solely of independent directors, and that a formal written charter or board resolution, as applicable, addressing the nominations process is adopted.

We may utilize these exemptions for as long as we continue to qualify as a "controlled company." While exempt, we will not be required to have a majority of independent directors, our nominations and compensation committees will not be required to consist entirely of independent directors and such committees will not be subject to annual performance evaluations.

Furthermore, NASDAQ Rule 5615(a)(3) provides that a foreign private issuer, such as our Company, may rely on home country corporate governance practices in lieu of certain of the rules in the NASDAQ Rule 5600 Series and Rule 5250(d), provided that we nevertheless comply with NASDAQ's Notification of Noncompliance requirement (Rule 5625), the Voting Rights requirement (Rule 5640) and that we have an audit committee that satisfies Rule 5605(c)(3), consisting of committee members that meet the independence requirements of Rule 5605(c)(2)(A)(ii). Although we are permitted to follow certain corporate governance rules that conform to U.K. requirements in lieu of many of the NASDAQ corporate governance rules, we intend to comply with the NASDAQ corporate governance rules applicable to foreign private issuers. Accordingly, our shareholders will not have the same protections afforded to stockholders of U.S. companies that are subject to all of the corporate governance requirements of NASDAQ.

***We have identified material weaknesses in our internal control over financial reporting. Failure to remediate the identified material weakness or establish and maintain effective internal control over financial reporting could result in material misstatements in our financial statements or a failure to meet our reporting obligations, which could also impact the market price of our shares or our ability to remain listed on NASDAQ.***

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal controls for financial reporting and disclosure controls and procedures. We are required under Section 404(a) of the Sarbanes-Oxley Act to furnish a report by management on, among other things, the effectiveness of our internal controls over financial reporting. This assessment includes disclosure of any material weaknesses identified by our management in our internal controls over financial reporting. A material weakness is a control deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis.

In connection with the preparation of our consolidated financial statements for the year ended December 31, 2017, we and our independent auditor carried out an evaluation of the effectiveness of our internal controls over financial reporting and concluded that there were material weaknesses in relation to the principles of the COSO framework with; i) deficiencies associated with control activities for the Company and ii) deficiencies in the control environment in respect of our legacy administration office in Spain, who are responsible for internal control over financial reporting of FerroAtlántica and its subsidiaries . This resulted in a number of deficiencies which when taken in aggregate, resulted in the conclusion that there were material weaknesses in the design and operating effectiveness of our internal controls as at December 31, 2017. These material weaknesses are described in "Item 15.B. — Controls and Procedures — Management's annual report on internal control over financial reporting" below. However, all these significant identified misstatements were corrected in the financial statements as of December 31, 2017 and, notwithstanding these material weaknesses and management's assessment that internal control over financial reporting was ineffective as of December 31, 2017, our management believes that the consolidated financial statements included in this annual report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

We are taking, and will continue to take, measures to remediate the causes of these material weaknesses. However, failure to remediate these material weaknesses effectively or establish and maintain effective internal control over financial reporting could result in material misstatements in our financial statements or a failure to meet our reporting obligations. This, in turn, could negatively impact our business, operating results, financial condition, the market price of our shares and our ability to remain listed on NASDAQ.

***We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.***

We could cease to be a foreign private issuer if a majority of our outstanding voting securities are directly or indirectly held of record by U.S. residents and we fail to meet additional requirements necessary to avoid loss of foreign private issuer status. In that event, the regulatory and compliance costs we would incur as a domestic registrant may be significantly higher than we incur as a foreign private issuer, which could have a material adverse effect on our business, operating results and financial condition.

***If Grupo VM's share ownership falls below 50%, we may no longer be considered a "controlled company" within the meaning of the rules of NASDAQ.***

In the event Grupo VM sells shares in our Company to such an extent that it thereafter owns less than 50% of the total voting rights in our shares, we would no longer be considered a "controlled company" within the meaning of the corporate governance standards of NASDAQ. Under NASDAQ rules, a company that ceases to be a controlled company must comply with the independent board committee requirements as they relate to the nominating and corporate governance and compensation committees on the following phase-in schedule: (1) one independent committee member at the time it ceases to be a controlled company, (2) a majority of independent committee members within 90 days of the date it ceases to be a controlled company, and (3) all independent committee members within one year of the date it ceases to be a controlled company. Additionally, NASDAQ rules provide a 12 month phase-in period from the date a company ceases to be a controlled company to comply with the majority independent board requirement. If, within the phase-in periods, we are not able to recruit additional directors who would qualify as independent, or otherwise fail to comply with applicable NASDAQ rules, we may be subject to delisting by NASDAQ. Furthermore, a change in our board of directors and committee membership may result in a change in corporate strategy and operation philosophies including deviation from our current growth strategy, which could have a material adverse effect on our business, results of operations and financial condition.

***As an English public limited company, certain capital structure decisions require shareholder approval, which may limit our flexibility to manage our capital structure.***

English law provides that a board of directors may only allot shares (or rights or convertible into shares) with the prior authorization of shareholders, such authorization being up to the aggregate nominal amount of shares and for a maximum period of five years, each as specified in the articles of association or relevant shareholder resolution. The Articles authorize the allotment of additional shares for a period of five years from October 26, 2017 (being the date of the adoption of the Articles), which authorization will need to be renewed upon expiration (*i.e.*, at least every five years) but may be sought more frequently for additional five-year terms (or any shorter period).

English law also generally provides shareholders with preemptive rights when new shares are issued for cash. However, it is possible for the articles of association, or for shareholders acting in a general meeting, to exclude preemptive rights. Such an exclusion of preemptive rights may be for a maximum period of up to five years from the date of adoption of the articles of association, if the exclusion is contained in the articles of association, or from the date of the shareholder resolution, if the exclusion is by shareholder resolution. In either case, this exclusion would need to be renewed by our shareholders upon its expiration (*i.e.*, at least every five years). The Articles exclude preemptive rights for a period of five years from October 26, 2017, which exclusion will need to be renewed upon expiration (*i.e.*, at least every five years) to remain effective, but may be sought more frequently for additional five-year terms (or any shorter period).

English law also generally prohibits a public company from repurchasing its own shares without the prior approval of shareholders by ordinary resolution, such being a resolution passed by a simple majority of votes cast, and other formalities. As an English company listed on NASDAQ, we may not make on-market purchases of our shares and may make off-market purchases only for the purposes of or pursuant to an employees' share scheme where our shareholders have approved our doing so by ordinary resolution (and with a maximum duration of such approval of five years) or with the prior consent of our shareholders by ordinary resolution to the proposed contract for the purchase of our shares.

***English law requires that we meet certain financial requirements before we declare dividends or repurchases.***

Under English law, we may only declare dividends, make distributions or repurchase shares out of distributable reserves of the Company or distributable profits. "Distributable profits" are a company's accumulated, realized profits, so far as not previously utilized by distribution or capitalization, less its accumulated, realized losses, so far as not previously written off in a reduction or reorganization of capital duly made, as reported to the Companies House. In addition, as a public company, we may only make a distribution if the amount of our net assets is not less than the aggregate amount of our called-up share capital and undistributable reserves and if, and to the extent that, the distribution does not reduce the amount of those assets to less than that aggregate amount. The Articles permit declaration of dividends by ordinary resolution of the shareholders, provided that the directors have made a recommendation as to its amount. The dividend shall not exceed the amount recommended by the directors. The directors may also decide to pay interim dividends if it appears to them that the profits available for distribution justify the payment. When recommending or declaring the payment of a dividend, the directors will be required under English law to comply with their duties, including considering our future financial requirements.

***The enforcement of shareholder judgments against us or certain of our directors may be more difficult.***

Because we are a public limited company incorporated under English law, and because most of our directors and executive officers are non-residents of the United States and substantially all of the assets of such directors and executive officers are located outside of the United States, our shareholders could experience more difficulty enforcing judgments obtained against our Company or our directors in U.S. courts than would currently be the case for U.S. judgments obtained against a U.S. public company or U.S. resident directors. In addition, it may be more difficult (or impossible) to assert some types of claims against our Company or its directors in courts in

England, or against certain of our directors in courts in Spain, than it would be to bring similar claims against a U.S. company and/or its directors in a U.S. court.

The United States is not currently bound by a treaty with Spain or the United Kingdom providing for reciprocal recognition and enforcement of judgments rendered in civil and commercial matters with Spain or the United Kingdom, other than arbitral awards. There is, therefore, doubt as to the enforceability of civil liabilities based upon U.S. federal securities laws in an action to enforce a U.S. judgment in Spain or the United Kingdom. In addition, the enforcement in Spain or the United Kingdom of any judgment obtained in a U.S. court based on civil liabilities, whether or not predicated solely upon U.S. federal securities laws, will be subject to certain conditions. There is also doubt that a court in Spain or the United Kingdom would have the requisite power or authority to grant remedies in an original action brought in Spain or the United Kingdom on the basis of U.S. federal securities laws violations.

**Risks Related to Tax Matters**

***The application of Section 7874 of the Code, including under recent IRS guidance, and/or changes in law could affect our status as a foreign corporation for U.S. federal income tax purposes.***

We believe that, under current law, we should be treated as a foreign corporation for U.S. federal income tax purposes. However, the U.S. Internal Revenue Service (the "IRS") may assert that we should be treated as a U.S. corporation for U.S. federal income tax purposes pursuant to Section 7874 of the Internal Revenue Code of 1986, as amended (the "Code"). Under Section 7874 of the Code, we would be treated as a U.S. corporation for U.S. federal income tax purposes if, after the Business Combination, (i) at least 80% of our ordinary shares (by vote or value) were considered to be held by former holders of common stock of Globe by reason of holding such common stock, as calculated for Section 7874 purposes, and (ii) our expanded affiliated group did not have substantial business activities in the United Kingdom (the "80% Test"). (The percentage (by vote and value) of our ordinary shares considered to be held by former holders of common stock of Globe immediately after the Business Combination by reason of their holding common stock of Globe is referred to in this disclosure as the "Section 7874 Percentage.")

Determining the Section 7874 Percentage is complex and, with respect to the Business Combination, subject to legal uncertainties. In that regard, the IRS and U.S. Department of the Treasury ("U.S. Treasury") recently issued new rules (the "Temporary Regulations"), which include a rule that applies to certain transactions in which the Section 7874 Percentage is at least 60% and the parent company is organized in a jurisdiction different from that of the foreign target corporation (the "Third Country Rule"). This rule applies to transactions occurring on or after November 19, 2015, which date is prior to the closing of the Business Combination. If the Third Country Rule were to apply to the Business Combination, the 80% Test would be deemed met and we would be treated as a U.S. corporation for U.S. federal income tax purposes. While we believe the Section 7874 Percentage is less than 60% such that the Third Country Rule does not apply to us, we cannot assure you that the IRS will agree with this position and/or would not successfully challenge our status as a foreign corporation. If the IRS successfully challenged our status as a foreign corporation, significant adverse tax consequences would result for us and could apply to our shareholders.

In addition to the final rules to be promulgated with respect to the Temporary Regulations, changes to Section 7874 of the Code, the U.S. Treasury Regulations promulgated thereunder, or to other relevant tax laws (including under applicable tax treaties) could adversely affect our status or treatment as a foreign corporation, and the tax consequences to our affiliates, for U.S. federal income tax purposes, and any such changes could have prospective or retroactive application.

Recent legislative proposals have aimed to expand the scope of U.S. corporate tax residence, including by potentially causing us to be treated as a U.S. corporation if the management and control of us and our affiliates were determined to be located primarily in the United States, or by reducing the Section 7874 Percentage at or above which we would be treated as a U.S. corporation such that it would be lower than the threshold imposed under the 80% Test.

***Recent IRS guidance and/or changes in law could affect our ability to engage in certain acquisition strategies and certain internal restructurings.***

Even if we are treated as a foreign corporation for U.S. federal income tax purposes, the Temporary Regulations materially changed the manner in which the Section 7874 Percentage will be calculated in certain future acquisitions of U.S. businesses in exchange for our equity, which may affect the tax efficiencies that otherwise might be achieved in transactions with third parties. For example, the Temporary Regulations would impact certain acquisitions of U.S. companies for our Ordinary Shares (or other stock) in the 36 month period beginning December 23, 2015, by excluding from the Section 7874 Percentage the portion of Ordinary Shares that are allocable to former holders of common stock of Globe. This new rule would generally have the effect of increasing the otherwise applicable Section 7874 Percentage with respect to our future acquisition of a U.S. business. The Temporary Regulations also may more generally limit the ability to restructure the non-U.S. members of our Company to achieve tax efficiencies.

***Recent IRS proposed regulations and/or changes in laws or treaties could affect the expected financial synergies of the Business Combination.***

The IRS and the U.S. Treasury also recently issued rules that provide that certain intercompany debt instruments issued on or after April 5, 2016, will be treated as equity for U.S. federal income tax purposes, therefore limiting U.S. tax benefits and resulting in possible U.S. withholding taxes. As a result of these rules, we may not be able to realize a portion of the financial synergies that were anticipated in connection with the Business Combination, and such rules may materially affect our future effective tax rate. While these new rules are not retroactive, they could impact our ability to engage in future restructurings if such transactions cause an existing debt instrument to be treated as reissued. Furthermore, under certain circumstances, recent treaty proposals by the U.S. Treasury, if ultimately adopted by the United States and relevant foreign jurisdictions, could reduce the potential tax benefits for us and our affiliates by imposing U.S. withholding taxes on certain payments from our U.S. affiliates to related and unrelated foreign persons.

***We are subject to tax laws of numerous jurisdictions and our interpretation of those laws is subject to challenge by the relevant governmental authorities.***

We and our subsidiaries are subject to tax laws and regulations in the United Kingdom, the United States, France, Spain and the other jurisdictions in which we operate. These laws and regulations are inherently complex and we and our subsidiaries are (and have been) obligated to make judgments and interpretations about the application of these laws and regulations to us and our subsidiaries and their operations and businesses. The interpretation and application of these laws and regulations could be challenged by the relevant governmental authority, which could result in administrative or judicial procedures, actions or sanctions, which could be material.

***We intend to operate so as to be treated exclusively as a resident of the United Kingdom for tax purposes, but the relevant tax authorities may treat us as also being a resident of another jurisdiction for tax purposes.***

We are a company incorporated in the United Kingdom. Current U.K. tax law provides that we will be regarded as being a U.K. resident for tax purposes from incorporation and shall remain so unless (i) we were concurrently resident of another jurisdiction (applying the tax residence rules of that jurisdiction) that has a double tax treaty with the United Kingdom and (ii) there is a tiebreaker provision in that tax treaty which allocates exclusive residence to that other jurisdiction.

Based upon our anticipated management and organizational structure, we believe that we should be regarded solely as resident in the United Kingdom from our incorporation for tax purposes. However, because this analysis is highly factual and may depend on future changes in our management and organizational structure, there can be no assurance regarding the final determination of our tax residence. Should we be treated as resident in a country or jurisdiction other than the United Kingdom, we could be subject to taxation in that country or jurisdiction on our worldwide income and may be required to comply with a number of material and formal tax obligations, including withholding tax and reporting obligations provided under the relevant tax law, which could result in additional costs and expenses.

***We may not qualify for benefits under the tax treaties entered into between the United Kingdom and other countries.***

We intend to operate in a manner such that, when relevant, we are eligible for benefits under the tax treaties entered into between the United Kingdom and other countries. However, our ability to qualify and continue to qualify for such benefits will depend upon the requirements contained within each treaty and the applicable domestic laws, as the case may be, on the facts and circumstances surrounding our operations and management, and on the relevant interpretation of the tax authorities and courts.

Our or our subsidiaries' failure to qualify for benefits under the tax treaties entered into between the United Kingdom and other countries could result in adverse tax consequences to us and our subsidiaries and could result in certain tax consequences of owning or disposing of our ordinary shares differing from those discussed below.

***Future changes to domestic or international tax laws or to the interpretation of these laws by the governmental authorities could adversely affect us and our subsidiaries.***

The U.S. Congress, the U.K. Government, the Organization for Economic Co-operation and Development and other government agencies in jurisdictions where we and our affiliates do business have had an extended focus on issues related to the taxation of multinational corporations. One example is in the area of "base erosion and profit shifting" (or "BEPS"), in which payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. Thus, the tax laws in the United States, the United Kingdom or other countries in which we and our affiliates do business could change on a prospective or retroactive basis, and any such changes could adversely affect us. Furthermore, the interpretation and application of domestic or international tax laws made by us and our subsidiaries could differ from that of the relevant governmental authority, which could result in administrative or judicial procedures, actions or sanctions, which could be material. Related developments include signing of the OECD's so-called "Multi Lateral Instrument" by more than 70 countries impacting over 1,100 double tax treaties and the adoption of the Anti Tax Avoidance Directives (known as "ATAD 1 & 2") by the European Union.

Further developments are to be seen in areas such as the "making tax digital — initiatives" allowing authorities to monitor multinationals' tax position on a more real time basis and the contemplated introduction of new taxes, such as revenue based taxes aimed at technology companies, but which may impact traditional businesses as well.

***We may become subject to income or other taxes in jurisdictions which would adversely affect our financial results.***

We and our subsidiaries are subject to the income tax laws of the United Kingdom, the United States, France, Spain and the other jurisdictions in which we operate. Our effective tax rate in any period is impacted by the source and the amount of earnings among our different tax jurisdictions. A change in the division of our earnings among our tax jurisdictions could have a material impact on our effective tax rate and our financial results. In addition, we or our subsidiaries may be subject to additional income or other taxes in these and other jurisdictions by reason of the management and control of our subsidiaries, our activities and operations, where our production facilities are located or changes in tax laws, regulations or accounting principles. Although we have adopted guidelines and operating procedures to ensure our subsidiaries are appropriately managed and controlled, we may be subject to such taxes in the future and such taxes may be substantial. The imposition of such taxes could have a material adverse effect on our financial results.

***We may incur current tax liabilities in our primary operating jurisdictions in the future.***

We expect to make current tax payments in some of the jurisdictions where we do business in the normal course of our operations. Our ability to defer the payment of some level of income taxes to future periods is dependent upon the continued benefit of accelerated tax depreciation on our plant and equipment in some jurisdictions, the continued deductibility of external and intercompany financing arrangements and the application of tax losses prior to their expiration in certain tax jurisdictions, among other factors. The level of current tax payments we make in any of our primary operating jurisdictions could adversely affect our cash flows and have a material adverse effect on our financial results.

***Changes in tax laws may result in additional taxes for us.***

We cannot assure you that tax laws in the jurisdictions in which we reside or in which we conduct activities or operations will not be changed in the future. Such changes in tax law could result in additional taxes for us.

***U.S. federal income tax reform could adversely affect us.***

Legislation commonly known as the Tax Cuts and Jobs Act (the "TCJA") was enacted on December 22, 2017 in the United States. The TCJA made significant changes to the U.S. federal tax code, including a reduction in the U.S. federal corporate statutory tax rate from 35% to 21%. The TCJA also made changes to the U.S. federal taxation of foreign earnings and to the timing of recognition of certain revenue and expenses and the deductibility of certain business expenses. We continue to examine the impact the TCJA may have on our business. Our net deferred tax assets and liabilities have been revalued at the newly enacted U.S. corporate rate, and the impact has been recognized in our tax expense in the year of enactment. The Company has not completed its accounting for the tax effects of enactment of the Tax Reform Act. However, as described below, the Company was able to make a reasonable estimate of the impact of the most relevant changes that affect the Company. The material impact of the TCJA on the Company's 2017 position was a deferred tax credit of $31.2 million representing the re-measurement of the Company's U.S. net deferred tax liability as a consequence of the reduction of the U.S. federal corporate statutory tax rate from 35% to 21% with effect from January 1, 2018. In addition, a one-off tax charge of

$1.7 million has been included, representing the Company's best estimate of its liability for the one-time transition tax imposed by the TCJA on certain of its historic non-U.S. earnings. During 2018, the Company plans to complete its analysis in the aforementioned areas. Accordingly, the ultimate impact of adopting the TCJA may differ due to, among other things, changes in estimates resulting from the receipt or calculation of final data, changes in interpretations of the TCJA, and additional regulatory guidance that may be issued. The accounting for the impact of the TCJA is expected to be completed during the period ending October 15, 2018, when the Company's 2017 U.S. federal corporate income tax return is expected to be filed. This annual report does not discuss in detail the TCJA or the manner in which it might affect us or our stockholders. We urge you to consult with your own legal and tax advisors with respect to the Tax Reform Act and the potential tax consequences of investing in our shares.

***Our transfer pricing policies are open to challenge from taxation authorities internationally.***

Tax authorities have been increasingly focused on transfer pricing in recent years. Due to our international operations and an increasing number of inter-company cross-border transactions, we are open to challenge from tax authorities with regard to the pricing of such transactions. A successful challenge by tax authorities may lead to a reallocation of taxable income to a different tax jurisdiction and may potentially lead to a higher tax bill overall for us.

## ITEM 4. INFORMATION ON THE COMPANY

### A. History and Development of the Company

### Ferroglobe PLC

Ferroglobe PLC, initially named VeloNewco Limited, was incorporated under the U.K. Companies Act 2006 as a private limited liability company in the United Kingdom on February 5, 2015, as a wholly-owned subsidiary of Grupo VM. On 16 October 2015 VeloNewco Limited re-registered as a public limited company. As a result of the Business Combination, which was completed on December 23, 2015, FerroAtlántica and Globe merged through corporate transactions to create Ferroglobe PLC, one of the largest producers worldwide of silicon metal and silicon- and manganese-based alloys. To effect the Business Combination, Ferroglobe acquired from Grupo VM all of the issued and outstanding ordinary shares, par value €1,000 per share, of Grupo FerroAtlántica in exchange for 98,078,161 newly issued Class A Ordinary Shares, nominal value $7.50 per share, of Ferroglobe, after which FerroAtlántica became a wholly-owned subsidiary of Ferroglobe. Immediately thereafter, Gordon Merger Sub, Inc., a wholly-owned subsidiary of Ferroglobe, merged with and into Globe Specialty Metals, Inc., and each outstanding share of common stock, par value $0.0001 per share, was converted into the right to receive one newly-issued ordinary share, nominal value $7.50 per share, of Ferroglobe. After these steps, Ferroglobe issued, in total, 171,838,153 shares, out of which 98,078,161 shares were issued to Grupo VM and 73,759,992 were issued to the former Globe shareholders. Our ordinary shares are currently traded on the NASDAQ under the symbol "GSM."

On June 22, 2016, we completed a reduction of our share capital, as a result of which the nominal value of each share was reduced from $7.50 to $0.01, with the amount of the capital reduction being credited to distributable reserves.

On November 18, 2016, our Class A Ordinary Shares were converted into ordinary shares of Ferroglobe as a result of the distribution of beneficial interest units in the Ferroglobe R& W Trust to certain Ferroglobe shareholders. Because the proceeds of the R&W Policy will not be sufficient to fully compensate for losses attributable to breaches of representations and warranties made by Grupo VM and FerroAtlántica in the Business Combination Agreement, and the proceeds under the R&W Policy are required to be distributed to the holders of the Trust Units, we may be required to use our existing cash on hand or draw under our credit facility to fund any actual loss incurred.

Our FerroAtlántica division's history dates back to 1992, with the acquisition by Grupo VM of the ferroalloys division of Grupo Carburos Metálicos, a Spanish industrial gas and chemical products producer. Our Globe division's history dates back to 2006, with the acquisition by Globe (previously known as International Metals Enterprises, Inc.) of Globe Metallurgical Inc., the owner and operator of a plant in Selma, Alabama with two furnaces for silicon metal production, a plant in Niagara Falls, New York, with two furnaces for silicon metal and ferroalloys production, and a plant in Beverly, Ohio with five furnaces for silicon metal, specialty alloys and ferroalloys production, all located in the United States.

Significant milestones in our history are as follows:

- **1996:** acquisition of the Spanish company Hidro Nitro Española, S.A. ("Hidro Nitro Española"), operating in the ferroalloys and hydroelectric power businesses, and start of the quartz mining operations through the acquisition of Cuarzos Industriales S.A. from Portuguese cement manufacturer Cimpor;

- **1998:** expansion of our manganese- and silicon-based alloy operations through the acquisition of 80% of the share capital of FerroAtlántica de Venezuela (currently FerroVen, S.A.) from the Government of Venezuela in a public auction;

- **2000:** acquisition of 67% of the share capital of quartz mining company Rocas, Arcillas y Minerales, S.A. from Elkem, a Norwegian silicon metal and manganese- and silicon-based alloy producer;

- **2005:** acquisition of Pechiney Electrométallurgie, S.A., now renamed FerroPem, S.A.S., a silicon metal and silicon-based alloys producer with operations in France, along with its affiliate Silicon Smelters (Pty) Ltd. in South Africa;

- **2005:** acquisition of the metallurgical manufacturing plant in Alloy, West Virginia, and Alabama Sand and Gravel, Inc. in Billingsly, Alabama, both in the U.S.;

- **2006:** acquisition of Globe Metallurgical Inc., the largest merchant manufacturer of silicon metal in North America and largest specialty ferroalloy manufacturer in the United States;

- **2006:** acquisition of Stein Ferroaleaciones S.A., an Argentine producer of silicon-based specialty alloys, and its Polish affiliate, Ultracore Polska;

- **2007:** creation of Grupo FerroAtlántica, S.A.U., the holding company of our FerroAtlántica Group;

- **2007:** acquisition of Camargo Correa Metais S.A., a major Brazilian silicon metal manufacturer;

- **2008:** acquisition of Rand Carbide PLC, a ferrosilicon plant in South Africa, from South African mining and steel company Evraz Highveld Steel and Vanadium Limited, and creation of Silicio FerroSolar, S.L., which conducts research and development activities in the solar grade silicon sector;

- **2008:** acquisition of 81% of Solsil, Inc., a producer of high-purity silicon for use in photovoltaic solar cells

- **2008:** acquisition of a majority stake in Ningxia Yonvey Coal Industry Co., Ltd., a producer of carbon electrodes (the remaining stake subsequently purchased in 2012);

- **2009:** creation of French company Photosil Industries, S.A.S., which conducts research and development activities in the solar grade silicon sector;

- **2009:** sale of interest in Camargo Correa Metais S.A. in Brazil to Dow Corning Corporation and formation of a joint venture with Dow Corning at the Alloy, West Virginia facility;

- **2010:** acquisition of Core Metals Group LLC, one of North America's largest and most efficient producers and marketers of high-purity ferrosilicon and other specialty metals;

- **2010:** acquisition of Chinese silicon metal producer MangShi Sinice Silicon Industry Company Limited;

- **2011:** acquisition of Alden Resources LLC, North America's leading miner, processor and supplier of specialty metallurgical coal to the silicon and silicon-based alloy industries;

- **2012:** acquisition of SamQuarz (Pty) Ltd, a South African producer of silica, with quartz mining operations;

- **2012:** acquisition of a majority stake (51%) in Bécancour Silicon, Inc., a silicon metal producer in Canada, operated as a joint venture with Dow Corning as the holder of the minority stake of 49%;

- **2014:** acquisition of Silicon Technology (Pty) Ltd. ("Siltech"), a ferrosilicon producer in South Africa; and

- **2018:** acquisition from a subsidiary of Glencore PLC of a 100% interest in manganese alloys plants in Mo i Rana, Norway and Dunkirk, France, through newly-formed subsidiaries Ferroglobe Mangan Norge AS and Ferroglobe Manganèse France, SAS.

***Corporate and Other Information***

Our operating headquarters and registered office are located at 2nd Floor West Wing, Lansdowne House, 57 Berkeley Square, London W1J 6ER, United Kingdom and 5 Fleet Place, London EC4M 7RD, United Kingdom, respectively. Our telephone number is +44 (0)203 129 2420.

## B. Business Overview

We are a global leader in the growing silicon and specialty metals industry with an expansive geographical reach, established through Globe's predominantly North American-centered footprint and FerroAtlántica's predominantly European-centered footprint.

Ferroglobe is one of the world's largest producers of silicon metal, silicon-based alloys and manganese-based alloys. Additionally, Ferroglobe currently has quartz mining activities in Spain, the United States, Canada, South Africa and Mauritania, low-ash metallurgical quality coal mining activities in the United States, and interests in hydroelectric power in Spain and France. Ferroglobe controls a meaningful portion of most of its raw materials and captures, recycles and sells most of the by-products generated in its production processes.

We sell our products to a diverse base of customers worldwide. These products include aluminum, silicone compounds used in the chemical industry, ductile iron, automotive parts, photovoltaic (solar) cells, electronic semiconductors and steel and are key elements in the manufacture of a wide range of industrial and consumer products.

We are able to supply our customers with the broadest range of specialty metals and alloys in the industry from our production centers in North America, Europe, South America, Africa and Asia. Our broad manufacturing platform and flexible capabilities allow us to optimize production and focus on products that enhance profitability, including the production of customized solutions and high purity metals to meet specific customer requirements. We also benefit from low operating costs, resulting from our ownership of sources of critical raw materials and the flexibility derived from our ability to alternate production at certain of our furnaces between silicon metal and silicon base alloy products.

In the following description of Ferroglobe's business, we include all of Ferroglobe's assets as of December 31, 2017 or December 31, 2016. However, data referring to activity in 2015 (for example, production levels, revenues or revenue breakdown) refers to FerroAtlántica as the Predecessor for Ferroglobe's past fiscal years.

### Industry and Market Data

The statements and other information contained below regarding Ferroglobe's competitive position and market share are based on the reports periodically published by a leading metals industry consultant and leading metals industry publications and information centers, as well as on the estimates of Ferroglobe's management.

## Competitive Strengths and Strategy of Ferroglobe

### ***Competitive Strengths***

*Leading market positions in silicon metal, silicon-based alloys and manganese-based alloys*

We are a leading global producer in our core products based on merchant production capacity and hold the leading market share in a majority of our products. With total global silicon metal production capacity of 416,750 metric tons (which includes 51% of our attributable joint venture capacity), we have approximately 78% of the merchant production capacity market share in North America and approximately 30% of the global market share (all of the world excluding China), according to management estimates for our industry. Our scale and global presence across five continents allows us to offer a wide range of products to serve a variety of end-markets, including those which we consider to be dynamic, such as the solar, automotive, consumer electronic products, semiconductors, construction and energy industries. As a result of our market leadership and breadth of products, we possess critical insight into market demand allowing for more efficient use of our resources and operating capacity. Our ability to supply critical sources of high quality raw materials from within our Company provides us with operational and financial stability and reduces the need for us to compete with our competitors for supply. We believe this also provides a competitive advantage, allowing us to deliver an enhanced product offering with consistent quality on a cost-efficient basis to our customers.

*Global production footprint and reach*

Our diversified production base consists of production facilities across North America, Europe, South America, South Africa and Asia. We have the capability to produce our core products at multiple facilities, providing a competitive advantage when reacting to changing global demand trends and customer requirements. Furthermore, this broad base ensures reliability to our customers that value timely delivery and consistent product quality. Our diverse production base also enables us to optimize our production plans and shift production to the lowest cost facilities. Most of our production facilities are located close to sources of principal raw materials, key customers or major transport hubs to facilitate delivery of raw materials and distribution of finished products. This enables us to service our customers globally, while optimizing our working capital, as well as enabling our customers to optimize their inventory levels.

*Diverse base of high quality customers across growing industries*

We sell our products to customers in over 30 countries, with our largest customer concentration in North America and in Europe. Our products are used in end products spanning a broad range of industries, including solar, personal care and healthcare products, automobile parts, carbon and stainless steel, water pipe, solar, semiconductor, oil and gas, infrastructure and construction. Although some of these end-markets have growth drivers similar to our own, others are less correlated and offer the benefits of diversification. This wide range of products, customers and end-markets provides significant diversity and stability to our business.

Many of our customers, we believe, are leaders in their end-markets and fields. We have built long-lasting relationships with customers based on the breadth and quality of our product offerings and our ability to produce products that meet specific customer requirements. The average length of our relationships with our top 30 customers exceeds ten years and, in some cases, such relationships go back as far as 30 years. For the year ended December 31, 2017 and December 31, 2016, Ferroglobe's ten largest customers accounted for approximately 47% and 42%, respectively, of Ferroglobe's consolidated revenue. Our customer relationships provide us with stability and visibility into our future volumes and earnings, though we are not reliant on any individual customer or end-market. Our customer relationships, together with our diversified product portfolio, provide us with opportunities to cross sell new products; for example, by offering silicon-based or manganese-based alloys to existing steelmaking customers. Our largest global customer, Dow Corning, is also a 49% minority owner in our Alloy, West Virginia and Bécancour, Québec facilities.

*Flexible and low cost structure*

We believe we have an efficient and flexible cost structure, enhanced over time by vertical integration through strategic acquisitions and by the integration of our FerroAtlántica and Globe divisions following the completion of the Business Combination in December 2015. The largest components of our cost base are raw materials and power. Our relatively low operating costs are primarily a result of our ownership of, and proximity to, sources of raw materials, our access to attractively priced power supplies and skilled labor and our efficient production processes.

We believe our vertically integrated business model and ownership of sources of raw materials provides us with a cost advantage over our competitors. Moreover, such ownership and the fact that we are not reliant on any single supplier for the remainder of our raw materials needs generally ensures stable, long term supply of raw materials for our production processes, thereby enhancing operational and financial stability. Transportation costs can be significant in our business; our proximity to sources of raw materials and customers improves logistics and represents another cost advantage. The proximity of our facilities to our customers also allows us to provide just in time delivery of finished goods and reduces the need to store excess inventory, resulting in more efficient use of working capital. Additionally, we believe we have competitive power supply contracts in place that provide us with reliable, long term access to power at reasonable rates. We capture, recycle and sell most of the by-products generated in our production processes, which further reduces our costs.

We operate with a largely variable cost of production and our diversified production base allows us to shift our production and distribution between facilities and products in response to changes in market conditions over time. Additionally, the diversity of our currency and commodity exposures provides, to a degree, a natural hedge against FX and pricing volatility. Our production costs are mostly dependent on local factors while our product prices are influenced more by global factors. Depreciation of local, functional currencies relative to the U.S. Dollar, when it occurs, reduces the costs of our operations, offering an increased competitive edge in the international market.

We believe our scale and global presence enables us to sustain our operations throughout periods of economic downturn, volatile commodity prices and demand fluctuations.

*Stable supply of critical, high quality raw materials*

In order to ensure reliable supplies of high quality raw materials for the production of our metallurgical products, we have invested in strategic acquisitions of sources that supply a meaningful portion of the inputs our manufacturing operations consume. Specifically, we own and operate specialty, low ash, metallurgical quality coal mines in the United States, high purity quartz quarries in the United States, Canada, Spain, South Africa and Mauritania, timber farms and charcoal production units in South Africa, and our Yonvey production facility for carbon electrodes in Ningxia, China. For raw materials needs our subsidiaries cannot meet, we have qualified multiple suppliers in each operating region for each raw material, helping to ensure reliable access to high quality raw materials.

*Efficient and environmentally friendly by-product usage*

We utilize or sell most of the by-products of our manufacturing process, which reduces cost and the environmental impact of our operations. We have developed markets for the by-products generated by our production processes and have transformed our manufacturing operations so that little solid waste disposal is required. By-products not recycled in the manufacturing process are generally sold to companies, which process them for use in a variety of other applications. These materials include: silica fume (also known as microsilica), used as a concrete additive, refractory material and oil well conditioner; fines — the fine material resulting from crushing lumps; and dross, which results from the purification process during smelting.

*Pioneer in innovation with focus on technological advances and development of next generation products*

Our talented workforce has historically developed proprietary technological capabilities and next generation products in-house, which we believe give us a competitive advantage. In addition to a dedicated R&D division that coordinates all of our R&D activities, we have cooperation agreements in place with various universities and research institutes in Spain, France and other countries around the world. Our R&D achievements include:

- ELSA electrode — We have internally developed a patented technology for electrodes used in silicon metal furnaces, which we have sold to several major silicon producers globally. This technology, known as the ELSA electrode technology, improves energy efficiency in the production process of silicon metal and significantly reduces iron contamination. It enables us to run our furnaces with fewer stoppages, minimizing the consumption of power, which is one of the largest cost components in the smelting process. The ELSA electrode technology and related know how is unique and has no proven alternative worldwide. The ELSA electrode technology nearly halves the cost of the utilization of electrodes, relative to prebaked electrodes. Furthermore, ELSA is a key technology in running high capacity silicon furnaces (the size and capacity of silicon furnaces is limited by the size of its electrodes, and the ELSA technology allows us to reduce this bottleneck), improving our productivity and lowering our unit cost.

- Solar Grade Silicon — Ferroglobe's solar grade silicon involves the production of upgraded metallurgical grade (UMG) type solar grade silicon metal with a purity above 99.9999% through a new, potentially cost effective, electrometallurgical purification process in place of the traditional chemical process for the production of solar grade polycrystalline silicon, which tends to be costly and involves high energy consumption and potential environmental hazards. The new technology, developed by Ferroglobe at its research and development facilities, aims to reduce the costs and energy consumption associated with the production of solar grade silicon. We have commenced production of such UMG solar grade silicon through this new process at a prototype factory, and we currently sell the small amounts we produce to manufacturers of solar wafers. The construction of a larger greenfield facility is currently underway and expected to produce 1,500 tons of solar grade silicon annually. In 2016, we entered into an agreement with Aurinka providing for the formation and operation of a joint venture for the purpose of producing upgraded metallurgical grade (UMG) solar silicon. See "— Research and Development (R&D) — Solar grade silicon" below.

*Experienced management team and centralized location at global center of metals and mining industry*

We have a seasoned and experienced management team with extensive knowledge of the global metals and mining industry, operational and financial expertise and a track record of developing and managing large-scale operations. Our management team is committed to responding quickly and effectively to macroeconomic and industry developments, to identifying and delivering growth opportunities and to improving our performance by way of a continuous focus on operational cost control and a disciplined, value-based approach to capital allocation. Our management team is complemented by a skilled operating team with solid technical knowledge of production processes and strong relationships with key customers. Additionally, following the Business Combination, we moved our headquarters to London, one of the global centers for the metals and specialized materials industries. We believe being London-based offers senior management easy access to our facilities, customers, suppliers and the financial markets, in turn providing us with a competitive advantage.

**Business Strategy**

*Maintain and leverage industry leading position in core businesses and pursue long-term growth*

We intend to maintain and leverage our position as a leading global producer of silicon metal and one of the leading global producers of ferroalloys based on production capacity. We believe we will achieve our goals through developing our existing strengths and pursuing long-term growth. We plan to achieve organic growth by continually expanding and enhancing our production capabilities as well as by developing new generation products to further diversify our portfolio of products and expand our customer base. We intend to focus our production and sales efforts on high-margin products and end-markets that we consider to have the highest potential for profitability and growth, such as the solar industry. We will continue to capitalize on our global reach and the diversity of our production base to adapt to changes in market demands, shifting our production and distribution across facilities and between different products as necessary in order to remain competitive and maximize profitability. We aim to obtain further direct control of key raw materials to secure our long-term access to scarce reserves, which we believe will allow us to continue delivering enhanced products while maintaining our low-cost position. Additionally, we will continue regularly to review our customer contracts in an effort to improve their terms and to optimize the balance between selling under long-term agreements and retaining some exposure to spot markets. We intend to maintain pricing that appropriately reflects the value of our products and our level of customer service and, in light of commodity prices and demand fluctuations, may decide to move away from contracts with index-based prices in favor of contracts with fixed prices, particularly at prices which ensure a profit throughout the cycle.

*Maintain low cost position while controlling inputs*

We believe we have an efficient cost structure and, going forward, we will seek to further reduce costs and improve operational efficiency through a number of initiatives. We plan to focus on controlling the cost of our raw materials through our captive sources and long term supply contracts and on lowering our fixed costs in order to reduce the unit costs of our silicon metal and ferroalloy production. We aim to improve our internal processes and further integrate our FerroAtlántica and Globe divisions in order to realize additional operating synergies from the Business Combination, such as benefits from value chain optimization, including enhancements in raw materials procurement and materials management; adoption of best practices and technical and operational know how across our platform; reduced freight costs from improved logistics as well as savings through the standardization of monitoring and reporting procedures, technology, systems and controls. We intend to enhance our production process through R&D and targeted capital expenditure and leverage our geographic footprint to shift production to the most cost effective and appropriate facilities and regions for such products. We will continue to regularly review our power supply contracts with a view to improving their terms, such as the inclusion of interruptibility capacity, which provides us with additional profitability, and more competitive tariff structures. In addition, we will seek to maximize the value derived from the utilization and sale of by-products generated in our production processes.

*Continue to focus on innovation to develop next generation products*

We believe we differentiate ourselves from our competitors on the basis of our technical expertise and innovation, which allow us to deliver new high quality products to meet our customers' needs. We intend to keep using these capabilities in the future to retain existing customers and cultivate new business. We plan to leverage the expertise of our dedicated team of specialists to advance and to develop next generation products and technologies that fuel organic growth. In particular, we intend to continue investing in our FerroSolar Project, which involves the production of solar grade silicon metal with a purity level above 99.9999% through a new electrometallurgical process that may prove to be more cost-effective than the traditional chemical process. We also aim to further develop our specialized foundry products, such as value-added inoculants and customized nodularizers, which are used in the production of iron to improve its tensile strength, ductility and impact properties, and to refine the homogeneity of the cast iron structure.

*Maintain financial discipline to facilitate ongoing operations and support growth*

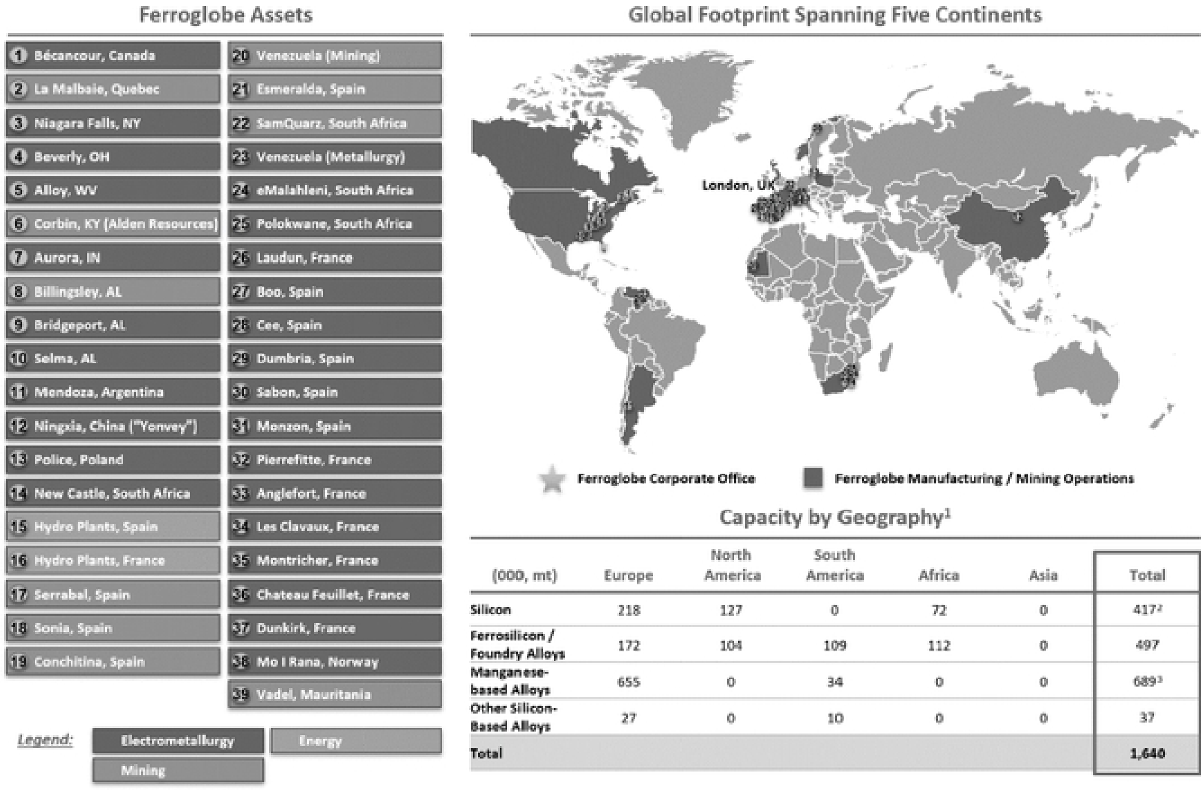
We believe maintaining financial discipline will provide us with the ability to manage the volatility in our business resulting from changes in commodity prices and demand fluctuations. We intend to preserve a strong and conservative balance sheet, with sufficient liquidity and financial flexibility to facilitate all of our ongoing operations, to support organic and strategic growth and to finance prudent capital expenditure programs aimed at placing us in a better position to generate increased revenues and cash flows by delivering a more comprehensive product mix and optimized production in response to market circumstances. We plan to become even more efficient in our working capital management through various initiatives aimed at optimizing inventory levels and accounts receivables. We will also seek to repay indebtedness from free cash flow and retain low leverage for maximum free cash flow generation.

*Pursue strategic opportunities*

We have a proven track record of disciplined acquisitions of complementary businesses and successfully integrating them into existing operations while retaining a targeted approach through appropriate asset divestitures. Our past acquisitions have increased the vertical integration of our activities, allowing us to deliver an enhanced product offering on a cost-efficient basis. We regularly consider and evaluate strategic opportunities for our business and will continue to do so in the future with the objective of expanding our capabilities and leveraging our products and operations. In particular, we intend to pursue complementary acquisitions and other investments at appropriate valuations for the purpose of increasing our capacity, increasing our access to raw materials and other inputs, further refining existing products, broadening our product portfolio and entering new markets. We will consider such strategic opportunities in a disciplined fashion while maintaining a conservative leverage position and strong balance sheet. We will also seek to evaluate our core business strategy on an ongoing basis and may divest certain non-core and lower margin businesses to improve our financial and operational results. For example, we have recently completed the acquisition from a wholly-owned subsidiary of Glencore International AG ("Glencore") of a 100% interest in Glencore's manganese alloys plants in Mo I Rana (Norway) and Dunkirk (France). The acquisition of these plants has doubled our global manganese alloy production capacity, allowing us to become one of the world's largest producers of manganese alloys by production capacity. Simultaneously with the acquisition, we entered into an exclusive agency arrangement with Glencore for the marketing of our manganese alloys worldwide and the procurement of manganese ores to supply our plants, in both cases for a period of ten years.

**Facilities and Production Capacity**

The following chart shows, as of December 31, 2017, the location of our assets and our production capacity, including 51% of the capacity of our joint ventures, by geography, of silicon, silicon-based alloys (ferrosilicon/foundry alloys), manganese-based alloys and other silicon-based alloys.




Capacity by Geography[1]

| (000, mt) | Europe | North America | South America | Africa | Asia | Total |
|---|---|---|---|---|---|---|
| Silicon | 218 | 127 | 0 | 72 | 0 | 417[2] |
| Ferrosilicon / Foundry Alloys | 172 | 104 | 109 | 112 | 0 | 497 |
| Manganese-based Alloys | 655 | 0 | 34 | 0 | 0 | 689[3] |
| Other Silicon-Based Alloys | 27 | 0 | 10 | 0 | 0 | 37 |
| Total | | | | | | 1,640 |

[1] *Based on company estimates.*
[2] *Includes pro rata share (51%) of attributable joint-venture capacity*
*3 Includes 259,000 Mt of additional capacity from the acquisition of the Glencore plants as at February 1, 2018*

Our production facilities are strategically spread worldwide across the United States, Spain, France, South Africa, Canada, Norway, Venezuela, Argentina, Poland, China and Mauritania. We operate quartz mines located in Spain, South Africa, Canada, the United States and Mauritania and timber farms and charcoal production units in South Africa. Additionally, we operate low-ash, metallurgical quality coal mines in the United States.

From time to time, in response to market conditions and to manage operating expenses, facilities are fully or partially idled. Due to current market conditions, facilities in Venezuela, South Africa and China are partially or fully idled.

Ferroglobe's total installed power capacity in Spain is 192 megawatts, with an average annual electric output of approximately 583,000 megawatt hours. In 2017, electric output was approximately 283,600 megawatt hours due to exceptionally low precipitation levels.

**Products**

For the years ended December 31, 2017, 2016 and 2015, Ferroglobe's consolidated sales by product were as follows:

| ($ thousands) | Year ended December 31, 2017 | 2016 | 2015 |
|---|---|---|---|
| Silicon metal | 739,618 | 751,508 | 592,458 |
| Manganese-based alloys | 363,644 | 223,451 | 260,371 |
| Ferrosilicon | 266,862 | 242,788 | 228,830 |
| Other silicon-based alloys | 188,183 | 173,901 | 105,702 |
| Silica fume | 36,338 | 37,480 | 29,660 |
| Byproducts and other | 147,048 | 146,909 | 99,569 |
| **Total Sales** | **1,741,693** | **1,576,037** | **1,316,590** |

***Silicon metal***

Ferroglobe is a leading global silicon metal producer based on production capacity, with a total production capacity of approximately 416,750 Metric Tons (including 51% of the joint venture capacity attributable to us) tons per annum in several facilities in the United States, France, South Africa, Canada, Spain and China. For the years ended December 31, 2017, 2016 and 2015, Ferroglobe's revenues generated by silicon metal sales accounted for 42.5%, 47.7% and 45.0%, respectively, of Ferroglobe's total consolidated revenues.

Silicon metal is used by primary and secondary aluminum producers, who require silicon metal with certain requirements to produce aluminum alloys. For the year ended December 31, 2017, sales to aluminum producers represented approximately 40% of silicon metal revenues. The addition of silicon metal reduces shrinkage and the hot cracking tendencies of cast aluminum and improves the castability, hardness, corrosion resistance, tensile strength, wear resistance and weldability of the aluminum end products. Aluminum is used to manufacture a variety of automotive components, including engine pistons, housings, and cast aluminum wheels and trim, as well as high tension electrical wire, aircraft parts, beverage containers and other products which require aluminum properties.

Silicon metal is also used by several major silicone chemical producers. For the year ended December 31, 2017 sales to chemical producers represented approximately 49% of silicon metal revenues. Silicone chemicals are used in a broad range of applications, including personal care items, construction-related products, health care products and electronics. In construction and equipment applications, silicone chemicals promote adhesion, act as a sealer and have insulating properties. In personal care and health care products, silicone chemicals add a smooth texture, protect against ultraviolet rays and provide moisturizing and cleansing properties. Silicon metal is an essential component of the manufacture of silicone chemicals, accounting for approximately 20% of the cost of production.

In addition, silicon metal is the core material needed for the production of polysilicon, which is most widely used to manufacture solar cells and semiconductors. For the year ended December 31, 2017 sales to polysilicon producers represented approximately 11% of silicon metal revenues. Producers of polysilicon employ processes to further purify the silicon metal and grow ingots from which wafers are cut. These wafers are the base material to produce solar cells, to convert sunlight to electricity. Individual solar cells are soldered together to make solar modules.

***Manganese-based alloys***

With 330,500 tons of annual silicomanganese production capacity and 358,500 tons of annual ferromanganese production capacity in our factories in Spain, Norway, France and Venezuela, Ferroglobe is among the leading global manganese-based alloys producers based on production capacity. Of the 330,500 tons of annual silicomanganese production capacity and 358,500 tons of annual ferromanganese production capacity, 125,000 tons of siliconmanganese and 144,000 tons of ferromanganese were added as part of the acquisition of Glencore assets completed on February 1, 2018. During the year ended December 31, 2017, Ferroglobe sold 274,119 tons of manganese-based alloys. For the years ended December 31, 2017, 2016, and 2015, Ferroglobe's revenues generated by manganese-based alloys sales accounted for 20.9%, 14.2% and 19.8%, respectively, of Ferroglobe's total consolidated revenues.

Over 90% of the global manganese-based alloys produced are used in steel production, and all steelmakers use manganese and manganese alloys in their production processes. Manganese alloys improve the hardness, abrasion resistance, elasticity and surface condition of steel when rolled. Manganese alloys are also used for deoxidation and desulphurization in the steel manufacturing process.

***Ferroglobe produces two types of manganese alloys, silicomanganese and ferromanganese.***

Silicomanganese is used as deoxidizing agent in the steel manufacturing process. Silicomanganese is also produced in the form of refined silicomanganese, or silicomanganese AF, and super-refined silicomanganese, or silicomanganese LC.

Ferromanganese is used as a deoxidizing, desulphurizing and degassing agent in steel to remove nitrogen and other harmful elements that are present in steel in the initial smelting process, and to improve the mechanical properties, hardenability and resistance to abrasion of steel. The three types of ferromanganese that Ferroglobe produces are:

- high-carbon ferromanganese used to improve the hardenability of steel;

- medium-carbon ferromanganese, used to manufacture flat and other steel products; and

- low-carbon ferromanganese used in the production of stainless steel, steel with very low carbon levels, rolled steel plates and pipes for the oil industry.

***Ferrosilicon***

Ferroglobe is among the leading global ferrosilicon producers based on production output in recent years. During the year ended December 31, 2017, Ferroglobe sold 185,952 tons of ferrosilicon and had 446,000 tons of annual ferrosilicon production capacity. For the years ended December 31, 2017, 2016 and 2015, Ferroglobe's revenues generated by ferrosilicon sales accounted for 15.3%, 15.4% and 17.4%, respectively, of Ferroglobe's total consolidated revenues.

Ferrosilicon is an alloy of iron and silicon (normally approximately 75% silicon). Ferrosilicon products are used to produce stainless steel, carbon steel, and various other steel alloys and to manufacture electrodes and, to a lesser extent, in the production of aluminum. Approximately 88% of ferrosilicon produced is used in steel production.

Ferrosilicon is generally used to remove oxygen from the steel and as alloying element to improve the quality and strength of iron and steel products. Silicon increases steel's strength and wear resistance, elasticity and scale resistance, and lowers the electrical conductivity and magnetostriction of steel.

***Other silicon-based alloys***

In addition to ferrosilicon, Ferroglobe produces various different silicon-based alloys, including silico calcium and foundry products, which comprise inoculants and nodularizers. Ferroglobe produces more than 20 specialized varieties of foundry products, several of which are custom made for its customers. Demand for these specialty metals is increasing and, as such, they are becoming more important components of Ferroglobe's product offering. Ferroglobe's combined annual production capacity in connection with these other silicon-based alloys is approximately 80,000 tons (excluding ferrosilicon). During the year ended December 31, 2017, Ferroglobe sold 56,822 tons of silicon-based alloys (excluding ferrosilicon). For the years ended December 31, 2017, 2016 and 2015, Ferroglobe's revenues generated by silicon-based alloys (excluding ferrosilicon) accounted for 10.8%, 11.0% and 8.0%, respectively, of Ferroglobe's total consolidated revenues.

The primary use for silico calcium is the deoxidation and desulfurization of liquid steel. In addition, silico calcium is used to control the shape, size and distribution of oxide and sulfide inclusions, improving fluidity, ductility, and the transverse mechanical and impact properties of the final product. Silico calcium is also used in the production of coatings for cast iron pipes, in the welding process of powder metal and in pyrotechnics.

The foundry products that Ferroglobe manufactures include nodularizers and inoculants, which are used in the production of iron to improve its tensile strength, ductility and impact properties, and to refine the homogeneity of the cast iron structure.

***Silica fume***

For the years ended December 31, 2017, 2016 and 2015, Ferroglobe's revenues generated by silica fume sales accounted for 2.1%, 2.4% and 2.3%, respectively, of Ferroglobe's total consolidated sales.

Silica fume is a by-product of the electrometallurgical process of silicon metal and ferrosilicon. This dust-like material, collected through Ferroglobe factories' air filtration systems, is mainly used in the production of high-performance concrete and mortar. The controlled addition of silica fumes to these products results in increased durability, improving their impermeability from external agents, such as water. These types of concrete and mortar are used in large-scale projects such as bridges, viaducts, ports, skyscrapers and offshore platforms.

***Services***

*Energy*

Ferroglobe's total installed power capacity in Spain is 192 megawatts, with an average annual electric output of approximately 583,000 megawatt hours. In 2017, the electric output was approximately 283,600 megawatt hours, due to exceptionally low precipitation levels. For the years ended December 31, 2017, 2016 and 2015, Ferroglobe recognized a loss as a result of the Spanish hydroelectric operations, in the amounts of $1,229 thousand, $3,065 thousand and $196 thousand, respectively.

Hydroelectric power stations produce energy from the flow of water through channels or pipes to a turbine, causing the shaft of the turbine to rotate. An alternator or generator, which is connected to the rotating shaft of the turbine, converts the motion of the shaft into electrical energy.

In Spain, Ferroglobe sells all of the power it produces in the wholesale energy market that has been in place in Spain since 1998. Prior to 2013, Ferroglobe benefitted from a feed-in tariff support scheme, pursuant to which Ferroglobe was legally entitled to feed its electric production into the Spanish grid in exchange for a fixed applicable feed-in-tariff over a fixed period, and therefore received a higher price than the market price. However, the new regulatory regime introduced in Spain in 2013 eliminated the availability of the feed-in tariff support scheme for most of Ferroglobe's facilities. Ferroglobe has been able to partly mitigate this reduction in prices through the optimization of its power generation such that it operates in peak-price hours, as well as through participation in the "ancillary services" markets whereby Ferroglobe agrees to generate power as needed to balance the supply and demand of energy in the markets in which it operates. See "— Regulatory Matters — Energy and electricity generation" below.

Villar Mir Energía, S.L. ("VM Energía"), a Spanish company controlled by Grupo VM, advises in the day-to-day operations of Ferroglobe's hydroelectric facilities in the Spanish wholesale market under a strategic advisory services contract. Operating in the Spanish wholesale market requires specialized trading skills that VM Energía can provide because of the broad base of both generating facilities and customers that it manages. For more information on the contractual arrangements between Ferroglobe and VM Energía, see "Item 7.B. — Major Shareholders and Related Party Transactions — Related Party Transactions" below.

Ferroglobe also owns and operates 20 megawatts of hydroelectric power capacity in two plants in France. Given the small size of these operations and the specifics of the regulatory regime under which they operate, the results of operations and financial position with respect to these plants are included within our French operations.

**Raw Materials, Logistics and Power Supply**

The largest components of Ferroglobe's cost base are raw materials and power used for smelting at our facilities. In the year ended December 31, 2017, Ferroglobe's power consumption, represented approximately 29% of Ferroglobe's total consolidated cost of sales.

The primary raw materials Ferroglobe uses to produce its electrometallurgy products are carbon reductants (primarily coal, but also charcoal, metallurgical and petroleum coke, anthracite and wood) and minerals (manganese ore and quartz). Other raw materials used to produce Ferroglobe's electrometallurgy products include electrodes (consisting of graphite and electrode paste), slags and limestone, as well as certain specialty additive metals. Ferroglobe procures coal, manganese ore, quartz, petroleum and metallurgical coke, electrodes and most additive metals centrally under the responsibility of its purchasing and logistics manager, whereas responsibility for the procurement of other raw materials rests with each country's raw materials procurement manager or the individual plant managers.

***Manganese ore***

The global supply of manganese ore comprises standard- to high-grade manganese ore, with 35% to 56% manganese content, and low-grade manganese ore, with lower manganese content. Manganese ore production comes mainly from eight countries: South Africa, Australia, China, Gabon, Brazil, Ukraine, India and Ghana. However, the production of high-grade manganese ore is concentrated in Australia, Gabon, South Africa and Brazil.

The vast majority of the manganese ore Ferroglobe purchased in 2017 came from suppliers located in South Africa (48.1% of total purchases) and Gabon (45.7% of total purchases). In 2017, key suppliers of manganese ore to Ferroglobe supplied 93.8% of the manganese ore Ferroglobe utilized while the remaining 6.2% was procured on the international spot market from other suppliers. In 2017, Ferroglobe has contractual arrangements with two main suppliers (located in South Africa and Gabon), expressed in U.S. Dollars, which depend primarily on spot prices.

Global manganese ore prices are mainly driven by manganese demand from India and China. Potential disruption of supply from South Africa, Australia, Brazil or Gabon due to logistical, labor or other reasons may have an impact on the availability and the pricing of manganese ore.

***Coal***

Coal is the major carbon reductant in silicon and silicon alloys production. Only washed and/or screened coal with ash content below 10% and with specific physical properties may be used for production of silicon alloys. Colombia and the United States are the best source for the required type of coal and the vast majority of the silicon alloys industry, including Ferroglobe, is dependent on supply from these two countries.

Approximately 62.9% of the coal Ferroglobe purchased in 2017 for its facilities in Europe, South Africa and Venezuela was sourced from one mining supplier in Colombia while the remaining 37.1% came from other Colombian mines, as well as from Poland and South Africa. Ferroglobe has a long-standing relationship with the coal washing plants that process Colombian coal in Europe, which price coal using spot, quarterly, semi-annual or annual contracts, based on market outlook. International coal prices, which are denominated in U.S. Dollars, are mainly based on API 2, the benchmark price reference for coal imported into northwest Europe. Prices reflect also currency fluctuation, labor issues and transportation situation in Colombia and South Africa, as well as sea-freights.

Ferroglobe also owns Alden Resources LLC ("Alden") in the United States. Alden provides a stable and long-term supply of low ash metallurgical grade coal by fulfilling a substantial portion of our requirements to our North American operations.

See "— Mining Operations" below for further information.

***Quartz***

Quartz is required to manufacture silicon-based alloys and silicon metal.

Ferroglobe has secured access to quartz from its quartz mines in Spain, South Africa, the United States, Mauritania and Canada (see "— Mining Operations"). For the year ended December 31, 2017 approximately 69.6% of Ferroglobe's total consumption of quartz was self-supplied. Ferroglobe purchases quartz from third-party suppliers on the basis of contractual arrangements with terms of up to four years. Ferroglobe's quartz suppliers typically have operations in the same countries where Ferroglobe factories are located, or in close proximity, which minimizes logistical costs.

Ferroglobe controls quartzite mining operations located in Alabama, United States and a concession to mine quartzite in Saint-Urbain, Québec, Canada (operated by a third party miner). These mines supply our North American operations with a substantial portion of their requirements for quartzite.

***Other raw materials***

Wood is needed for the production of silicon-based alloys. It is used directly in furnaces as woodchips or cut to produce charcoal, which is the major source of carbon reductant for Ferroglobe's plants in South Africa. In South Africa, charcoal is a less expensive substitute for imported coal and provides desirable qualities to the silicon-based alloys it is used to produce.

In the other countries where Ferroglobe operates, Ferroglobe purchases wood chips locally or logs for on-site wood chipping operations from a variety of suppliers.

Petroleum coke, carbon electrodes, slag, limestone and additive metals are other relevant raw materials Ferroglobe utilizes to manufacture its electrometallurgy products. Procurement of these raw materials is either managed centrally or with each country's raw materials procurement manager or plant manager and the materials purchased at spot prices or under contracts of a year or less.

***Logistics***

Logistical operations are managed centrally and at the local level. Sea-freight operations are centralized at the corporate level, while rail logistics is centralized at the country level. Vehicle transport is managed at the plant level with centralized coordination in multi-site countries. Contractual commitments in respect of transportation and logistics match, to the extent possible, Ferroglobe's contracts for raw materials and customer contracts.

***Power***

In Spain, Ferroglobe mainly acquires energy at the spot price through daily auction processes and is, therefore, exposed to market price volatility. Ferroglobe seeks to reduce its energy costs by stopping production at its factories during times of peak power prices and operating its factories in the hours of the day with lower energy prices. Additionally, Ferroglobe receives a rebate on a portion of its energy costs in Spain and France in exchange for an agreement to interrupt production, and thus power usage, upon request by the grid operator. Ferroglobe uses derivative financial instruments to partly hedge risks related to energy price volatility in Spain.

In France, FerroPem, S.A.S. has traditionally had access to relatively low power prices, as it benefited from Electricité de France's green tariff ("Tarif Vert"), and a discount thereon. The green tariffs expired at the end of 2015 and Ferroglobe has negotiated supply contracts based on market prices with two suppliers for years 2016 to 2019, and is currently negotiating long-term supply contracts with suppliers in the market place. Recently enacted regulation enables FerroPem SAS to benefit from reduced tariffs resulting from its agreeing to limit its access to the network, interrupt production and respond to surges in demand, as well as paying compensation for indirect CO2 costs under the EU Emission Trading System (ETS) regulation. Furthermore, the new arrangements allow FerroPem, S.A.S. to operate competitively on a 12-month basis, avoiding the need to stop for two months in each year as required under the Tarif Vert.

Ferroglobe's production of energy in Spain and France through its hydroelectric power plants partially mitigates its exposure to increases in power prices in these two countries, as an increase in energy prices has a positive impact on Ferroglobe revenues from electricity generation.

In the United States, we enter into long-term electric power supply contracts. Our power supply contracts result in stable, favorably priced, long-term commitments of power at reasonable rates. In West Virginia, we have a contract with Brookfield Energy to provide approximately 45% of our power needs, from a dedicated hydroelectric facility, at a fixed rate through December 2021. The rest of our power needs in West Virginia, Ohio and Alabama are primarily sourced through special contracts that provide historically competitive rates and the remainder is sourced at market rates. At our Niagara Falls, New York plant, we have been granted a public-sector package including 18.4 megawatts of hydropower through to 2021, which was effective from June 1, 2016.

In South Africa, energy prices are regulated by the NERSA and price increases are publicly announced in advance.

The level of power consumption of our submerged electric arc furnaces is highly dependent on which products are being produced and typically fall in the following ranges: (i) manganese-based alloys require between 2.0 and 3.8 megawatt hours to produce one ton of product,

(ii) silicon-based alloys require between 3.5 and 8 megawatt hours to produce one ton of product and (iii) silicon metal requires approximately 12 megawatt hours to produce one ton of product. Accordingly, consistent access to low cost, reliable sources of electricity is essential to our business.

**Mining Operations**

***Reserves***

Reserves are defined by SEC Industry Guide 7 as the part of a mineral deposit that could be economically and legally extracted or produced at the time of the reserve determination. Proven, or measured, reserves are reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes, and grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established. Probable, or indicated, reserves are reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance for probable reserves, although lower than that for proven reserves, is high enough to assume continuity between points of observation. Reserve estimates were made by independent third party consultants, based primarily on dimensions revealed in outcrops, trenches, detailed sampling and drilling studies performed. These estimates are reviewed and reassessed from time to time. Reserve estimates are based on various assumptions, and any material changes in these assumptions could have a material impact on the accuracy of Ferroglobe's reserve estimates.

The following table sets forth summary information on Ferroglobe's mines which were in production as of December 31, 2017.

| Mine | Location | Mineral | Annual capacity kt | Production in 2017 kt | Mining Recovery | Proven reserves Mt[1] | Probable reserves Mt[1] | Mining Method | Reserve grade | Btus per lb. | Life[2] | Expiry date[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sonia | Spain (Mañón) | Quartz | 150 | 135 | 0.4 | 2.03 | 0.8 | Open-pit | Metallurgical | N/A | 19 | 2069 |
| Esmeralda | Spain (Val do Dubra) | Quartz | 50 | 29 | 0.4 | 0.09 | 0.14 | Open-pit | Metallurgical | N/A | 10 | 2029 |
| Serrabal. | Spain (Vedra & Boqueixón) | Quartz | 330 | 246 | 0.2 | 3.60 | 1.9 | Open-pit | Metallurgical | N/A | 19 | 2038 |
| SamQuarz | South Africa (Delmas) | Quartzite | 1,000 | 988 | 0.7 | 7.03 | 19.5 | Open-pit | Metallurgical & Glass | N/A | 39 | 2039 |
| Mahale | South Africa (Limpopo) | Quartz | 60 | 12 | 0.5 | — | 2.4 | Open-pit | Metallurgical | N/A | 15 | 2035 |
| Roodepoort | South Africa (Limpopo) | Quartz | 50 | 12 | 0.5 | — | 0.04 | Open-pit | Metallurgical | N/A | 1 | 2028 |
| Fort Klipdam | South Africa (Limpopo) | Quartz | 100 | 10 | 0.6 | — | 0.2 | Open-pit | Metallurgical | N/A | 2 | 2019[4] |
| AS&G Meadows Pit | United States (Alabama) | Quartzite | 360 | 56 | 0.4 | 3.60 | — | Surface | Metallurgical | N/A | 10 | 2027 |
| AS&G Mims Pit | United States (Alabama) | Quartzite | 120 | 90 | 0.4 | 0.25 | — | Surface | Metallurgical | N/A | 3 | 2020 |
| | | | **2,220** | **1,578** | | **16.60** | **24.98** | | | | | |
| Maple Creek Springtown | United States (Kentucky) | Coal | 400 | 399 | 0.7 | 0.6 | | Surface | Metallurgical | 14,000 | 2 | 2020 |
| Imperial Hollow | United States (Kentucky) | Coal | 200 | 50 | 0.7 | 0.8 | | Surface | Metallurgical | 14,000 | 3 | 2020 |
| Log Cabin No. 5 | United States (Kentucky) | Coal | 60 | 12 | 0.6 | 0.2 | | Underground | Metallurgical | 14,000 | 5 | 2023 |
| Bain Branch No. 3 | United States (Kentucky) | Coal | 60 | 74 | 0.5 | 3.6 | 2.9 | Underground | Metallurgical | 14,000 | 25 | 2042 |
| Harpes Creek 4A | United States (Kentucky) | Coal | 100 | 96 | 0.6 | 1.2 | 1.3 | Underground | Metallurgical | 14,000 | 12 | 2029 |
| | | | **820** | **631** | | **6.40** | **4.20** | | | | | |

(1) The estimated recoverable proven and probable reserves represent the tons of product that can be used internally or sold to metallurgical or glass grade customers. The mining recovery is based on historical yields at each particular site. We estimate our permitted mining life based on the number of years we can sustain average production rates under current circumstances.

(2) Current estimated mine life in years.

(3) Expiry date of Ferroglobe's mining concession.

(4) The expiry date relates to three mining permits relating to an area within Fort Klipdam, outside the area covered by the mining right. The mining right is currently subject to an administrative proceeding with the relevant mining authority. See "— South African mining rights — Fort Klipdam" below for further information on Fort Klipdam.

Ferroglobe considers its Conchitina and Conchitina Segunda mines as a single mining project legally supported by the formation of Coto Minero, formally approved by the Mining Authority in March 2018. In addition, Ferroglobe currently holds all necessary permits to start production at its Conchitina mines. Although Ferroglobe has not received formal approval from the Spanish Mining Authority over its 2018 Annual Mining Plan, we are not legally prevented from commencing mining operations in the area based on the fully-authorized 2017 Annual Mining Plan.

Reserves for the Conchitina mine are, accordingly, considered to be probable reserves, and the following table sets forth summary information on the Conchitina and Conchitina Segunda mines:

| | | | | Recoverable Reserves | | | |
|---|---|---|---|---|---|---|---|
| Mine | Location | Mineralization | Mining Recovery | Proven MT(1) | Probable MT(1) | Reserve Grade | Mining Method |
| Conchitina and Conchitina Segunda | Spain (O Vicedo) | Quartz | 0.35 | — | 1.15 | Metallurgical | Open-pit |

(1) Estimates of recoverable probable reserves represent the tons of product that can be used internally or which are of metallurgical grade and can be delivered to Ferroglobe's customers.

Ferroglobe has additional mining rights in Spain (Cristina, Trasmonte and Merlán), but none of these mines are currently producing or undergoing mine development activities as the Spanish Mining Authority started cancelling mining rights for Merlán and Trasmonte in September 2015 and February 2017, respectively. The Spanish Mining Authority started the cancellation process for our mining rights for Cristina in December 2017. Ferroglobe does not consider certain Venezuelan mines to be mining assets (La Candelaria, El Manteco and El Merey) as the minerals are fully-depleted and because it will be difficult to obtain new mining rights at these locations given the current economic and political environment in Venezuela.

***Spanish mining concessions***

*Sonia*

The Sonia mining concession previously belonged to Cuarzos Industriales S.A.U., which acquired the mining concession in 1979. Ferroglobe acquired Cuarzos Industriales S.A.U., which is the owner of the properties currently mined at Sonia, along with the Sonia mining concession, in 1996 from the Portuguese cement manufacturer Cimpor. The surface area covered by the Sonia mining concession is 387 hectares. The concession is due to expire in 2069.

*Esmeralda*

The original Esmerelda mining concession was granted in 1999 to Cuarzos Industriales, S.A.U., the owner of the properties currently mined at Esmeralda, after proper mining research had been conducted and the mining potential of the area had been demonstrated to the relevant public authority. The surface area covered by the Esmeralda mining concession is 84 hectares. The concession is due to expire in 2029.

*Serrabal*

The Serrabal mining concession was originally granted in 1978 to Rocas, Arcillas y Minerales S.A. Ferroglobe acquired control of this company, which is the owner of the properties currently mined at Serrabal, along with the Serrabal mining concession, in 2000. Rocas, Arcillas y Minerales, S.A. has applied for the renewal of the concession. Pursuant to an interim measure approved by the applicable mining authority, Rocas Arcillas y Minerales S.A. is permitted to continue mining operations in Serrabal indefinitely until a final decision on the renewal of the concession has been made. If the renewal is granted, the concession will expire in 2038. The surface area covered by Serrabal mining concession is 861 hectares.

*Conchitina*

The Conchitina mining concession previously belonged to Cuarzos Industriales S.A.U., which acquired the mining concession in 1979. Ferroglobe acquired this company, along with Conchitina mining concession, in 1996 from the Portuguese cement manufacturer Cimpor. The Conchitina Segunda mining concession was granted to Cuarzos Industriales S.A.U. in 1997 for a 30-year term after proper mining research had been conducted and the mining potential of the area had been demonstrated. The Conchitina concession expired in 2009 and Cuarzos Industriales S.A.U. applied for its renewal, also requesting the competent authority to consolidate the concession with that of Conchitina Segunda. The legal support for the consolidation request was that both mining rights apply over a unique quartz deposit. Approval was formally granted by the authority in March 2018. Cuarzos Industriales S.A.U. is the owner of the properties currently mined at Conchitina. The surface area covered by Conchitina concessions is 497 hectares.

*Cabanetas*

The mining right granting process and tax regulations applicable to the Cabanetas limestone quarry slightly differ from those applicable to other Ferroglobe mines in Spain because Cabanetas is classified as a quarry, rather than a mine. Ferroglobe is currently operating the Cabanetas quarry pursuant to a permit resolution, which authorized the extension of the original mining concession, issued in 2013 by the competent mining authority. The extension is for a period of 30 years and, consequently, the concession will expire in 2043. Limestone extracted from the Cabanetas quarry was intended to be used by the Hidro Nitro Española S.A. electrometallurgy plant. However, because new metallurgical techniques require low consumption of this product, most of the Cabanetas limestone is generally sold to the civil engineering and construction industries. The production level of the Cabanetas quarry has fallen considerably in recent years, mainly due to difficulties in the local construction industry.

The land on which the mining property is located is owned by Mancomunidad de Propietarios de Fincas Las Sierras and the plot containing the mining property is leased to Hidro Nitro Española S.A. pursuant to a lease agreement entered into in 1950, which was subsequently restated in 2000 and due to expire in 2020. The lease agreement may be extended until 2050. To retain the lease, Hidro Nitro Española S.A. pays the landlord an annual fee currently equal to €0.15 per ton of limestone quarried out of the mine. The quarry covers a surface area of approximately 180 hectares. The area affected by the planned exploitation during the current extension of the concession area is 6.9 hectares.

For further information regarding Spanish regulations applicable to mining concessions, as well as environmental and other regulations, see "— Laws and regulations applicable to Ferroglobe's mining operations — Spain."

***South African mining rights***

*SamQuarz*

The SamQuarz mining rights were transferred from the original owners, Glass South Africa Holdings (Pty) Ltd and Samancor Limited, to SamQuarz (Pty) Ltd in 1997. Our FerroAtlántica division acquired control of SamQuarz, along with the SamQuarz mining rights, in 2012. In 2009, the Minister of Mineral Resources converted the then-existing SamQuarz mining rights into new mining rights due to expire after 30 years in 2039. At the end of 2014, SamQuarz mining rights were transferred from SamQuarz (Pty) Ltd to its sole shareholder, Thaba Chueu Mining (Pty) Ltd, one of our subsidiaries ("Thaba"). SamQuarz (Pty) Ltd is the owner of the properties currently mined in Delmas. The total surface area covered by SamQuarz mine is 118.1 hectares.

*Mahale*

Mahale is state-owned land, lawfully occupied by the Mahale community. Thaba currently leases the land pursuant to an agreement with the Majeje Traditional Authority and runs mining operations on the area pursuant to mining rights owned by the state and licensed to it. The latest mining right license was granted by the Department of Mineral Resources in December 2014 and registered at the mining titles deeds office in early 2016. The license is for a 20 year period and will expire in 2035. The total surface area covered by Mahale mine is 329.7 hectares. The lease agreement between Thaba and the Majeje Traditional Authority will be in force for the entire duration of the mining right or as long as it is economically viable for the lessee to mine. Under the lease agreement, a monthly rent of ZAR 1,500 is paid to the lessor, which is reviewed annually to reflect increases in the consumer price index. A general authorization has been granted to Thaba by the Water Affairs Department to allow the company to use the water at the site, provided usage does not exceed 10,000 cubic meters per month.

*Roodepoort*

The Roodepoort mining right is held by Silicon Smelters (Pty.), Ltd., Ferroglobe's subsidiary, and will expire in 2028. In 2009, Silicon Smelters (Pty.), Ltd. applied for a conversion of the mining right into a new mining right under the South African Mineral and Petroleum Resources Development Act (the "MPRDA"), which came into force in 2004. The new mining right has been granted and is valid for the continuation of our mining activities at the Rooderport mine until. Silicon Smelters (Pty) Ltd is currently in the process of transferring this mining right to its mining subsidiary, Thaba, in order that all licenses and permits in South Africa are held under this entity.

The total surface area covered by Roodepoort mine is 17.6 hectares. The mining area covers the cobble and block areas. The land in which Roodepoort mine is located is owned by Alpha Sand, which also conducts all mining operations as a contractor for Silicon Smelters (Pty.), Ltd. An agreement is in place whereby Alpha Sand operates the mine and Silicon Smelters (Pty.), Ltd. purchases the quartz mined from Alpha Sand based on the quartz requirements of Silicon Smelters (Pty.), Ltd. and at prices that are reviewed annually on the basis of increases in production costs and diesel fuel. The agreement with Alpha Sand will terminate at the expiry of the mining right or when it is no longer economically viable to mine quartz in the area.

*Fort Klipdam*

The land on which Fort Klipdam is located is owned by Silicon Smelters (Pty.), Ltd. Silicon Smelters (Pty.), Ltd. filed a mining right application that was rejected on the basis of the alleged inadequacy of the mine social and labor plan. An appeal has been filed by Silicon Smelters (Pty.), Ltd. As the appeal process has been unsuccessful to date, mining operations can only be conducted in areas specified under valid permits that have been obtained on the land. Additional permits were also obtained by the mining contractor on the adjacent property and their materials are brought to Fort Klipdam for processing and stockpiling. The total surface area covered by the Fort Klipdam farm portion is 640.9 hectares. The mining permits and mining rights only relates to an area of 136.1 hectares.

For further information regarding South African regulations applicable to mining concessions, as well as environmental and other regulations, see "— Laws and regulations applicable to Ferroglobe's mining operations — South Africa."

***French mining rights***

*Soleyron*

FerroPem, S.A.S., a subsidiary of Ferroglobe, owns 7.5 hectares of the overall Soleyron mine area. The Saint-Hippolyte de Montaigu Municipality owns the remaining 12.9 hectares. In February 2015, FerroPem, S.A.S. entered into a lease and royalty agreement with the municipality, which is valid for five years. The effective date of the agreement and the relevant term coincide with the effective date and term of the prefectural authorization renewal, which was granted to FerroPem, S.A.S. in March 2015 and is due to expire in 2020. Pursuant to this agreement, FerroPem, S.A.S. pays to the municipality on an annual basis: (i) a fixed allowance for the lease of the land, and (ii) variable royalties on the basis of tons of quartz produced. In addition, FerroPem, S.A.S. provided financial guarantees through an insurance company for an amount of €146 thousand. Such amount has been defined in the prefectural authorization as the amount needed for the land remediation.

***United States and Canadian mining rights***

*Coal*

As of December 31, 2017, we had five active coal mines (two surface mines and three underground mines) located in Kentucky. We also had six inactive permitted coal mines available for extraction located in Kentucky and Alabama. All of our coal mines are leased and the remaining term of the leases range from 2 to 40 years. The majority of the coal production is consumed internally in the production of silicon metal and silicon-based alloys. As of December 31, 2017, we estimate our proven and probable reserves to be approximately 17,400,000 tons with an average permitted life of approximately 35 years at present operating levels. Present operating levels are determined based on a three-year annual average production rate. Reserve estimates were made by our geologists, engineers and third parties based primarily on drilling studies performed. These estimates are reviewed and reassessed from time to time. Reserve estimates are based on various assumptions, and any material changes in these assumptions could have a material impact on the accuracy of our reserve estimates.

We currently have two coal processing facilities, one of which is inactive. The active facility processes approximately 720,000 tons of coal annually, with a capacity of 2,500,000 tons. The average coal processing recovery rate is approximately 65%.

*Quartzite*

We have an open-pit quartz mining operation in Billingsly, Alabama, and one in Londesboro, Alabama. Each has its own wash-plant facilities. We also have a concession to mine quartzite in Saint-Urbain, Québec (operated by a third party miner). These mines supply our North American operations with a substantial portion of their requirements for quartzite.

***Mauritania mining rights***

In 2013, the Company signed an option to purchase two exploration permits for Quartz over a 2,000 square kilometer area located in northern Mauritania, approximately 250 kilometers from Nouadhibou harbor. After a successful exploration program and the granting of the right to acquire mining rights pursuant to both exploration permits at the Vadel 1 and Vadel 2 Mines respectively, Ferroglobe exercised the purchase option on June 30, 2016. The mining at the Vadel 1 and Vadel 2 Mines are held by Ferroquartz Mauritania SARL, a subsidiary of Ferroglobe, and will expire in 2031. The total surface area covered by Vadel 1 Mine is 195 square kilometers and by Vadel 2 Mine is 240 square kilometers. The construction of the mining facilities was completed during 2017 and the

Company has started to test the production in Vadel 2. The Company made the first shipment from Vadel 2 at the beginning of 2018 and plan is to start production in Vadel 1 in 2020.

***Laws and regulations applicable to Ferroglobe's mining operations***

*Spain*

In Spain, mining concessions have an average term of 30 years and are extendable for additional 30-year terms, up to a maximum of 90 years. In order to extend the concession term, the concessionaire must file an application with the competent public authority. The application, which must be filed three years prior to the expiration of the concession term, must be accompanied by a detailed report demonstrating the continuity of mineral deposits and the technical ability to extract such deposits, as well as reserve estimates, an overall mining plan for the term of the concession and a detailed description of extraction and treatment techniques. The renewal process is straightforward for a mining company that has been mining the concession regularly. The main impediments to renewal are a lack of mining activity and legal conflicts. Every year in January, in order to maintain the validity of the mining concession, an annual mining plan must be submitted to the competent public authority. This document must detail the work to be developed during the year.

Regarding the environmental requirements applicable to Ferroglobe's mining operations in Spain, each of Serrabal, Esmeralda, Conchitina and Conchitina Segunda is subject to an "environmental impact statement" (or "EIS"), issued by the relevant environmental authority and specifically tailored to the environmental features of the relevant mine. The EIS requires compliance with high environmental standards and is based on the environmental impact study performed by the mining concession applicant in connection with each mining project. It is the result of a consultation process involving several public administrations, including cultural, archaeology, landscape, urbanistic, health, agriculture, water and industrial administrations. The EIS sets forth all conditions to be fulfilled by the applicant, including in connection with the protection of air, water, soil, flora and fauna, landscape, cultural heritage, restoration and the interaction of such elements. The EIS covers mining activities, auxiliary facilities and heaps carried out in a determined perimeter of each mine and includes a program of surveillance and environmental monitoring. The relevant authority regularly verifies compliance with it.

Sonia is subject to a "restoration plan" which provides for less stringent environmental requirements than an EIS and is mainly aimed at ensuring that the new areas generated as a result of the mining activity are properly restored in an environmentally friendly manner. The restoration plan is submitted by the mining concession applicant for the approval of the relevant authority together with the mining project for the area. Information about the exploitation project, including area of operation, annual production, method and operating system, and designed top and bottom level of the pit is included in the restoration plan.

All mines, with the exception of Cabanetas, also need to obtain from the relevant public administration an authorization for the discharge of the water used at the mine. This authorization is subject to certain conditions, including analyzing the water before any such discharge is made. In addition, when presenting to the competent mining authorities its annual mining plans, Ferroglobe must include an environmental report describing all environmental actions carried out during the year. Authorities are able to oversee such actions upon their annual inspections. Because Cabanetas is classified as a quarry and not as a mine, environmental requirements are generally less stringent and an environmental report is not required. The environmental license for Cabanetas is included in the mining permit and is formalized in the annual work plan and the annual restoration plan approved by the mining authority.

The main recurring payment obligation in connection with Ferroglobe's mines in Spain relates to a tax payable annually, calculated on the basis of the budget included in the relevant annual mining plan provided to the authority. In addition, with the exception of Cabanetas, a small surface tax is paid annually to the administration on the basis of the mine property extension. A levy also applies to water consumption at each mine property, which is paid at irregular intervals whenever the relevant public administration requires it.

*South Africa*

In South Africa, mining rights are valid for a maximum of 30 years and may be renewed for further periods of up to 30 years per renewal. Prior to granting and renewing a mining right, the competent authority must be satisfied with the technical and financial capacity of the intended mining operator and the mining work program according to which the operator intends to mine. In addition, a species rescue, relocation and re-introduction plan must be developed and implemented by a qualified person prior to the commencement of excavation, a detailed vegetation and habitat and rehabilitation plan must be developed by a qualified person and a permit must be obtained from the South African Heritage Resource Agency prior to the commencement of excavations. The mining right holder must also compile a labor and social plan for its mining operations and comply with certain additional regulatory requirements relating to, among other things, human resource development, employment equity, housing and living conditions and health and safety of employees, and the usage of water, which must be licensed.

It is a condition of the mining right that the holder disposes of all minerals and products derived from exploitation of the mineral at competitive market prices, which means, in all cases, non-discriminatory prices or non-export parity prices. If the minerals are sold to any entity which is an affiliate or non-affiliate agent or subsidy of the mining right holder, or is directly or indirectly controlled by the holder, such purchaser must unconditionally undertake in writing to dispose of the minerals and any products from the minerals and any products produced from the minerals, at competitive market prices. The mining right, a shareholding, an equity, an interest or participation in the right or joint venture, or a controlling interest in a company, close corporation or joint venture, may not be encumbered, ceded, transferred, mortgaged, let, sublet, assigned, alienated or otherwise disposed of without the written consent of the Minister of Mineral Resources, except in the case of a change of controlling interest in listed companies.

Environmental requirements applicable to mining operations in South Africa are mostly set out in the MPRDA. Pursuant to the MPRDA, in order to obtain reconnaissance permissions as well as actual mining rights, applicants must have in place an approved environmental management plan, pursuant to which, among other things, all boreholes, excavations and openings sunk or made during the duration of the mining right must be sealed, closed, fenced and made safe by the mining operator. Further environmental requirements apply in connection with health and safety matters, waste management and water usage. The MPRDA further requires mining right applicants to conduct an environmental impact assessment on the area of interest and submit an environmental management programme setting forth, among other things, baseline information concerning the affected environment to determine protection, remedial measures and environmental management objectives, and describing the manner in which the applicant intends to modify, remedy, control or stop any action, activity or process which causes pollution or environmental degradation, contain or remedy the cause of pollution or degradation and migration of pollutants and comply with any prescribed waste standard or management standards or practices. In addition, applicants must provide sufficient insurance, bank guarantees, trust funds or cash to ensure the availability of sufficient funds to undertake the agreed work programmes and for the rehabilitation, management and remediation of any negative environmental impact on the interested areas. Holders of a mining right must conduct continuous monitoring of the environmental management plan, conduct performance assessments of the plan and compile and submit a performance assessment report to the competent authority, the frequency of which must be as approved in the environmental management programme, or every two years or as otherwise agreed by the authority in writing. Mine closure costs are evaluated and reported on an annual basis, but are typically only incurred at mine closure.

The mining right holder must also be in compliance with an important governmental regulation called Black Economic Empowerment ("BEE"), a program launched by the South African government to redress certain racial inequalities. In order for a mining right to be granted, a mining company must agree on certain BEE-related conditions with the Department of Mineral and Petroleum Resources. Such conditions relate to, among other things, the company's ownership and employment equity and require the submission of a social and labor plan. Failure to comply with any of these BEE conditions may have an impact on, among other things, the ability of the mining company to retain the mining right or obtain its renewal upon expiry. In addition, companies subject to BEE must conduct, on an annual basis, a BEE rating audit on several aspects of the business, including black ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development. Poor performance on the BEE rating audit may have a negative impact on the company's ability to do business with other companies, to the extent that a company's low rating is likely to reduce the rating of its business partners.

Mining rights are subject to payments of royalties to the tax authority, the South African Revenue Services. Such payments are generally made by June 30 and December 31 each year and upon the approval of the concessionaire's annual financial statements.

*France*

In France, mining rights are subject to a prefectural authorization. The authorization provides details of all requirements, including environmental requirements, which the mining operator and its subcontractors must comply with to operate the mine. Such requirements mainly concern archaeology, water protection, air pollution, control of noise, visual impact and safety matters. The authorization also contains the requirements relating to the remediation of the land after the end of the mining operations, including the provision of adequate financial guarantees by the mining operator. Mines are regularly inspected by the administration and local environmental commissions, comprising representatives of the relevant municipality, administration, several associations and the mining operator, which must meet at least once a year.

*United States*

The Coal Mine Health and Safety Act of 1969 and the Federal Mine Safety and Health Act of 1977 impose stringent safety and health standards on all aspects of mining operations. Also, the state of Kentucky, in which we operate underground and surface coal mines, has state mine safety and health regulations. The Mine Safety and Health Administration (the "MSHA") inspects mine sites and enforces safety regulations and the Company must comply with ongoing regulatory reporting to the MSHA. Numerous governmental permits, licenses or approvals are required for mining operations. In order to obtain mining permits and approvals from state regulatory authorities, we must submit a reclamation plan for restoring, upon the completion of mining operations, the mined property to its prior or better condition, productive use or other permitted condition. We are also required to establish performance bonds, consistent with state requirements, to secure our financial obligations for reclamation, including removal of mining structures and ponds, backfilling and regrading and revegetation.

**Customers and Markets**

The following table details the breakdown of Ferroglobe's revenues by geographic end market for the years ended December 31, 2017, 2016 and 2015.

| ($ thousands) | Year ended December 31, 2017 | 2016 | 2015 |
|---|---|---|---|
| **United States of America** | 547,309 | 563,619 | 208,412 |
| **Europe** | | | |
| *Spain* | 253,991 | 201,403 | 221,558 |
| *Germany* | 245,152 | 241,046 | 230,996 |
| *Italy* | 94,590 | 90,267 | 120,016 |
| *Rest of Europe* | 340,877 | 236,746 | 314,078 |
| **Total revenues in Europe** | 934,610 | 769,462 | 886,648 |
| **Rest of the World** | 259,774 | 242,956 | 221,530 |
| **Total** | 1,741,693 | 1,576,037 | 1,316,590 |

***Customer base***

We have a diversified customer base across our key product categories. We have built long-lasting relationships with our customers based on the breadth and quality of our product offerings and our ability to frequently offer lower-cost and more reliable supply options than our competitors who do not have production facilities located near the customers' facilities or production capabilities to meet specific customer requirements. We sell our products to customers in over 30 countries across six continents, though our largest customer concentration is in the United States and Europe. The average length of our relationships with our top 30 customers exceeds ten years and, in some cases, such relationships go back as far as 30 years.

For the year ended December 31, 2017, Ferroglobe's ten largest customers accounted for approximately 47.1% of Ferroglobe's consolidated sales. The Company had one customer, Dow Corning Corporation, that accounted for more than 10% of consolidated sales during the years ended December 31, 2017 and 2016. Sales corresponding to Dow Corning Corporation represented 12.2% and 13.7% of the Company's sales for the years ended December 31, 2017 and 2016, respectively.

For the year ended December 31, 2017, approximately 53.6% of our metallurgical segment sales were to customers in Europe, approximately 31.5% were to customers in the United States and approximately 14.9% were to the rest of the world.

***Customer contracts***

Our contracting strategy seeks to lock in significant revenue while remaining flexible to benefit from any price increases. Historically, we have targeted to contract approximately 80% of our silicon metal and manganese-based ferroalloys production and approximately 75% of our silicon-based ferroalloy production in the fourth quarter for the following calendar year. Our silicon metal is typically sold under annual contracts, whereas our manganese-based ferroalloys and silicon-based ferroalloys tend to be sold under both annual and quarterly contracts. Approximately 50% of contracted production has fixed prices whereas the other 50% are indexed to benchmarks.

The remaining 20% of our silicon metal and manganese-based ferroalloys production and 25% of our silicon-based ferroalloy production are sold on a spot basis. By selling on a spot basis, we are able to take advantage of premiums for prompt delivery. We believe that our diversified contract portfolio allows us to lock in a significant amount of revenues while also allowing us to remain flexible and benefit from unexpected price and demand upticks. Given spot price and current market dynamics, we are looking to enter into contracts for 2018 with short terms in order to benefit from expected price increases.

**Sales and Marketing Activities**

Ferroglobe generally sells the majority of its products under annual contracts for silicone producers, and between three months to one year for steel and aluminum producing customers. All contracts generally include a volume framework and price formula based on the spot market price and other elements, including production costs and premiums. Ferroglobe also makes spot sales to customers with whom it does not have a contract as well as through quarterly agreements at prices that generally reflect market spot prices. In addition, Ferroglobe sells certain high quality products at prices that are not directly correlated with the market prices for the metals or alloys from which they are composed. Some of Ferroglobe's customer contracts contain provisions relating to the purchase of minimum volumes of products.

The vast majority of Ferroglobe's products are sold directly by its own sales force located in Spain, France, the United States and Germany, as well as in all of the countries in which Ferroglobe operates. Prior to the Business Combination with Globe, almost all sales in the United States were intermediated through local exclusive agents pursuant to standardized contractual arrangements. Some sales to primary and secondary aluminum manufacturers and silicone producers were direct.

Ferroglobe maintains credit insurance for the majority of its customer receivables to mitigate collection risk.

Ferroglobe's Spanish hydroelectric operations deliver all the electricity produced to the Spanish national grid for sale in the Spanish wholesale market.

On February 1, 2018, Ferroglobe completed the acquisition from a wholly-owned subsidiary of Glencore International AG ("Glencore") of a 100% interest in Glencore's manganese alloys plants in Mo i Rana (Norway) and Dunkirk (France). Simultaneously with the acquisition, Glencore and Ferroglobe entered into an exclusive agency arrangement for the marketing of Ferroglobe's manganese alloys products worldwide, and for the procurement of manganese ores to supply Ferroglobe's plants, in both cases for a period of ten years. For Ferroglobe, the partnership facilitates access to Glencore's global clients in the steel industry, and provides a broader sales and procurement network that will enhance our own capabilities. For our customers and suppliers, it provides access to an extended volume and range of products that will add value to our commercial relationships.

**Competition**

The most significant factor on which players in the silicon metal, manganese-and silicon-based alloys and specialty metals markets compete is price. Other factors include consistency of the chemical and physical specifications over time and reliability of supply.

The silicon metal, manganese- and silicon-based alloys and specialty metals markets are highly competitive, global markets, in which suppliers are able to reach customers across different geographies, and in which local presence is generally a minor advantage. In the silicon metal market, Ferroglobe's primary competitors include Chinese producers, which have production capacity that exceeds total global demand. Aside from Chinese producers, Ferroglobe's competitors include Elkem, a Norwegian manufacturer of silicon metal, ferrosilicon, foundry products, silica fumes, carbon products and energy, Dow Corning, an American company specializing in silicone and silicon-based technology, Rusal, a Russian company that is a leading global aluminum and silicon metal producer, Rima, a Brazilian silicon metal and ferrosilicon producer, Liasa, a Brazilian producer of silicon, Wacker, a German chemical business which manufactures silicon and Simcoa Operations, an Australian company specializing in the production of silicon.

In the manganese and silicon alloys market, Ferroglobe's competitors include Privat Group, a Ukrainian company with operations in Australia, Ghana and Ukraine, Eramet, a French mining and metallurgical group, CHEMK Industrial Group, a Russian conglomerate which is one of the largest silicon-based alloy producers in the world, South 32 (formerly BHP Billiton), a global mining company with operations in Australia and South Africa and Vale, a mining and metals group based in Brazil and Elkem.

In the silica fumes market, Ferroglobe's competitors include Elkem and Dow Corning.

Ferroglobe strives to be a highly efficient, low-cost producer, offering competitive pricing and engaging in manufacturing processes that capture most of its production by-products for reuse or resale. Additionally, through the vertical integration of its quartz mines in Spain, the United States, Canada and South Africa, its metallurgical coal mines in the United States and tree plantations in South Africa to obtain wood with which to produce charcoal, Ferroglobe has ensured access to some of the high quality raw materials that are essential in the silicon metal, manganese- and silicon-based alloy and specialty metals production process and has been able to gain a competitive advantage over some of its competitors because it has reduced the contribution of these raw materials to its cost base.

**Research and Development (R&D)**

Ferroglobe focuses on continually developing its technology in an effort to improve its products and production processes. Our FerroAtlántica division's research and development division coordinates all the research and development activities within Ferroglobe. Ferroglobe also has cooperation agreements in place with various universities and research institutes in Spain, France and other countries around the world. For the years ended December 31, 2017, 2016 and 2015, Ferroglobe invested $4.5 million, $6.2 million and $11.1 million, respectively, on research and development projects and activities. Set forth below is a description of Ferroglobe's significant ongoing research and development projects.

***ELSA electrode***

Ferroglobe has internally developed a patented technology for electrodes used in silicon metal furnaces, which it has been able to sell to several major silicon producers globally. This technology, known as the ELSA electrode, improves the energy efficiency in the production process of silicon metal and eliminates contamination with iron. Ferroglobe has granted these producers the right to use the ELSA electrode against payment to Ferroglobe of royalties.

***Solar grade silicon***

Ferroglobe's solar grade silicon involves the production of solar grade silicon metal with a purity above 99.9999% through a new, potentially cost-effective, electrometallurgical process. The traditional chemical process tends to be costly and involves high energy consumption and potentially environmentally hazardous processes. The new technology, entirely developed by Ferroglobe at an earlier stage at its research and development facilities aims to reduce the costs and energy consumption associated with the production of solar grade silicon.

In 2016, FerroAtlántica entered into a project with Aurinka Photovoltaic Group, S.L. ("Aurinka") for a feasibility study and basic engineering for an upgraded metallurgical grade ("UMG") solar silicon manufacturing plant. On December 20, 2016, Grupo FerroAtlántica, S.A.U. along with wholly-owned subsidiaries FerroAtlántica, S.A. and Silicio Ferrosolar, S.L.U., entered into a joint venture agreement (the "Solar JV Agreement") with Blue Power Corporation, S.L. ("Blue Power") and Aurinka providing for the formation and operation of a joint venture with the purpose of producing UMG solar silicon. Under the Solar JV Agreement, FerroAtlántica indirectly owns 75% of the operating companies formed as part of the joint venture and 51% of the company formed as part of the joint venture to hold the intellectual property rights and know how contributed by Aurinka and Ferroglobe to the joint venture. See "Item 7.B. — Major Shareholders and Related Party Transactions — Related Party Transactions".

Pursuant to the Solar JV Agreement, FerroAtlántica has committed to incur capital expenditures in connection with the joint venture of approximately €51 million over the next two years, which, together with €21 million of capital expenditures invested in prior years, constitute the first phase of the project contemplated by the Solar JV Agreement to build a factory with production capacity of 1,500 tons per year. Plans for and financing of further phases are subject to agreement and approval by the parties to the Solar JV Agreement pursuant to specified procedures. To the extent the project continues into further phases, we would expect to commit, in the future and subject to appropriate approval and authorization, to incur approximately €44million in joint venture-related capital expenditures in the first year of the second phase to reach a production capacity of approximately 3,000 tons per year. FerroAtlántica has obtained a loan, with a principal amount of approximately €45 million, from the Spanish Ministry of Industry and Energy for the purpose of building and operating the UMG solar silicon plant.

**Proprietary Rights and Licensing**

The majority of Ferroglobe's intellectual property consists of proprietary know-how and trade secrets. Ferroglobe's intellectual property strategy is focused on developing and protecting proprietary know-how and trade secrets, which are maintained through employee and third-party confidentiality agreements and physical security measures. Although Ferroglobe has some patented technology, Ferroglobe believes that its businesses and profitability do not rely fundamentally upon patented technology and that the publication implicit in the patenting process may in certain instances be detrimental to Ferroglobe's ability to protect its proprietary information.

**Regulatory Matters**

***Environmental and health and safety***

Ferroglobe operates facilities worldwide, which are subject to foreign, national, regional, provincial and local environmental, health and safety laws and regulations, including, among others, those requirements governing the discharge of materials into the environment, the generation, use, storage and disposal of hazardous substances, the extraction and use of water, land use, reclamation and remediation and the health and safety of Ferroglobe's employees. These laws and regulations require Ferroglobe to obtain from governmental authorities permits to conduct its regulated activities, which permits may be subject to modification or revocation by such authorities.

Ferroglobe may not be at all times in complete compliance with such laws, regulations and permits, although Ferroglobe is not aware of any material past or current noncompliance. Failure to comply with these laws, regulations and permits may result in the assessment of administrative, civil and criminal penalties or other sanctions by regulators, the imposition of obligations to conduct remediation or upgrade or install pollution or dust control equipment, the issuance of injunctions limiting or preventing Ferroglobe's activities, legal claims for personal injury or property damages, and other liabilities.

Under these laws, regulations and permits, Ferroglobe could also be held liable for any consequences arising out of human exposure to hazardous substances or environmental damage Ferroglobe may cause or that relates to its current or former operations or properties. Environmental, health and safety laws are likely to become more stringent in the future. Ferroglobe purchases insurance to cover these potential liabilities, but the costs of complying with current and future environmental, health and safety laws, and its liabilities arising from past or future releases of, or exposure to, hazardous substances, may exceed insured, budgeted or reserved amounts and adversely affect Ferroglobe's business, results of operations and financial condition.

There are a variety of laws and regulations in place or being considered at the international, national, regional, provincial and local levels of government that restrict or are reasonably likely to result in limitations on, or additional costs related to, emissions of carbon dioxide and other greenhouse gases. These legislative and regulatory developments may cause Ferroglobe to incur material costs to reduce the greenhouse gas emissions from its operations (through additional environmental control equipment or retiring and replacing existing equipment) or to obtain emission allowance or credits, or result in the incurrence of material taxes, fees or other governmental impositions on account of such emissions. In addition, such developments may have indirect impacts on Ferroglobe's operations, which could be material. For example, they may impose significant additional costs or limitations on electricity generators, which could result in a material increase in energy costs.

Some environmental laws assess liability on current or previous owners or operators of real property for the cost of removal or remediation of hazardous substances. In addition to cleanup, cost recovery or compensatory actions brought by foreign, national, provincial and local agencies, neighbors, employees or other third parties could make personal injury, property damage or other private claims relating to the presence or release of hazardous substances. Environmental laws often impose liability even if the owner or operator did not know of, or did not cause, the release of hazardous substances. Persons who arrange for the disposal or treatment of hazardous substances also may be responsible for the cost of removal or remediation of these substances. Such persons can be responsible for removal and remediation costs even if they never owned or operated the disposal or treatment facility. In addition, such owners or operators of real property and persons who arrange for the disposal or treatment of hazardous substances can be held responsible for damages to natural resources.

For a summary of regulatory matters applicable to Ferroglobe's mining operations, see "— Laws and regulations applicable to Ferroglobe's mining operations."

***Energy and electricity generation***

Ferroglobe operates hydroelectric plants in Spain and France, which are subject to energy, environmental, health and safety laws and regulations, including those governing the health and safety of Ferroglobe's employees, the generation of electricity and the use of water and river basins. These laws and regulations require Ferroglobe to obtain from governmental authorities permits to conduct its activities, which permits may be subject to modification or revocation by these authorities.

Additionally, Ferroglobe's energy operations are subject to government regulation. In Spain, the regulatory framework applicable to electricity producers underwent significant changes in 2013. The regulatory framework previously applicable to renewable energies was abolished, and a new regulatory framework was established through the enactment of Royal Decree-Law 9/2013 of July 13, taking certain urgent measures to guarantee the financial stability of the Spanish electrical system. The development of this new framework continued with the passing of the new Electricity Industry Law 24/2013 in Spain in December 2013, and was completed with the enactment of Royal Decree 413/2014 of June 6, which regulates electricity generation activities using renewable energy sources, co-generation and waste, and Order IET/1045/2014 of June 16, approving the compensation parameters for standard facilities applicable to certain production facilities based on renewable energy sources, co-generation and waste. This regulation established a new compensation scheme based on two concepts: remuneration for investments based on installed capacity, and remuneration for operation based on the energy produced. The first one guarantees a "reasonable return" on the investments, and the second one covers the operating cost of those technologies for which operating cost exceeds market revenues. As a result, since July 2013, Ferroglobe has sold the electricity it generates in Spain at market prices rather than at guaranteed prices that provided a premium above market prices, with the exception of energy generated by the Novo Pindo plant in Galicia, which continues to receive a premium that is considerably lower than the premium it received under the prior regulatory framework. It is expected that new regulations will allow Ferroglobe to continue to participate in "ancillary services" markets.

***Trade***

Ferroglobe benefits from antidumping and countervailing duty orders and laws that protect its products by imposing special duties on unfairly traded imports from certain countries. In the United States, antidumping duties are in effect covering silicon metal imports from China and Russia. In the European Union, antidumping duties are in place covering silicon metal imports from China and ferrosilicon imports from China and Russia. In Canada, there are antidumping and countervailing duties in effect covering silicon metal imports from China. These orders are subject to revision, revocation or rescission as a result of periodic reviews.

A sunset review of the U.S. antidumping order covering silicon metal imports from China is currently being conducted, which may result in the removal of the duties on such imports. If the duties are removed, our sales in the United States may be adversely affected.

In December 2016, Ferroglobe's subsidiaries in Canada filed a complaint with the Canada Border Services Agency alleging that silicon metal from Brazil, Kazakhstan, Laos, Malaysia, Norway, Russia and Thailand is dumped, and that silicon metal from Brazil, Kazakhstan, Malaysia, Norway and Thailand is subsidized. In March 2017, Ferroglobe's subsidiary Globe Specialty Metals petitioned the United States Department of Commerce and the United States International Trade Commission to provide relief from dumped and subsidized silicon metal imports from Australia, Brazil, Kazakhstan and Norway. In both cases, the agencies found that imports covered by the cases were unfairly traded, but determined that the relevant domestic industry was not injured by the unfair imports. The fact that the cases were not successful may adversely affect our sales or our relationships with customers in the United States and Canada.

**Seasonality**

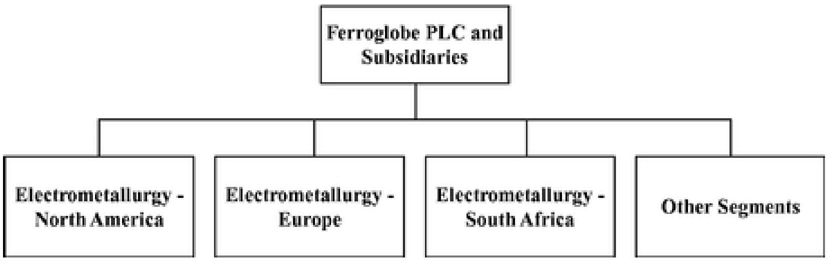
***Electrometallurgy***

Due to the cyclicality of energy prices and the energy-intensive nature of the production processes for silicon metal, manganese- and silicon-based alloys and specialty metals, Ferroglobe does not operate its electrometallurgy plants during certain periods or times of day when energy prices are at their peak. Demand for Ferroglobe's manganese- and silicon-based alloy and specialty metals products is lower during these periods as its customers also suspend their energy-intensive production processes involving Ferroglobe's products. As a result, sales within particular geographic regions are subject to seasonality.

***Energy***

Ferroglobe's hydroelectric power generation is dependent on the amount of rainfall in the regions in which its hydropower projects are located, which varies considerably from season to season.

**C. Organizational structure.**




For a list of subsidiaries and ownership structure see Note 2 in the Consolidated Financial Statements.

**D. Property, Plant and Equipment.**

See "Item 4.B. — Information on the Company — Business Overview."

## ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

### A. Operating Results

### Introduction

The following "management's discussion and analysis" should be read in conjunction with the Consolidated Financial Statements of Ferroglobe as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015, which are included in this annual report. This discussion includes forward-looking statements, which, although based on assumptions that Ferroglobe considers reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. See "Cautionary Statements Regarding Forward-Looking Statements." For a discussion of risks and uncertainties facing Ferroglobe, see "Item 3.D. — Key Information — Risk Factors."

In accordance with IAS 21 — The Effects of Changes in Foreign Exchange Rates, Ferroglobe's consolidated income statements and consolidated statement of financial position have been translated from the functional currency of each subsidiary, which is determined by the primary economic environment in which each subsidiary operates, into the reporting currency of the Company that is U.S. Dollars.

The Company's business started with the consummation of the Business Combination on December 23, 2015. FerroAtlántica is the Company's "Predecessor" for accounting purposes. Therefore, the results of the Company for the 2015 fiscal year were composed of the results of:

- Ferroglobe PLC for the period beginning February 5, 2015 (inception of the entity) and ended December 31, 2015;
- FerroAtlántica, the Company's "Predecessor," for the year ended December 31, 2015; and
- Globe for the eight-day period ended December 31, 2015.

### Principal Factors Affecting Our Results of Operations

#### *Sale prices*

Ferroglobe's operating performance is highly correlated to sales prices, which are influenced by several different factors that vary across Ferroglobe's segments.

Silicon metal pricing slowly increased throughout 2017 due to market supply and demand dynamics as well as favorable foreign exchange movements. Our customers businesses appeared to be at strong levels in the chemical, aluminum and solar markets during 2017.

Manganese-based alloy prices have shown a significant correlation with the price of manganese ore, which allows us to pass increases in the cost of manganese ore through to our customers, but also results in a decrease in prices for our manganese-based alloys when the price of manganese ore decreases. During 2017, due to market supply and demand dynamics, we saw manganese-based alloys market pricing increase considerably during the first three quarters of 2017 which was sustained during the fourth quarter. Our customers' businesses appeared at strong levels for steel mill production in 2017.

Our Ferrosilicon business pricing likewise continued to improve as we moved through 2017 and finished at high levels. This was mostly due to supply and demand dynamics in Europe for our customers whose businesses were in steel production.

Under Ferroglobe's pricing policy, which is aimed at reducing dependence on spot market prices, prices applied to its term contracts have a diversity of formulas ranging from prices related to spot market prices to annual or quarterly fixed prices. Ferroglobe sells certain high quality products for which pricing is not directly correlated to spot market prices.

***Cost of raw materials***

The key raw materials sourced by Ferroglobe are quartz, manganese ore, coal, wood and charcoal. Manganese ore is the largest component of the cost base for manganese-based alloys. In 2017, approximately 95% of Ferroglobe's total $137.9 million expense with respect to manganese ore fell under contractual agreements with producers of manganese ore with terms of one to three years, while the remaining manganese ore was procured from the international spot market. Coal meeting certain standards for ash content and other physical properties is used as a major carbon reductant in silicon-based alloy production. In 2017, coal represented a $173.1 million expense for Ferroglobe. Wood is both an important element for the production of silicon alloys and used to produce charcoal, which is used as a carbon reductant at Ferroglobe's South African subsidiary Silicon Smelters (Pty.), Ltd. Ferroglobe's wood expense amounted to $55.3 million in 2017. The FerroAtlántica subsidiaries of Ferroglobe source approximately 56.6% of their quartz needs from FerroAtlántica's mines in Spain and South Africa, and Globe subsidiaries source approximately 69.6% of their quartz needs from Globe's mines in the United States and Canada. Total quartz consumption in 2017 represented an expense of $105.0 million.

***Power***

Power constitutes one of the single largest expenses for most of Ferroglobe's products other than manganese-based alloys. Ferroglobe focuses on minimizing energy prices and unit consumption throughout its operations by concentrating its silicon and manganese-based alloy production during periods when energy prices are lower. In 2017, Ferroglobe's total power consumption was 8,735 gigawatt hours with power contracts that vary across its operations. In Spain, South Africa and China (which, collectively, represents 32% of Ferroglobe's total power consumption in 2017), power prices are mostly spot or daily prices with important seasonal fluctuations, whereas in France and Venezuela, Ferroglobe has power contracts that provide for flat or near-flat rates for most of the year.

In Spain and France, FerroAtlántica receives a rebate on a portion of its energy costs in exchange for an agreement to interrupt production, and thus power usage, upon request. FerroAtlántica has power contracts to partly hedge risks related to energy price volatility in Spain.

In France, FerroPem S.A.S. has traditionally had access to relatively low power prices, as it benefited from Electricité de France's green tariff ("Tarif Vert"), and a discount thereon. The green tariffs expired at the end of 2015 and Ferroglobe has negotiated supply contracts based on market prices with two suppliers for years 2016 to 2019, and is currently negotiating long-term supply contracts with suppliers in the market place. Recently enacted regulation enables FerroPem SAS to benefit from reduced tariffs resulting from its agreeing to limit its access to the network, interrupt production and respond to surges in demand, as well as paying compensation for indirect CO2 costs under the EU Emission Trading System (ETS) regulation. The new arrangements allow FerroPem S.A.S. to operate competitively on a 12-month basis, avoiding the need to stop for two months due to the Tarif Vert. We believe that the new arrangements will provide power prices comparable to past levels and with some degree of predictability going forward.

In the United States, we enter into long-term electric power supply contracts. Our power supply contracts have in the past resulted in stable, long-term commitments of power at what we believe to be reasonable rates. In West Virginia, we have a contract with Brookfield Energy to provide approximately 45% of our power needs, from a dedicated hydroelectric facility, at a fixed rate through December 2021. The rate of our power needs in West Virginia, Ohio and Alabama are primarily sourced through special contracts that provide historically competitive rates and the remainder is sourced at market rates. At our Niagara Falls, New York plant, we have been granted a public sector package including 18.4 megawatts and hydro power through to 2021, effective June 1, 2016.

In South Africa, we have an "evergreen" supply agreement with Eskom, the parastatal electricity supplier, for both our Polokwane and eMalahleni plants. Eskom's energy prices are regulated by the National Energy Regulator (NERSA) and price increases are publicly announced in advance. A specific agreement has been approved by NERSA in 2018 for silicon production in Polokwane for three furnaces and in eMalahleni for one furnace. In order to promote silicon production in South Africa, Polokwane and eMalahleni have been offered a two year discount over the public tariffs on the electricity consumed to produce silicon.

***Foreign currency fluctuation***

Ferroglobe has a diversified production base consisting of production facilities across the United States, Europe, South America, South Africa and Asia. Ferroglobe production costs are mostly dependent on local factors, with the exception of the cost of manganese ore and coal, which are dependent on global commodity prices. The relative strength of the functional currencies of Ferroglobe's subsidiaries influences its competitiveness in the international market, most notably in the case of Ferroglobe's Venezuelan and South African operations, which have historically exported a majority of their production to the U.S. and the European Union. For additional information see "Item 11. — Quantitative and Qualitative Disclosures About Market Risk — Foreign Exchange Rate Risk."

***Regulatory changes***

Ferroglobe's energy operations are subject to government regulation. In Spain, the regulatory framework applicable to electricity producers underwent significant changes in 2013. The regulatory framework previously applicable to renewable energies was abolished, and the foundation for a new framework was established through the enactment of Royal Decree-Law 9/2013. The development of this new framework continued with the passing of the Electricity Industry Law in Spain in December 2013, and was completed with the enactment of Royal Decree 413/2014 and Order IET/1045/2014.

As a result, since July 2013, the subsidiary FerroAtlántica, S.A.U. has sold the electricity it generates at market prices, optimizing its generation by operating during peak price hours and participating in the "ancillary services" markets rather than at guaranteed prices that provided a premium above market prices, with the exception of energy generated by the Novo Pindo plant in Galicia, which continues to receive a premium. It is expected that new regulations will allow FerroAtlántica to continue to participate in "ancillary services" markets. New power supply arrangements that were entered into in 2016 for our French plants managed to avoid this seasonal interruption.

**Critical Accounting Policies**

The discussion and analysis of Ferroglobe's financial condition and results of operations is based upon its Consolidated Financial Statements, which have been prepared in accordance with IFRS. The preparation of those financial statements requires Ferroglobe to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, the disclosure of contingent assets and liabilities and related disclosure at the date of its financial statements. The estimates and related assumptions are based on available information at the date of preparation of the financial statements, on historical experience and on other relevant factors.

Actual results may differ from these estimates under different assumptions and conditions. Critical accounting policies are those that reflect significant judgments of uncertainties and potentially result in materially different results under different assumptions and conditions. The principal items affected by estimates are income taxes, business combinations, inventories, goodwill, and impairment of long-lived assets. The following are Ferroglobe's most critical accounting policies, because they generally involve a comparatively higher degree of judgment in their application. For a description of all of Ferroglobe's principal accounting policies, see Note 4 to the Consolidated Financial Statements of Ferroglobe included elsewhere in this annual report.

***Business combinations***

Ferroglobe subsidiaries have completed a number of significant business acquisitions over the past several years. Our business strategy contemplates that we may pursue additional acquisitions in the future. When we acquire a business, the purchase price is allocated based on the fair value of tangible assets and identifiable intangible assets acquired and liabilities assumed. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Goodwill as of the acquisition date is measured as the residual of the excess of the consideration transferred, plus the fair value of any non-controlling interest in the acquiree at the acquisition date, over the fair value of the identifiable net assets acquired. We generally engage independent third-party appraisal firms to assist in determining the fair value of assets acquired and liabilities assumed. Such a valuation requires management to make significant estimates, especially with respect to intangible assets. These estimates are based on historical experience and information obtained from the management of the acquired companies. These estimates are inherently uncertain and may impact reported depreciation and amortization in future periods, as well as any related impairment of goodwill or other long lived assets.

See Note 5 to the accompanying audited Consolidated Financial Statements for detailed disclosures related to our acquisitions.

***Goodwill***

Goodwill represents the excess purchase price of acquired businesses over fair values attributed to underlying net tangible assets and identifiable intangible assets. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The valuation of the Company's cash generating units requires significant judgment in evaluation of, among other things, recent indicators of market activity and estimated future cash flows, discount rates and other factors. The estimates of cash flows, future earnings, and discount rate are subject to change due to the economic environment and business trends, including such factors as raw material and product pricing, interest rates, expected market returns and volatility of markets served, as well as our future manufacturing capabilities, government regulation and technological change. We believe that the estimates of future cash flows, future earnings, and fair value are reasonable; however, changes in estimates, circumstances or conditions could have a significant impact on our fair valuation estimation, which could then result in an impairment charge in the future.

During the year ended December 31, 2017, in connection with our annual goodwill impairment test, the Company recognized an impairment charge of $30,618 thousand related to the partial impairment of goodwill in Canada, resulting from a decline in future estimated sales prices and a decrease in our estimated long-term growth rate which caused the Company to revise its expected future cash flows from its Canadian business operations.

During the year ended December 31, 2016, in connection with our annual goodwill impairment test, the Company recognized an impairment charge of $193,000 thousand related to the partial impairment of goodwill in North America, that was recorded as a result of Business Combination, resulting from a sustained decline in sales prices that continued throughout 2016 and which caused the Company to revise its expected future cash flows from its North American business operations.

Ferroglobe operates in a cyclical market, and silicon and silicon-based alloy index pricing and foreign import pressure into the U.S. and Canadian markets impact the future projected cash flows used in our impairment analysis.

***Long-lived assets (excluding goodwill)***

In order to ascertain whether its assets have become impaired, Ferroglobe compares their carrying amount with their recoverable amount if there are indications that the assets might have become impaired. Where the asset itself does not generate cash flows that are independent from other assets, Ferroglobe estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value and value in use, which is the present value of the future cash flows that are expected to be derived from continuing use of the asset and from its ultimate disposal at the end of its useful life, discounted at a pre-tax rate which reflects the time value of money and the risks specific to the business to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and an impairment loss is recognized as an expense under "net impairment losses" in the consolidated income statement. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment is recognized as "other income" in the consolidated income statement. The basis for depreciation or amortization is the carrying amount of the assets, deemed to be the acquisition cost less any accumulated impairment losses.

During 2016, the Company determined due to market conditions that our facility in Venezuela was to be idled. Since the cash flows from the cash generating unit were uncertain, the Company tested the long-lived assets for impairment. The recoverable amount of the cash generating unit was determined based on the fair value of the assets less costs to dispose. The Company concluded that the costs to dispose exceed the fair value of the assets, primarily due to political and financial instability in Venezuela. As a result, the Company fully impaired the long-lived assets and took an impairment charge of $58,472 thousand for property, plant and equipment.

During 2016, the Company recognized an impairment charge of $9,176 thousand related to the Company's mining assets in South Africa, comprising goodwill impairment of $1,612 thousand, impairment of property, plant and equipment of $7,334 thousand (including associated translation differences) and impairment of other intangible assets of $230 thousand.

***Inventories***

Cost of inventories is determined by the average cost method. Inventories are valued at the lower of cost or market value. Circumstances may arise (e.g., reductions in market pricing, obsolete, slow moving or defective inventory) that require the carrying amount of our inventory to be written down to net realizable value. We estimate market and net realizable value based on current and future expected selling prices, as well as expected costs to complete, including utilization of parts and supplies in our manufacturing process. We believe that these estimates are reasonable; however, future market price decreases caused by changing economic conditions, customer demand, or other factors could result in future inventory write-downs that could be material.

***Income taxes***

The current income tax expense incurred by Ferroglobe subsidiaries on an individual basis is determined by applying the applicable tax rate to the taxable profit for the year, calculated on the basis of accounting profit before tax, increased or decreased, as appropriate, by the permanent differences arising from the application of tax legislation and by the elimination of any tax consolidation adjustments, taking into account tax relief and tax credits. The consolidated income tax expense is calculated by adding together the expense recognized by each of the consolidated subsidiaries, increased or decreased, as appropriate, as a result of the tax effect of consolidation adjustments for accounting purposes.

Ferroglobe's deferred tax assets and liabilities include temporary differences measured at the amounts expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled. Deferred tax liabilities are recognized for all taxable temporary differences, except for those arising from the initial recognition of goodwill. Deferred tax assets are recognized to the extent that it is considered probable that Ferroglobe will have taxable profits in the future against which the deferred tax assets can be utilized. The deferred tax assets and liabilities recognized are reassessed at each reporting date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

Significant judgment is required in determining income tax provisions and tax positions. Ferroglobe may be challenged upon review by the applicable taxing authorities, and positions taken may not be sustained. The accounting for uncertain income tax positions requires consideration of timing and judgments about tax issues and potential outcomes and is a subjective estimate. In certain circumstances, the ultimate outcome of exposures and risks involves significant uncertainties. If actual outcomes differ materially from these estimates, they could have a material impact on Ferroglobe's results of operations and financial condition. Interest and penalties related to uncertain tax positions are recognized in income tax expense.

**Results of Operations — Year Ended December 31, 2017 Compared to Year Ended December 31, 2016**

| ($ thousands) | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|
| Sales | 1,741,693 | 1,576,037 |
| Cost of sales | (1,043,395) | (1,043,412) |
| Other operating income | 18,199 | 26,215 |
| Staff costs | (301,963) | (296,399) |
| Other operating expense | (239,926) | (243,946) |
| Depreciation and amortization charges, operating allowances and write-downs | (104,529) | (125,677) |
| **Operating profit (loss) before impairment losses, net gains/losses due to changes in the value of assets, gains/losses on disposals of non-current assets and other losses** | **70,079** | **(107,182)** |
| Impairment losses | (30,957) | (268,089) |
| Net gain due to changes in the value of assets | 7,504 | 1,891 |
| (Loss) gain on disposal of non-current assets | (4,316) | 340 |
| Other losses | (2,613) | (40) |
| **Operating profit (loss)** | **39,697** | **(373,080)** |
| Finance income | 3,708 | 1,536 |
| Finance costs | (65,412) | (30,251) |
| Financial derivative loss | (6,850) | — |
| Exchange differences | 8,214 | (3,513) |
| **Loss before tax** | **(20,643)** | **(405,308)** |
| Income tax benefit | 14,821 | 46,695 |
| **Loss for the year** | **(5,822)** | **(358,613)** |
| Loss attributable to non-controlling interests | 5,144 | 20,186 |
| **Loss attributable to the Parent** | **(678)** | **(338,427)** |

***Sales***

Sales increased $165,656 thousand or 10.5%, from $1,576,037 thousand for the year ended December 31, 2016 to $1,741,693 thousand for the year ended December 31, 2017, primarily due to an increase in average selling prices across all major products (excluding by-products). The average selling price for silicon metal increased by 3.1% to $2,270/MT in 2017, as compared to $2,201/MT in 2016; the average selling price for silicon-based alloys increased by 14.9% to $1,608/MT in 2017, as compared to $1,400/MT in 2016; and the average selling price for manganese-based alloys increased by 60.7% to $1,327/MT in 2017, as compared to $826/MT in 2016. The increase in average selling prices reflects an upward pricing trend in the markets for silicon metal and silicon-based alloys.

The increase in average selling prices were partially offset by a 2.9% decrease in sales volumes across all major products. Silicon metal sales volume decreased by 4.5% and silicon-based alloys sales volume decreased by 4.9%, while manganese-based alloys sales volume increased by 2.9%.

***Cost of sales***

Cost of sales decreased $17 thousand, from $1,043,412 thousand for the year ended December 31, 2016 to $1,043,395 thousand for the year ended December 31, 2017, primarily due to a decrease in sales volumes. This decrease was offset by an increase in our cost of production, mainly due to furnace overhauls in North America and in Europe which mainly impacted our silicon metal costs. An increase in energy costs in Europe impacted our costs for silicon-based alloys and an increase in the purchase price of manganese ore impacted our costs for manganese-based alloys.

***Other operating income***

Other operating income decreased $8,016 thousand, or 30.6%, from $26,215 thousand for the year ended December 31, 2016 to $18,199 thousand for the year ended December 31, 2017, primarily due to an exceptional sale of products manufactured by a third party in 2016. These products were initially purchased for use in Ferroglobe's plants but were ultimately sold to another third party, resulting in non-recurrent other operating income in 2016.

***Staff costs***

Staff costs increased $5,564 thousand, or 1.9%, from $296,399 thousand for the year ended December 31, 2016 to $301,963 thousand for the year ended December 31, 2017, primarily due to a provision related to labor claims that are ongoing as well as an increase in variable wages and benefits driven by the Company's financial performance in 2017 as compared to 2016. Staff costs also increased due to an increase in head count primarily needed for the restart of our Selma, Alabama facility.

***Other operating expense***

Other operating expense decreased $4,020 thousand, or 1.6%, from $243,946 thousand for the year ended December 31, 2016 to $239,926 thousand for the year ended December 31, 2017, primarily due to a lower cost structure in our facilities. Selling, general and administrative expenses for our factories and our global and local headquarters decreased year over year, primarily due to a reduction of contracting of external services as well as synergies recognized from the Business Combination.

***Depreciation and amortization charges, operating allowances and write-downs***

Depreciation and amortization charges, operating allowances and write-downs decreased $21,148 thousand or 16.8%, from $125,677 thousand for the year ended December 31, 2016 to $104,529 thousand for the year ended December 31, 2017, primarily due to a decrease in depreciation and amortization relating to fully depreciated and amortized fixed assets at the end of 2016. Additionally, there was a decrease in write-downs of trade receivables allowance in 2017 due to lower uncollectable receivable rates associated with improved risk management.

***Impairment losses***

Impairment losses decreased $237,132 thousand, from a loss of $268,089 thousand for the year ended December 31, 2016 to a loss of $30,957 thousand for the year ended December 31, 2017. During the year ended December 31, 2017, in connection with our annual goodwill impairment test, the Company recognized an impairment charge of $30,618 thousand related to the partial impairment of goodwill in Canada, resulting from a decline in future estimated sales prices and a decrease in our estimated long-term growth rate which caused the Company to revise its expected future cash flows from its Canadian business operations. During the year ended

December 31, 2016, the Company recognized an impairment charge of $193,000 thousand related to the partial impairment of goodwill at the U.S. and Canada, resulting from a sustained decline in sales prices that continued throughout 2016 and which caused the Company to revise its expected future cash flows from Globe's business operations. The impairment associated with the U.S. cash-generating units was $178,900 thousand and the amount that is associated with Canadian cash-generating units was $14,100 thousand. Additionally, during the year ended December 31, 2016 the Company recognized an impairment of non-current operational assets located in Venezuela, totaling $58,472 thousand.

***Net gain due to changes in the value of assets***

Net gain due to the changes in the value of assets primarily relates to the remeasured fair value of the Company's timber farms in South Africa as of December 31, 2017.

***(Loss) gain on disposal of non-current assets***

A net loss of $4,316 thousand for the year ended December 31, 2017 relates primarily to the disposals certain property plant, and equipment in the U.S. that had a stepped-up fair value at the date of the Business Combination but were subsequently disposed of during scheduled furnace overhauls in 2017.

***Finance income***

Finance income increased $2,172 thousand, or 141.4%, from $1,536 thousand for the year ended December 31, 2016 to $3,708 thousand for the year ended December 31, 2017, primarily due to the accounts receivable securitization program that was entered into in July 2017, which resulted in $1,935 thousand of interest income.

***Finance costs***

Finance costs increased $35,161 thousand, or 116.2%, from $30,251 thousand for the year ended December 31, 2016 to $65,412 thousand for the year ended December 31, 2017, primarily as a result of the issuance of Senior Notes in February 2017, which resulted in $28,961 thousand of finance costs.

***Financial derivative loss***

Financial derivative loss of $6,850 thousand resulted from our cross currency swap entered into in May 2017. The loss is related to the portion of the notional amount of the cross currency swap that is not designated as a cash flow hedge.

***Exchange differences***

Exchange differences decreased $11,727 thousand, from a loss of $3,513 thousand for the year ended December 31, 2016 to income of $8,214 thousand for the year ended December 31, 2017, primarily due to the fluctuation of foreign exchange rates, mainly the exchange rate between the Euro and the U.S. Dollar.

***Income tax benefit***

Income tax benefit decreased $31,874 thousand, or 68.3%, from an income tax benefit of $46,695 thousand for the year ended December 31, 2016 to an income tax benefit of $14,821 thousand for the year ended December 31, 2017, primarily due to higher taxable income in 2017 than in 2016. The decrease was offset by the impact of U.S. tax reform enacted in 2017 which resulted in an income tax benefit of $31.2 million representing the remeasurement of the Company's U.S. net deferred tax liability as a consequence of the reduction of the U.S. federal corporate statutory tax rate from 35% to 21% with effect from January 1, 2018, which was offset by income tax expense on taxable income.

**Segment operations**

During 2017, upon further evaluation of the management reporting structure as a result of the integration of the operations of FerroAtlántica and Globe we have concluded that our Venezuela operations are no longer significant as an operating and reportable segment due to the decision to significantly reduce these operations in 2016. As such, in 2017 we have included our Venezuela operations as part of "Other Segments". The comparative prior periods have been restated to conform to the 2017 reportable segment presentation.

Operating segments are based upon the Company's management reporting structure. As such, we report our results in accordance with the following segments:

- Electrometallurgy — North America;
- Electrometallurgy — Europe;
- Electrometallurgy — South Africa; and
- Other Segments.

***Electrometallurgy — North America***

| ($ thousands) | Year ended December 31, 2017 | 2016 |
|---|---|---|
| Sales | 541,143 | 521,192 |
| Cost of sales | (303,096) | (325,254) |
| Other operating income | 2,701 | 362 |
| Staff costs | (90,802) | (82,032) |
| Other operating expense | (68,537) | (64,606) |
| Depreciation and amortization charges, operating allowances and write-downs | (66,789) | (73,530) |
| **Operating profit (loss) before impairment losses, net gains/losses due to changes in the value of assets, gains/losses on disposals of non-current assets and other losses** | **14,620** | **(23,868)** |

*Sales*

Sales increased $19,951 thousand, or 3.8%, from $521,192 thousand for the year ended December 31, 2016 to $541,143 thousand for the year ended December 31, 2017, primarily due to a 4.9% increase in sales volumes partially offset by a 1.1% decrease in the average selling price of silicon metal and a 0.9% decrease in average selling price of silicon-based alloys.

*Cost of sales*

Cost of sales decreased $22,158 thousand, or 6.8%, from $325,254 thousand for the year ended December 31, 2016 to $303,096 thousand for the year ended December 31, 2017, primarily due to a $10,022 thousand step-up in the fair value of U.S. inventory as part of price accounting associated with the Business Combination, being released into cost of sales as the inventory was sold throughout 2016. Unplanned downtime at our silicon-based alloys production plant due to breaker failure contributed to the increase in costs in 2016. In 2017, the Company implemented cost reduction initiatives in our U.S. and Canadian facilities which helped improve costs in 2017.

*Staff costs*

Staff costs increased $8,770 thousand, or 10.7%, from $82,032 thousand for the year ended December 31, 2016 to $90,802 thousand for the year ended December 31, 2017, primarily due to an increase in U.S. head count needed for the restart of our Selma, Alabama facility.

*Other operating expense*

Other operating expense increased $3,931 thousand, or 6.1%, from $64,606 thousand for the year ended December 31, 2016 to $68,537 thousand for the year ended December 31, 2017, primarily due to a $2,200 thousand increase in legal expenses associated with the trade cases in the U.S. and Canada.

*Depreciation and amortization charges, operating allowances and write-downs*

Depreciation and amortization charges, operating allowances and write-downs decreased $6,741 thousand, or 9.2%, from $73,530 thousand for the year ended December 31, 2016 to $66,789 thousand for the year ended December 31, 2017, primarily due to full amortization of computer software as well as property, plant and equipment becoming fully depreciated at the end of 2016.

***Electrometallurgy — Europe***

| | Year ended December 31, | |
|---|---|---|
| ($ thousands) | 2017 | 2016 |
| Sales | 1,083,200 | 949,547 |
| Cost of sales | (690,589) | (672,026) |
| Other operating income | 12,681 | 25,908 |
| Staff costs | (147,595) | (132,440) |
| Other operating expense | (107,130) | (118,269) |
| Depreciation and amortization charges, operating allowances and write-downs | (27,404) | (31,730) |
| **Operating profit before impairment losses, net gains/losses due to changes in the value of assets, gains/losses on disposals of non-current assets and other losses** | **123,163** | **20,990** |

*Sales*

Sales increased $133,653 thousand or 14.1%, from $949,547 thousand for the year ended December 31, 2016 to $1,083,200 thousand for the year ended December 31, 2017, primarily due to a 21.9% increase in average selling prices for all primary products as well as a foreign exchange impact which increased sales by $21,862 thousand.

Average selling prices (in local currency) for silicon metal, silicon-based alloys and manganese alloys pricing increased 2.6%, 14.1% and 56.8%, respectively, primarily due to higher market index pricing in Europe. The sales volume of primary products was relatively consistent year-over-year, with an increase of 2.7% for the year ended December 31, 2017 compared to the year ended December 31, 2016.

*Cost of sales*

Cost of sales increased $18,563 thousand, or 2.8%, from $672,026 thousand for the year ended December 31, 2016 to $690,589 thousand for the year ended December 31, 2017, primarily due to an increase in the price of raw material. In addition, there was an unfavorable foreign exchange impact, which increased Euro-denominated costs by $13,924 thousand.

*Other operating income*

Other operating income decreased $13,227 thousand, or 51.1%, from $25,908 thousand for the year ended December 31, 2016 to $12,681 thousand for the year ended December 31, 2017, primarily is due to an exceptional sale of products manufactured by a third entity in 2016 (products which were initially purchased for use in Ferroglobe plants). There was a favorable foreign exchange impact, which increased Euro-denominated incomes by $256 thousand.

*Staff costs*

Staff costs increased $15,155 thousand or 11.4%, from $132,440 thousand for the year ended December 31, 2016 to $147,595 thousand for the year ended December 31, 2017, primarily due to an increase in variable wages and benefits driven by financial performance for employees in France and in Spain. There was an unfavorable foreign exchange impact, which increased Euro-denominated costs by $2,982 thousand.

*Other operating expense*

Other operating expense decreased $11,139 thousand, or 9.4%, from $118,269 thousand for the year ended December 31, 2016 to $107,130 thousand for the year ended December 31, 2017, primarily due to a reduction of non-recurring transaction costs related to the Business Combination, which were incurred in 2016. There was an unfavorable foreign exchange impact, which increased Euro-denominated costs by $2,162 thousand.

*Depreciation and amortization charges, operating allowances and write-downs*

Depreciation and amortization charges, operating allowances and write-downs decreased $4,326 thousand, or 13.6%, from $31,730 thousand for the year ended December 31, 2016 to $27,404 thousand for the year ended December 31, 2017, primarily due to a decrease in write-downs of trade receivables allowances of $5,963 thousand as we reduced our exposure to customers that entered delinquency in 2016. There was an unfavorable foreign exchange impact, which increased Euro-denominated costs by $553 thousand.

| ($ thousands) | Year ended December 31, 2017 | 2016 |
|---|---|---|
| Sales | 122,504 | 142,160 |
| Cost of sales | (81,744) | (99,124) |
| Other operating income | 2,868 | 3,422 |
| Staff costs | (23,495) | (23,589) |
| Other operating expense | (24,462) | (28,834) |
| Depreciation and amortization charges, operating allowances and write-downs | (5,788) | (4,732) |
| **Operating loss before impairment losses, net gains/losses due to changes in the value of assets, gains/losses on disposals of non-current assets and other losses** | **(10,117)** | **(10,697)** |

*Sales*

Sales decreased $19,656 thousand, or 13.8%, from $142,160 thousand for the year ended December 31, 2016 to $122,504 thousand for the year ended December 31, 2017, primarily due to a 63.9% decrease in silicon metal sales volumes, as a result of furnaces 1 and 3 of Polokwane plant being idle during 2017. This decrease was partly offset by a 22.8% increase in silicon-based alloy sales volumes due to an improvement in demand in the domestic market. Average selling prices of all primary products increased 4% in 2017 compared to 2016, and there was a positive foreign exchange impact, which increased sales by $2,489 thousand.

*Cost of sales*

Cost of sales decreased $17,380 thousand, or 17.5%, from $99,124 thousand for the year ended December 31, 2016 to $81,744 thousand for the year ended December 31, 2017, primarily due to a 63.9% decrease in silicon metal sales volumes from 2016 to 2017, partially offset by an increase of 22.8% in silicon-based alloy sales volumes, as well as an unfavorable foreign exchange impact which increased cost of sales by $1,667 thousand.

*Other operating income*

Other operating income decreased $554 thousand, or 16.2%, from $3,422 thousand for the year ended December 31, 2016 to $2,868 thousand for the year ended December 31, 2017, primarily due to a decrease in by-product sales as a result of weak demand in the domestic market as well as a reduction of other services provided to third parties. There was a favorable foreign exchange impact, which increased Euro-denominated income by $57 thousand.

*Staff costs*

Staff costs decreased $94 thousand or 0.4%, from $23,589 thousand for the year ended December 31, 2016 to $23,495 thousand for the year ended December 31, 2017, due to the staffing adjustments carried out in 2017 in connection with furnaces 1 and 3 of Polokwane plant, which were idle during 2017. This decrease was partially offset by a foreign exchange impact, which increased staff costs by $474 thousand.

*Other operating expense*

Other operating expense decreased $4,372 thousand, or 15.2%, from $28,834 thousand for the year ended December 31, 2016 to $24,462 thousand for the year ended December 31, 2017, primarily due to lower variable, selling, and administrative costs during 2017 when the plant was idled or operating at a reduced production level. This decrease was partially offset by a foreign exchange impact, which increased other operating expense by $482 thousand.

*Depreciation and amortization charges, operating allowances and write-downs*

Depreciation and amortization charges, operating allowances and write-downs increased $1,056 thousand, or 22.3%, from $4,732 thousand for the year ended December 31, 2016 to $5,788 thousand for the year ended December 31, 2017. This change is primarily attributable to higher lower capital expenditures as well as a foreign exchange impact which increased depreciation and amortization charges by $117 thousand.

***Other segments***

| | Year ended December 31, | |
|---|---|---|
| ($ thousands) | 2017 | 2016 |
| Sales | 60,199 | 90,337 |
| Cost of sales | (33,616) | (79,912) |
| Other operating income | 15,619 | 4,713 |
| Staff costs | (39,851) | (58,577) |
| Other operating expense | (55,955) | (37,964) |
| Depreciation and amortization charges, operating allowances and write-downs | (4,557) | (12,818) |
| **Operating loss before impairment losses, net gains/losses due to changes in the value of assets, gains/losses on disposals of non-current assets and other losses** | **(58,161)** | **(94,221)** |

*Sales*

Sales decreased $30,138 thousand, or 33.4%, from $90,337 thousand for the year ended December 31, 2016 to $60,199 for the year ended December 31, 2017, primarily due to the idling of operations at FerroVen, S.A. during 2016, which resulted in a $20,353 thousand decrease in sales during 2017.

*Cost of sales*

Cost of sales decreased $46,296 thousand, or 57.9%, from $79,912 thousand for the year ended December 31, 2016 to $33,616 thousand for the year ended December 31, 2017, primarily due to the idling of operations at FerroVen, S.A. during 2016, which decreased cost of sales as a result of reduced sales volumes. The devaluation of Venezuelan local currency resulted in a $28,979 thousands decrease in cost of sales. A decrease of $8,134 thousand resulted from Mangshi being idled in 2017. Decreases were partially offset by a $2,616 thousand increase at Metales as we operated with an additional furnace and a $2,668 thousand increase at Yonvey as we resumed production of electrodes.

*Other operating income*

Other operating income increased $10,906 thousand, or 231.4%, from $4,713 thousand for the year ended December 31, 2016 to $15,619 thousand for the year ended December 31, 2017, primarily due to at chargeback of services by Ferroglobe PLC to its subsidiaries.

*Staff costs*

Staff costs decreased $18,726 thousand or 32.0%, from $58,577 thousand for the year ended December 31, 2016 to $39,851 thousand for the year ended December 31, 2017, as a result of executive severance payments of approximately $21,000 thousand in 2016. The decrease was partially offset by an increase in variable wages resulting from an improved financial performance in 2017.

*Other operating expense*

Other operating expense increased $17,991 thousand, or 47.4%, from $37,964 thousand for the year ended December 31, 2016 to $55,955 for the year ended December 31, 2017, primarily due to the accrual of $12,444 thousand for accrual of contingent liabilities.

*Depreciation and amortization charges, operating allowances and write-downs*

Depreciation and amortization charges, operating allowances and write-downs decreased $8,261 thousand, or 64.4%, from $12,818 thousand for the year ended December 31, 2016 to $4,557 thousand for the year ended December 31, 2017, primarily due to a $4,025 thousand decrease at FerroVen, S.A. and a $2,625 thousand decrease in Energy.

**Results of Operations — Year Ended December 31, 2016 Compared to Year Ended December 31, 2015**

| ($ thousands) | Year ended December 31, 2016 | Year ended December 31, 2015 |
|---|---|---|
| Sales | 1,576,037 | 1,316,590 |
| Cost of sales | (1,043,412) | (818,736) |
| Other operating income | 26,215 | 15,751 |
| Staff costs | (296,399) | (205,869) |
| Other operating expense | (243,946) | (200,296) |
| Depreciation and amortization charges, operating allowances and write-downs | (125,677) | (67,050) |
| **Operating (loss) profit before impairment losses, net gains/losses due to changes in the value of assets, gains/losses on disposals of non-current assets and other losses** | **(107,182)** | **40,390** |
| Impairment losses | (268,089) | (52,042) |
| Net gain (loss) due to changes in the value of assets | 1,891 | (912) |
| Gain (loss) on disposal of non-current assets | 340 | (2,214) |
| Other losses | (40) | (347) |
| **Operating loss** | **(373,080)** | **(15,125)** |
| Finance income | 1,536 | 1,096 |
| Finance costs | (30,251) | (30,405) |
| Exchange differences | (3,513) | 35,904 |
| **Loss before tax** | **(405,308)** | **(8,530)** |
| Income tax benefit (expense) | 46,695 | (49,942) |
| **Loss for the year** | **(358,613)** | **(58,472)** |
| Loss attributable to non-controlling interests | 20,186 | 15,204 |
| **Loss attributable to the Parent** | **(338,427)** | **(43,268)** |

The financial information for the year ended December 31, 2016 includes the consolidated results for the full year ended December 31, 2016, whereas the financial information for the year ended December 31, 2015 includes the results of Globe for only the eight-day period ended December 31, 2015 subsequent to the Business Combination on December 23, 2015.

***Sales***

Sales increased $259,447 thousand or 19.7%, from $1,316,590 thousand for the year ended December 31, 2015 to $1,576,037 thousand for the year ended December 31, 2016, primarily due to the inclusion of a full year of Globe sales in 2016 of $545,264 thousand as compared to the inclusion of only eight days of Globe sales in 2015. This increase was offset by a 20.3% decrease in average selling prices (prices based in euros) of all primary products and a 0.4% decrease in sales volumes at FerroAtlántica.

Excluding Globe, average selling prices (in local currency) for silicon metal, silicon-based alloys and manganese alloys pricing decreased by 16.0%, 9.2% and 18.2%, respectively, primarily due to lower European market index pricing.

Excluding Globe, silicon metal sales volume decreased 7.5%, primarily due to lower demand driven by pricing pressure from imports. This decrease was partially offset by slight increases in sales volumes of silicon-based alloys and manganese alloys, of 3.5% and 2.4%, respectively.

In summary, since late 2014, we have experienced a sharp decrease in silicon metal prices, our main product produced and sold, which adversely affected our sales for the year ended December 31, 2016, as compared to the sales of FerroAtlántica and Globe for the year ended December 31, 2015. This effect was particularly pronounced in relation to the sales of our European business.

***Cost of sales***

Cost of sales increased $224,676 thousand, or 27.4%, from $818,736 thousand for the year ended December 31, 2015 to $1,043,413 thousand for the year ended December 31, 2016, primarily due to the inclusion of a full year of Globe cost of sales in 2016 of $340,617 thousand as compared to the inclusion of only eight days of Globe cost of sales in 2015. This increase was offset by a 14.2% decrease in the cost of sales of FerroAtlántica due to manufacturing cost improvement initiatives, including lower raw material and energy costs.

***Other operating income***

Other operating income increased $10,464 thousand, or 66.4%, from $15,751 thousand for the year ended December 31, 2015 to $26,215 thousand for the year ended December 31, 2016, primarily due to the inclusion of a full year of Globe other operating income in 2016 of $2,986 thousand as compared to the inclusion of only eight days of Globe other operating income in 2015. In addition, the increase in other operating income is attributable to an increase in sales of fines, silica fume and other by-products.

***Staff costs***

Staff costs increased $90,530 thousand, or 44.0%, from $205,869 thousand for the year ended December 31, 2015 to $296,399 thousand for the year ended December 31, 2016, primarily due to the inclusion of a full year of Globe staff costs in 2016 of $121,251 thousand as compared to the inclusion of only eight days of Globe staff costs in 2015. This increase was offset by a decrease in FerroAtlántica staff costs of approximately $30,000 thousand due to a decrease in variable-based compensation expense reflecting annual company performance.

***Other operating expense***

Other operating expense increased $43,650 thousand, or 21.8%, from $200,296 thousand for the year ended December 31, 2015 to $243,946 thousand for the year ended December 31, 2016, primarily due to the inclusion of a full year of Globe other operating expense in 2016 of $63,065 thousand as compared to the inclusion of only eight days of Globe other operating expense in 2015. This increase was offset by a decrease in due diligence expenses related to the Business Combination in 2015.

***Depreciation and amortization charges, operating allowances and write-downs***

Depreciation and amortization charges, operating allowances and write-downs increased $58,627 thousand or 87.4%, from $67,050 thousand for the year ended December 31, 2015 to $125,677 thousand for the year ended December 31, 2016, primarily due to the inclusion of a full year of Globe depreciation and amortization charges, operating allowances and write-downs in 2016 of $73,525 thousand as compared to the inclusion of only eight days of Globe depreciation and amortization charges, operating allowances and write-downs in 2015.

### *Impairment losses*

Net impairment losses increased $216,047 thousand, from a loss of $52,042 thousand for the year ended December 31, 2015 to a loss of $268,089 thousand for the year ended December 31, 2016. The increase in impairment losses is primarily due to the impairment of goodwill in relation to our North American assets of $193,000 thousand, the impairment of non-current operational assets located in Venezuela, South Africa and France, totaling $58,472 thousand, $9,176 thousand, and $1,178 thousand, respectively, and the impairment of non-current financial assets amounting $5,623 thousand.

### *Finance income*

Finance income increased $440 thousand, or 40.1%, from $1,096 thousand for the year ended December 31, 2015 to $1,536 thousand for the year ended December 31, 2016, primarily due to the inclusion of a full year of Globe finance income in 2016 of $676 thousand as compared to the inclusion of only eight days of Globe finance income in 2015.

### *Finance costs*

Finance costs decreased $154 thousand, or 0.5%, from $30,405 thousand for the year ended December 31, 2015 to $30,251 thousand for the year ended December 31, 2016, primarily due to the inclusion of a full year of Globe finance costs in 2016 of $5,714 thousand as compared to the inclusion of only eight days of Globe finance income in 2015. This increase was offset by a reduction in FerroAtlántica's outstanding debt and, therefore incurred lower finance costs, as well as a decrease in interest rates year-over-year.

### *Exchange differences*

Exchange differences decreased $39,417 thousand, from a gain of $35,904 thousand for the year ended December 31, 2015 to a loss of $3,513 thousand for the year ended December 31, 2016, partially due to the inclusion of a full year of Globe exchange differences in 2016 of $4,567 thousand related to the devaluation of the Argentine Peso, as compared to the inclusion of only eight days of Globe exchange differences in 2015.

### *Income tax*

Income tax expense decreased $96,637 thousand, or 193.5%, from an income tax expense of $49,942 thousand for the year ended December 31, 2015 to an income tax benefit of $46,695 thousand for the year ended December 31, 2016. This decrease is primarily attributable to the inclusion of a full year of Globe income tax benefit in 2016 of $30,598 thousand as compared to the inclusion of eight days of Globe income tax expense in 2015. In addition, FerroAtlántica operations generated losses in 2016, which further increased the income tax benefit for the year ended December 31, 2016.

***Electrometallurgy — North America***

| ($ thousands) | Year ended December 31, 2016 | 2015 |
|---|---|---|
| Sales | 521,192 | 10,062 |
| Cost of sales | (325,254) | (6,200) |
| Other operating income | 362 | 17 |
| Staff costs | (82,032) | (1,983) |
| Other operating expense | (64,606) | (276) |
| Depreciation and amortization charges, operating allowances and write-downs | (73,530) | (1,183) |
| **Operating (loss) profit before impairment losses, net gains/losses due to changes in the value of assets, gains/losses on disposals of non-current assets and other losses** | **(23,868)** | **437** |

The Electrometallurgy — North America segment comprises of only Globe subsidiaries. As a result, the segment information for the year ended December 31, 2016 includes the segment information for the full year ended December 31, 2016, whereas the segment information for the year ended December 31, 2015 includes the segment information for only the eight-day period ended December 31, 2015 subsequent to the Business Combination on December 23, 2015.

*Sales*

Sales increased $511,130 thousand, from $10,062 thousand for the year ended December 31, 2015 to $521,192 thousand for the year ended December 31, 2016, primarily due to the inclusion of the full year of sales in 2016 as compared to the inclusion of only eight days of sales in 2015 following the Business Combination. On a pro-forma basis, sales for the segment decreased $165,655 thousand, or 24%, from $686,847 thousand in 2015 to $521,192 thousand in 2016. The decrease was primarily attributable to a 12% decrease in average selling prices coupled with a 15% decrease in tons sold. Silicon metal pricing decreased 14%, primarily due to lower index pricing, which resulted in lower pricing on annual calendar 2016 contracts and index-based contracts. Silicon-based alloys pricing decreased 10% as a result of lower index pricing. Silicon metal volume decreased 10%, primarily due to lower demand driven by pricing pressure from imports. Silicon-based alloys volume decreased 24% due to a weaker end market and lower customer demand.

*Cost of sales*

Cost of sales increased by $319,054 thousand, from $6,200 thousand for the year ended December 31, 2015 to $325,254 thousand for the year ended December 31, 2016. On a pro-forma basis, cost of sales decreased in line with the 15% decrease in sales volumes, offset by higher stand-down costs associated with the idling of the Selma, Alabama plant in February 2016 without any corresponding production.

*Staff costs*

Staff costs increased by $80,049 thousand, from $1,983 thousand for the year ended December 31, 2015 to $82,032 thousand for the year ended December 31, 2016. On a pro-forma basis, staff costs decreased by approximately 18%, due to lower variable-based compensation expense reflecting annual company performance year-over-year.

*Other operating expense*

Other operating expense increased by $64,330 thousand, from $276 thousand for the year ended December 31, 2015 to $64,606 thousand for the year ended December 31, 2016, primarily due to a full twelve months of other operating expense in 2016 as compared to only eight days of Globe other operating expense in 2015. On a pro-forma basis, other operating expense decreased due to lower non-recurring transaction costs during 2015 related to the Business Combination.

*Depreciation and amortization charges, operating allowances and write-downs*

Depreciation and amortization charges, operating allowances and write-downs increased by $72,347 thousand, from $1,183 thousand for the year ended December 31, 2015 to $73,530 thousand for the year ended December 31, 2016. On a pro-forma basis, depreciation and amortization charges, operating allowances and write-downs increased by approximately 50%. This increase is attributable to the increased depreciable asset balance during 2016 as a result of the use of the acquisition -method treatment of Globe's non-current assets associated with the Business Combination, as all acquired assets and liabilities were stepped up to fair value as of the closing date of the Business Combination.

***Electrometallurgy — Europe***

| | Year ended December 31, | |
|---|---|---|
| ($ thousands) | 2016 | 2015 |
| Sales | 949,547 | 1,174,968 |
| Cost of sales | (672,026) | (811,114) |
| Other operating income | 25,908 | 52,211 |
| Staff costs | (132,440) | (148,652) |
| Other operating expense | (118,269) | (142,867) |
| Depreciation and amortization charges, operating allowances and write-downs | (31,730) | (35,255) |
| **Operating profit before impairment losses, net gains/losses due to changes in the value of assets, gains/losses on disposals of non-current assets and other losses** | **20,990** | **89,291** |

*Sales*

Sales decreased $225,421 thousand, or 19.2%, from $1,174,968 thousand for the year ended December 31, 2015 to $949,547 thousand for the year ended December 31, 2016, primarily due to an 18.5% decrease in average selling prices for all primary products as well as a foreign exchange impact, which decreased sales by $2,574 thousand.

Average selling prices (in local currency) for silicon metal, silicon-based alloys and manganese alloys pricing decreased 20.4%, 22.6% and 12.3%, respectively, primarily due to lower European market index pricing. The sales volume of primary products was relatively consistent year-over-year.

*Cost of sales*

Cost of sales decreased $139,088 thousand, or 17.1%, from $811,114 thousand for the year ended December 31, 2015 to $672,026 thousand for the year ended December 31, 2016, primarily due to manufacturing cost improvement initiatives, including lower raw material and energy costs.

In addition, there was a favorable foreign exchange impact, which decreased Euro-denominated costs by $1,821 thousand.

*Other operating income*

Other operating income decreased $26,303 thousand, or 50.4%, from $52,211 thousand for the year ended December 31, 2015 to $25,908 thousand for the year ended December 31, 2016, primarily due to intercompany charges to the parent company during 2015 for its share of non-recurring transaction costs related to the Business Combination, which FerroAtlántica paid.

*Staff costs*

Staff costs decreased $16,212 thousand or 10.9%, from $148,652 thousand for the year ended December 31, 2015 to $132,440 thousand for the year ended December 31, 2016, primarily due to a decrease in the bonus and other social benefits in France and in Spain to reflect the Company's annual performance.

*Other operating expense*

Other operating expense decreased $24,598 thousand, or 17.2%, from $142,867 thousand for the year ended December 31, 2015 to $118,269 thousand for the year ended December 31, 2016, primarily due to a reduction of non-recurring transaction costs of approximately $27,000 thousand related to the Business Combination in 2015.

*Depreciation and amortization charges, operating allowances and write-downs*

Depreciation and amortization charges, operating allowances and write-downs decreased $3,525 thousand, or 10.0%, from $35,255 thousand for the year ended December 31, 2015 to $31,730 thousand for the year ended December 31, 2016, primarily due to a decrease in write-downs of trade receivables allowances of $2,115 thousand as we reduced exposure to customers that entered delinquency in 2015. In addition, there was a $1,410 thousand decrease in depreciation as a result of lower capital expenditures year-over-year.

***Electrometallurgy — South Africa***

| | Year ended December 31, | |
|---|---|---|
| ($ thousands) | 2016 | 2015 |
| Sales | 142,160 | 219,890 |
| Cost of sales | (99,124) | (134,978) |
| Other operating income | 3,422 | 5,070 |
| Staff costs | (23,589) | (24,663) |
| Other operating expense | (28,834) | (29,237) |
| Depreciation and amortization charges, operating allowances and write-downs | (4,732) | (7,744) |
| **Operating (loss) profit before impairment losses, net gains/losses due to changes in the value of assets, gains/losses on disposals of non-current assets and other losses** | **(10,697)** | **28,338** |

*Sales*

Sales decreased $77,730 thousand, or 35.3%, from $219,890 thousand for the year ended December 31, 2015 to $142,160 thousand for the year ended December 31, 2016, primarily due to a 17.1% decrease in silicon metal sales volumes due to the decline in exports to North America. In addition, there was an 18.8% decrease in silicon-based alloy sales volumes due to a weak domestic market. Average selling prices of all primary products decreased 30% in 2016 compared to 2015 due to a decrease in index pricing. This decrease was offset by a foreign exchange impact, which increased sales by $18,761 thousand.

*Cost of sales*

Cost of sales decreased $35,854 thousand, or 26.6%, from $134,978 thousand for the year ended December 31, 2015 to $99,124 thousand for the year ended December 31, 2016, primarily due to a 17.1% decrease in silicon metal sales volumes from 2015 to 2016 as well as a 33.4% decrease in silicon-based alloy sales volumes. This decrease was offset by a foreign exchange impact which increased cost of sales by $13,082 thousand.

*Other operating income*

Other operating income decreased $1,648 thousand, or 32.5%, from $5,070 thousand for the year ended December 31, 2015 to $3,422 thousand for the year ended December 31, 2016, primarily due to a decrease in by-product sales as a result of a weak domestic market as well as a reduction of other services provided to third parties.

*Staff costs*

Staff costs decreased $1,074 thousand or 4.4%, from $24,663 thousand for the year ended December 31, 2015 to $23,589 thousand for the year ended December 31, 2016, primarily due to a $4,187 thousand reduction of bonus and other social benefits to reflect the Company's annual performance. This decrease was offset by a foreign exchange impact, which increased staff costs by $3,113 thousand.

*Other operating expense*

Other operating expense decreased $403 thousand, or 1.4%, from $29,237 thousand for the year ended December 31, 2015 to $28,834 thousand for the year ended December 31, 2016, primarily due to lower variable, selling, and administrative costs during 2016 when the plant was idled or operating at a reduced production level. This decrease was offset by a foreign exchange impact, which increased other operating expense by $3,805 thousand.

*Depreciation and amortization charges, operating allowances and write-downs*

Depreciation and amortization charges, operating allowances and write-downs decreased $3,012 thousand, or 38.9%, from $7,744 thousand for the year ended December 31, 2015 to $4,732 thousand for the year ended December 31, 2016. This change is primarily attributable to a $1,572 thousand decrease in Receivable allowances and a decrease in depreciation of $2,064 thousand due to lower capital expenditures year-over-year. This decrease was offset by a foreign exchange impact, which increased depreciation and amortization charges by $624 thousand.

***Other segments***

| ($ thousands) | Year ended December 31, 2016 | 2015 |
|---|---|---|
| Sales | 90,337 | 129,123 |
| Cost of sales | (79,912) | (88,041) |
| Other operating income | 4,713 | 2,109 |
| Staff costs | (58,577) | (30,574) |
| Other operating expense | (37,964) | (67,347) |
| Depreciation and amortization charges, operating allowances and write-downs | (12,818) | (22,492) |
| **Operating loss before impairment losses, net gains/losses due to changes in the value of assets, gains/losses on disposals of non-current assets and other losses** | **(94,221)** | **(77,222)** |

*Sales*

Sales decreased $38,786 thousand, or 30.0%, from $129,123 thousand for the year ended December 31, 2015 to $90,337 thousand for the year ended December 31, 2016, primarily due to a decrease in sales from partially and fully idled facilities, most significantly, FerroVen, which significantly reduced operations due to political and social instability in Venezuela, and MangShi, which was fully idled in November 2015. This decrease was offset by the inclusion of a full year of Globe sales in 2016 of $23,532 thousand as compared to the inclusion of only eight days of Globe sales in 2015.

*Cost of sales*

Cost of sales decreased $8,129 thousand, or 9.2%, from $88,041 thousand for the year ended December 31, 2015 to $79,912 thousand for the year ended December 31, 2016, primarily due to significantly reduced operations of Ferro Ven which was partially offset by the inclusion of a full year of Globe cost of sales in 2016 as compared to the inclusion of only eight days of Globe cost of sales in 2015. Additionally, inventory at MangShi was written down by approximately $2,500 thousand in 2016.

*Other operating income*

Other operating income increased $2,604 thousand, or 123.5%, from $2,109 thousand for the year ended December 31, 2015 to $4,713 thousand for the year ended December 31, 2016, primarily due to the inclusion of a full year of Globe other operating income in 2016 of $1,647 thousand as compared to the inclusion of only eight days of Globe other operating income in 2015.

*Staff costs*

Staff costs increased $28,003 thousand or 91.6%, from $30,574 thousand for the year ended December 31, 2015 to $58,577 thousand for the year ended December 31, 2016, primarily due to the inclusion of a full year of Globe staff costs in 2016 of $38,427 thousand as compared to the inclusion of only eight days of Globe sales in 2015. In addition, staff costs for the year ended December 31, 2016 include Alan Kestenbaum's severance payment of approximately $21,000 thousand, as well as other payments, and the accelerated vesting of equity awards made in connection with his resignation pursuant to the terms of the Employment Agreement. The increase in staff costs was partially offset by a decrease in staff costs at FerroVen, S.A. primarily due to significantly reduced operations as well as the devaluation of the Venezuelan Bolivar, the local currency in which all employees are paid.

*Other operating expense*

Other operating expense decreased $29,383 thousand, or 43.6%, from $67,347 thousand for the year ended December 31, 2015 to $37,964 thousand for the year ended December 31, 2016, primarily due to significantly reduced operations at FerroVen, S.A. as well as the devaluation of the Venezuelan Bolivar, the local currency in which most local suppliers are paid in. Additionally, due diligence and development expenses decreased due to the decision not to continue with the FerroQuébec, Inc. project in late 2015.

*Depreciation and amortization charges, operating allowances and write-downs*

Depreciation and amortization charges, operating allowances and write-downs decreased $9,674 thousand, or 43.0%, from $22,492 thousand for the year ended December 31, 2015 to $12,818 thousand for the year ended December 31, 2016, primarily due to the decrease in the depreciation of fixed assets at FerroVen, S.A as FerroVen, S.A. fully impaired its fixed assets at June 30, 2016, when the decision was made to idle the facility, as well as full impairment of fixed assets at MangShi at December 31, 2015. The decrease was offset by the inclusion of a full year of Globe depreciation and amortization charges, operating allowances and write-downs in 2016 as compared to the inclusion of only eight days of Globe depreciation and amortization charges, operating allowances and write-downs in 2015.

**Effect of Inflation**

Management believes that the impact of inflation was not material to Ferroglobe's results of operations in the years ended December 31, 2017, 2016 and 2015, although we experienced the impact of Venezuelan inflation in 2017, 2016 and 2015 on FerroVen, S.A.'s production costs in these years, which resulted in a loss of competitiveness.

**Cyclical Nature of the Industry and Movement in Market Prices, Raw Materials and Input Costs**

Our business has historically been subject to fluctuations in the price of our products and market demand for them, caused by general and regional economic cycles, raw material and energy price fluctuations, competition and other factors. The timing, magnitude and duration of these cycles and the resulting price fluctuations are difficult to predict. For example, we experienced a weakened economic environment in national and international metals markets, including a sharp decrease in silicon metal prices in all major markets from late 2014 to late 2017. The weakened economic environment adversely affected our profitability for the year ended December 31, 2016, with a particularly pronounced effect on the profitability of our European business over such period.

## B. Liquidity and Capital Resources

**Sources of Liquidity**

Ferroglobe's primary sources of long-term liquidity are its Senior Notes with a $350,000 thousand aggregate principal at an interest rate of 9.375%, due on March 1, 2022, a multicurrency Amended Revolving Credit Facility with an aggregate principal amount of $200,000 thousand maturing on August 20, 2018 (nil drawn down as of December 31, 2017). Ferroglobe's short-term liquidity is sustained by the Company's non-recourse accounts receivable arrangement which provides up to $250,000 thousand of upfront cash consideration (approximately

$166,525 thousand as of December 31, 2017) as well as the Company's cash flows from operations.

Ferroglobe's primary short-term liquidity needs are to fund its capital expenditure commitments and operational needs and service its existing debt. Ferroglobe's long-term liquidity needs primarily relate to debt repayment. Ferroglobe's core objective with respect to capital management is to maintain a balanced and sustainable capital structure through the economic cycles of the industries in which it has a presence, while keeping the cost of capital at competitive levels so as to fund Ferroglobe's growth.

For the year ended December 31, 2017, operating activities generated $150,375 thousand in cash, compared to $129,169 thousand in 2016 and $145,449 thousand in 2015. Investing activities used a total of $74,818 thousand of cash in 2017, compared to $84,281 thousand in 2016 and $17,966 thousand in 2015. Financing activities resulted in a total outflow of $113,397 thousand in cash in 2017, compared to an inflow of $49,917 thousand in 2016 and an outflow of $87,593 thousand in 2015. See "Cash Flow Analysis" below for additional information.

As of December 31, 2017, 2016 and 2015, Ferroglobe had cash and cash equivalents of $184,472 thousand, $196,982 thousand (inclusive of $51 thousand of cash and cash equivalents in assets held for sale), and $116,666 thousand, respectively. Cash and cash equivalents are held primarily held in U.S. Dollars and Euro.

As of December 31, 2017, Ferroglobe's total gross financial debt was $571,337 thousand, compared to $514,587 thousand as of December 31, 2016. As of December 31, 2017, gross financial debt was comprised of debt instruments of $350,270 thousand as of December 31, 2017 (nil in 2016), bank borrowings of $1,003 thousand ($421,291 in 2016), $82,633 thousand of finance leases ($86,620 thousand in 2016), and other financial liabilities of $137,431 thousand ($93,635 thousand in 2016).

**Working Capital Position**

Taking into account generally expected market conditions, Ferroglobe anticipates that cash flow generated from operations will be sufficient to fund its operations, including its working capital requirements, and to make the required principal and interest payments on its indebtedness during the next 12 months.

As of December 31, 2017, Ferroglobe's current assets totaled $691,291 thousand while current liabilities totaled $450,196 thousand, resulting in a positive working capital position of $241,095 thousand.

**Capital Expenditures**

Ferroglobe incurs capital expenditures in connection with expansion and productivity improvements, production plants maintenance and research and development projects. Capital expenditures are funded through cash generated from operations and financing activities. Ferroglobe's capital expenditures for the years ended December 31, 2017, 2016 and 2015 were $74,616 thousand, $71,119 thousand and $68,521 thousand, respectively. Principal capital expenditures during these periods were primarily for maintenance and improvement works at Ferroglobe's plants and mines. We expect our capital expenditures for 2018 to equal approximately $92,000 thousand, excluding any capital expenditures related to our solar grade silicon project. We believe we have the ability to reduce our capital expenditures by, as needed, idling individual electrometallurgy facilities. Additionally, we have committed to incur approximately €51,000 thousand of capital expenditures in connection with our solar grade silicon joint venture as part of an initial phase over the next two years, on top of capital expenditures of €21 million incurred in prior years. While we would expect to commit to further amounts in connection with this joint venture in the future if the project continues to subsequent phases, which is subject to agreement and approval with our joint venture partners, we have not yet committed to any expenditures with respect to further phases. Capital expenditures in connection with our solar grade silicon joint venture are financed in part by a loan obtained from the Spanish Ministry of Industry and Energy. See "Item 4.B. — Information on the Company — Business Overview — Research and Development (R&D) — Solar grade silicon" and "Item 7.B. — Major Shareholders and Related Party Transactions — Related Party Transactions." See also "— Tabular Disclosure of Contractual Obligations" for disclosure regarding future committed capital expenditures.

**Cash Flow Analysis — Year Ended December 31, 2017 Compared to Year Ended December 31, 2016**

The following table summarizes Ferroglobe's primary sources (uses) of cash for the years ended December 31, 2017 and 2016:

| | Year ended December 31, | |
|---|---|---|
| ($ thousands) | 2017 | 2016 |
| Cash and cash equivalents at beginning of period | 196,982 | 116,666 |
| Cash flows from operating activities | 150,375 | 121,169 |
| Cash flows from investing activities | (74,818) | (84,281) |
| Cash flows from financing activities | (113,397) | 49,917 |
| Exchange differences on cash and cash equivalents in foreign currencies | 25,330 | (6,489) |
| **Cash and cash equivalents at end of period** | 184,472 | 196,982 |
| **Cash and cash equivalents at end of period from statement of financial position** | 184,472 | 196,931 |
| **Cash and cash equivalents at end of period included within assets and disposal groups classified as held for sale** | — | 51 |

Ferroglobe did not pay dividends during the year ended December 31, 2017 and paid $54,988 thousand of dividends for the year ended December 31, 2016.

***Cash flows from operating activities***

Cash flows from operating activities increased $29,206 thousand, from $121,169 thousand for the year ended December 31, 2016, to $150,375 thousand for the year ended December 31, 2017. The increase was due to a decrease in trade receivables of $50,168 thousand, primarily related to our accounts receivable securitization program established in 2017, an increase in accounts payable of $17,613 thousand, offset by an increase in inventories of $16,274 thousand.

Other payments increased $44,888 thousand, primarily related to an increase of $78,727 thousand of payments to our SPV associated with the securitization program in 2017, offset by the $32,500 thousand settlement payment in 2016 in connection with the litigation related to the Business Combination.

Income taxes paid increased $15,831 thousand while interest increased $9,662 thousand due to the debt instrument established in February 2018.

***Cash flows from investing activities***

Cash flows from investing activities decreased $9,463 thousand from an outflow of $84,281 thousand for the year ended December 31, 2016 to an outflow of $74,818 thousand for the year ended December 31, 2017, primarily due to $9,807 thousand of payments associated with investments in other non-current financial assets primarily related to contributions to Blue Power, a party to the Company's Solar joint venture with Aurinka in 2016 (compared to investments in other non-current financial assets of $343 thousand in 2017). Capital expenditures for the year ended December 31, 2017 were $74,616 thousand compared to $71,119 thousand in 2016.

***Cash flows from financing activities***

Cash flows from financing activities decreased $163,314 thousand from an inflow of $49,917 thousand for the year ended December 31, 2016 to an outflow of $113,397 thousand for the year ended December 31, 2017. This was primarily driven by the issuance of Senior Notes with a $350,000 thousand principal, for which the proceeds were used primarily to repay existing indebtedness, including borrowings to finance investments and certain credit facilities and other loans. This was partly offset by a $54,988 thousand dividend payment to shareholders in 2016 (nil in 2017).

**Cash Flow Analysis — Year Ended December 31, 2016 Compared to Year Ended December 31, 2015**

The following table summarizes Ferroglobe's primary sources (uses) of cash for the years ended December 31, 2016 and 2015:

| | Year ended December 31, | |
|---|---|---|
| ($ thousands) | 2016 | 2015 |
| Cash and cash equivalents at beginning of period | 116,666 | 48,651 |
| Cash flows from operating activities | 121,169 | 145,449 |
| Cash flows from investing activities | (84,281) | 17,966 |
| Cash flows from financing activities | 49,917 | (87,593) |
| Exchange differences on cash and cash equivalents in foreign currencies | (6,489) | (7,807) |
| **Cash and cash equivalents at end of period** | 196,982 | 116,666 |
| **Cash and cash equivalents at end of period from statement of financial position** | 196,931 | 116,666 |
| **Cash and cash equivalents at end of period included within assets and disposal groups classified as held for sale** | 51 | — |

The following table sets forth the dividends paid by Ferroglobe for the years ended December 31, 2016, and 2015:

| | Year ended December 31, | |
|---|---|---|
| ($ thousands) | 2016 | 2015 |
| Cash dividends | 54,988 | 21,479 |

***Cash flows from operating activities***

Cash flows from operating activities decreased by $24,281 thousand, from $145,449 thousand for the year ended December 31, 2015, to $121,169 thousand for the year ended December 31, 2016. The decrease was due to a decrease in inventories of $108,207 thousand, a decrease in trade receivables of $56,297 thousand and an increase in accounts payable of $28,572 thousand as compared to the prior year period as a result of various working capital initiatives. This was offset by the $32,500 thousand settlement payment in connection with the litigation related to the Business Combination that was paid during the year ended December 31, 2016 and lower profits from operations as compared to the prior year period.

***Cash flows from investing activities***

Cash flows from investing activities decreased by $102,247 thousand from an inflow of $17,966 thousand for the year ended December 31, 2015 to an outflow of $84,281 thousand for the year ended December 31, 2016. The decrease is primarily attributable to a cash inflow of $77,709 thousand, which represents the cash and cash equivalents balance of Globe on the date of the Business Combination in 2015. In addition, capital expenditures increased as a result of including the full twelve months of Globe's capital expenditure of $27,577 thousand during 2016, which was offset by an overall reduction in capital expenditures on a pro-forma basis reflecting the market conditions during 2016.

***Cash flows from financing activities***

Cash flows from financing activities increased by $137,510 thousand from an outflow of $87,593 thousand for the year ended December 31, 2015 to an inflow of $49,917 thousand for the year ended December 31, 2016. The increase is mainly attributable to $118,945 thousand of net bank borrowings during the year ended December 31, 2016 compared to $55,390 thousand of net bank payments during the year ended December 31, 2015. The increase in net bank borrowings compared to the prior year period was to meet liquidity needs as a result of lower profits from operations. This was partly offset by a $33,509 thousand increase in cash dividends paid to shareholders during the year ended December 31, 2016.

***Capital resources***

Ferroglobe's core objective is to maintain a balanced and sustainable capital structure through the economic cycles of the industries in which it has a presence, while keeping the cost of capital at competitive levels so as to fund Ferroglobe's growth. In addition to cash flows from continuing operations, the Company's main sources of capital resources are its Senior Notes with an aggregate principal value of $350,000 thousand and a multicurrency Amended Revolving Credit Facility with an aggregate principal amount of $200,000 thousand.

Payments of dividends, distributions and advances by Ferroglobe's subsidiaries will be contingent upon their earnings and business considerations and may be limited by legal, regulatory and contractual restrictions. For instance, the repatriation of dividends from Ferroglobe's Venezuelan and Argentinean subsidiaries have been subject to certain restrictions and there is no assurance that further restrictions will not be imposed. Additionally, Ferroglobe's right to receive any assets of its subsidiaries as an equity holder of such subsidiaries, upon their liquidation or reorganization, will be effectively subordinated to the claims of such subsidiaries' creditors, including trade creditors.

The Company's debt instrument and multicurrency revolving credit facility contain certain financial covenants. Details and description of Ferroglobe's debt instrument and multicurrency revolving credit facility are described in Notes 16 and 18 of the Consolidated Financial Statements.

## C. Research and Development, Patents and Licenses, etc.

Ferroglobe focuses on continually developing its technology in an effort to improve its products and production processes. Our FerroAtlántica division's research and development division coordinates all the research and development activities within Ferroglobe. Ferroglobe also has cooperation agreements in place with various universities and research institutes in Spain, France and other countries around the world. For the years ended December 31, 2017, 2016 and 2015, Ferroglobe spent $4.5 million, $6.2 million and $11.1 million, respectively, on research and development projects and activities.

For additional information see "Item 4.B. — Information on the Company — Business Overview — Research and Development (R&D)".

## D. Trend Information

We discuss in Item 5.A. above and elsewhere in this annual report, trends, uncertainties, demands, commitments or events for the year ended December 31, 2017 that we believe are reasonably likely to have a material adverse effect on our revenues, income, profitability, liquidity or capital resources or to cause the disclosed financial information not to be necessarily indicative of future operating results or financial conditions.

## E. Off-Balance Sheet Arrangements

We do not have any outstanding off-balance sheet arrangements.

## F. Tabular Disclosure of Contractual Obligations

The following table sets forth Ferroglobe's contractual obligations and commercial commitments with definitive payment terms that will require significant cash outlays in the future, as of December 31, 2017.

| | | Payments Due by Period, | | | |
|---|---|---|---|---|---|
| ($ thousands) | Total | Less than 1 year | 1 - 3 years | 3 - 5 years | More than 5 years |
| Long-term debt obligations | 497,657 | 32,813 | 65,625 | 399,219 | — |
| Capital expenditures | 5,533 | 5,533 | — | — | — |
| Finance leases | 82,633 | 12,920 | 27,910 | 41,803 | — |
| Power purchase commitments(1) | 22,415 | 22,415 | — | — | — |
| Purchase obligations(2) | 28,467 | 28,076 | 181 | 210 | — |
| Operating lease obligations | 12,707 | 2,361 | 3,765 | 2,792 | 3,789 |
| **Total** | **649,412** | **104,118** | **97,481** | **444,024** | **3,789** |

(1) Represents minimum charges that are enforceable and legally binding, and do not represent total anticipated purchases. Minimum charges requirements expire after providing one year notice of contract cancellation.

(2) The Company has outstanding purchase obligations with suppliers for raw materials in the normal course of business. The disclosed purchase obligation amount represents commitments to suppliers that are enforceable and legally binding and do not represent total anticipated purchases of raw materials in the future.

The table above also excludes certain other obligations reflected in our consolidated balance sheet, including estimated funding for pension obligations, for which the timing of payments may vary based on changes in the fair value of pension plan assets and actuarial assumptions. We expect to contribute approximately $1,119 thousand to our pension plans for the year ended December 31, 2018.

## G. Safe Harbor

This annual report contains forward-looking statements within the meaning of Section 27A of the U.S. Securities Act and Section 21E of the U.S. Exchange Act and as defined in the Private Securities Litigation Reform Act of 1995. See "Cautionary Statements Regarding Forward-Looking Statements."

## ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Ferroglobe operates in an international and cyclical industry which exposes it to a variety of financial risks such as currency risk, liquidity risk, interest rate risk, credit risk and risks relating to the price of finished goods, raw materials and power.

The Company's management model aims to minimize the potential adverse impact of such risks upon the Company's financial performance. Risk is managed by the Company's executive management, supported by the Risk Management, Treasury and Finance functions. The risk management process includes identifying and evaluating financial risks in conjunction with the Company's operations and quantifying them by project, region and subsidiary. Management provides written policies for global risk management, as well as for specific areas such as foreign currency risk, credit risk, interest rate risk, liquidity risk, the use of hedging instruments and derivatives, and investment of surplus liquidity. Ferroglobe does not speculatively enter into or trade derivatives.

### Market risk

Market risk is the risk that the Company's future cash flows or the fair value of its financial instruments will fluctuate because of changes in market prices. The primary market risks to which the Company is exposed comprise foreign currency risk, interest rate risk and risks related to prices of finished goods, raw materials (principally coal and manganese ore) and power.

#### ***Foreign exchange rate risk***

Ferroglobe generates sales revenue and incurs operating costs in various currencies. The prices of finished goods are to a large extent determined in international markets, primarily in US dollars and Euros. Foreign currency risk is partly mitigated by the generation of sales revenue, the purchase of raw materials and other operating costs being denominated in the same currencies. Although it has done so on occasions in the past, and may decide to do so in the future, the Company does not generally enter into foreign currency derivatives in relation to its operating cash flows.

*Foreign currency swaps in relation to trade receivables and trade payables*

The proportion of foreign currency accounts receivable and accounts payable for which foreign currency swaps had been arranged were as follows at December 31:

| | 2017 | 2016 |
|---|---|---|
| Percentage of accounts receivable in foreign currencies for which currency swaps have been arranged | —% | 13.7% |
| Percentage of accounts payable in foreign currencies for which currency swaps have been arranged | —% | 2.5% |

At December 31, 2017, the Company has no foreign currency swaps in place in respect of foreign currency accounts receivable and accounts payable. The fair value of outstanding foreign currency swaps at December 31, 2016, was €(0.8) million.

The sensitivity of the Company's profit or loss to the impact of changes in the foreign exchange rates on its foreign currency swaps is as follows:

| Sensitivity to the EUR/USD exchange rate | 2017 | 2016 |
|---|---|---|
| +10% (appreciation of the Euro) | — | 2.5 |
| –10% (depreciation of the Euro) | — | (2.5) |

*Notes and cross currency swap*

In February 2017, the Company completed a restructuring of its finances which included the issue of $350,000 thousand 9.375% senior notes due 2022 and the repayment of certain existing indebtedness denominated in a number of currencies across its subsidiaries. The Company is exposed to foreign exchange risk as the interest and principal of the Notes is payable in US dollars, whereas its operations principally generate a combination of US dollar and Euro cash flows. Following approval by the Board, the Company entered into a cross-currency interest rate swap (the "CCS") to exchange 55% of the principal and interest payments due in US dollars for principal and interest payments in Euros. Under the CCS, on a semi-annual basis the Company will receive interest of 9.375% on a notional of $192,500 thousand and pay interest of 8.062% on a notional of €176,638 thousand and it will exchange these Euro and US dollar notional amounts at maturity of the Notes in 2022. The timing of payments of interest and principal under the CCS coincide exactly with those of the Notes. The fair value of the CCS at December 31, 2017 was a liability of $33,648 thousand.

The Parent Company, which has a Euro functional currency, has designated $150,000 thousand of the notional amount of the CCS as a cash flow hedge of the variability of the Euro functional currency equivalents of the future US dollar cash flows of $150,000 thousand of the principal amount of the Notes. The remaining $42,500 thousand of the notional amount of the CCS is not designated as a cash flow hedge and is accounted for at fair value through profit or loss. The Company has performed a sensitivity analysis that indicates that if the Euro was to strengthen (weaken) against the US Dollar by 10% it would record a loss (gain) of $5,831 thousand in respect of the portion of the CCS accounted for at fair value through profit or loss.

***Interest rate risk***

Ferroglobe is exposed to interest rate risk in respect of its financial liabilities that bear interest at floating rates. These primarily comprise credit facilities and obligations under finance leases related to hydroelectrical installations.

At December 31, the Company's interest-bearing financial liabilities were as follows:

| | 2017 | | |
|---|---|---|---|
| | Fixed rate US$'000 | Floating rate US$'000 | Total US$'000 |
| Bank borrowings | — | 1,003 | 1,003 |
| Obligations under finance leases | — | 82,633 | 82,633 |
| Debt instruments | 350,270 | — | 350,270 |
| Other financial liabilities[(*)] | 86,238 | 13,153 | 99,391 |
| | **436,508** | **96,789** | **533,297** |

(*) Other financial liabilities comprise loans from government agencies and exclude derivative financial instruments.

| | 2016 | | |
|---|---|---|---|
| | Fixed rate US$'000 | Floating rate US$'000 | Total US$'000 |
| Bank borrowings | — | 421,291 | 421,291 |
| Obligations under finance leases(*) | — | 5,237 | 5,237 |
| Debt instruments | — | — | — |
| Other financial liabilities(**) | 75,797 | 11,563 | 87,360 |
| | **75,797** | **438,091** | **513,888** |

(*) At December 31, 2016, obligations under finances leases of $81,383 thousand relating to the Spanish energy business were separately presented in the statement of financial position as part of a disposal group held for sale.

(**) Other financial liabilities comprise loans from government agencies and exclude derivative financial instruments.

The Company's finance leases related to its Spanish hydroelectrical installations bear interest at a floating rate tied to EURIBOR. Prior to the Business Combination, the Company entered into interest rate swaps to fix the interest payable in respect of these lease obligations. During the year ended December 31, 2017, the Company did not enter into any new interest rate derivatives. The market value of the Company's interest rate swap derivatives at December 31, 2017 was $4,392 thousand, compared to $6,275 thousand at December 31, 2016.

In respect of the above financial liabilities, at December 31, 2017, the Company had floating to fixed interest rate swaps in place covering 83% of its exposure to floating interest rates (2016: 3%). The increase in the proportion of floating rate financial liabilities covered by interest rate swaps reflects that in February 2017 the Company completed a comprehensive refinancing, replacing floating rate debt with fixed rate debt, and that at December 31, 2016, the Company's obligations under finance leases related to the Spanish energy business and related interest rate swaps were separately classified on the balance sheet as part of a disposal group held for sale.

At December 31, 2017, given that the majority of the Company's interest-bearing financial liabilities are at fixed interest rates and that the Company has interest rate swaps in place in respect of substantially all of its obligations under finance leases, management do not consider that there are reasonably possible changes in interest rates that would have a material impact on the Company's profitability.

At December 31, 2016, the Company performed a sensitivity analysis for floating rate financial liabilities that, taking into consideration the refinancing that occurred in February 2017, indicated that an increase of 1% in interest rates would have given rise to additional borrowing costs of $1.8 million in 2017.

**Credit risk**

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss. The Company's main credit risk exposure relates to the following financial assets:

- trade and other receivables; and
- loans and receivables (other financial assets) arising from the Company's accounts receivable securitization program.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. The Company has established policies, procedures and controls relating to customer credit risk management. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, the Company insures its trade receivables with reputable credit insurance companies.

Since August 2017, the Company has sold substantially all of the trade receivables generated by its subsidiaries in the U.S., Canada, Spain and France to an accounts receivable securitization program. This has enabled it to monetize these assets earlier than it did previously and significantly reduce working capital.

**Liquidity risk**

The purpose of the Company's liquidity and financing policy is to ensure that the Company keeps sufficient funds available to meet its financial obligations as they fall due. The Company's main sources of financing are as follows:

- $350,000 thousand 9.375% senior notes due 2022. The proceeds from the Notes, issued by Ferroglobe and Globe in February 2017, were primarily used to repay certain existing indebtedness of the Parent Company and its subsidiaries. Interest is payable semi-annually on March 1 and September 1 of each year. If Ferroglobe experiences a change of control, the Company is required to offer to redeem the Notes at 101% of their principal amount.

- $200,000 thousand Amended Revolving Credit Facility. Loans under the Amended Revolving Credit Facility may be borrowed, repaid and reborrowed until the maturity of the facility in August 2018. Borrowings are available to be used to provide for the working capital and general corporate requirements of the Parent Company and its subsidiaries (including permitted acquisitions and permitted capital expenditures). At December 31, 2017 the full amount of the facility was available for drawdown. Subsequent to year-end, the facility was replaced by a new $250,000 thousand revolving credit facility maturing in February 2021.

- Hydroelectric finance lease. In May 2012, the Company entered into a sale and leaseback agreement with respect to certain hydroelectric assets in Spain. The lease payments are due in 120 installments from May 2012 to maturity in May 2022.

To ensure that there are sufficient funds available for the Company to repay its financial obligations as they fall due, each year the Company's Financial Planning and Analysis department prepares a financial budget that is approved by the Board of Directors and details all financing needs and how such financing will be provided. The budget projects the funds necessary for the most significant cash requirements, such as prepayments for capital expenditures, debt repayments and, where applicable, working capital requirements.

QuickLinks

# Admission Ticket

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## Ferroglobe PLC

**IMPORTANT ANNUAL MEETING INFORMATION** 000004

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## Electronic Voting Instructions

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone must be received by 05:01 a.m., Eastern Time, on June 25, 2018.**

**Vote by Internet**

- Go to **www.envisionreports.com/GSM**
- Or scan the QR code with your smartphone
- Follow the steps outlined on the secure website

**Vote by telephone**

- Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone
- Follow the instructions provided by the recorded message

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas. X

## Annual Meeting Proxy Card 1234 5678 9012 345

▼ IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. ▼

**A Proposals — The Board recommends a vote FOR proposals 1 - 15**

| | For | Against | Abstain | | For | Against | Abstain | | For | Against | Abstain |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | ☐ | ☐ | ☐ | 7. | ☐ | ☐ | ☐ | 13. | ☐ | ☐ | ☐ |
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| 3. | ☐ | ☐ | ☐ | 9. | ☐ | ☐ | ☐ | 15. | ☐ | ☐ | ☐ |
| 4. | ☐ | ☐ | ☐ | 10. | ☐ | ☐ | ☐ | | | | |
| 5. | ☐ | ☐ | ☐ | 11. | ☐ | ☐ | ☐ | | | | |
| 6. | ☐ | ☐ | ☐ | 12. | ☐ | ☐ | ☐ | | | | |

**B Non-Voting Items**

**Change of Address** — Please print your new address below.

**Comments** — Please print your comments below.

**Meeting Attendance**
Mark the box to the right if you plan to attend the Annual Meeting. ☐

**C Authorized Signatures — This section must be completed for your vote to be counted. — Date and Sign Below**

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) — Please print date below. / /

Signature 1 — Please keep signature within the box.

Signature 2 — Please keep signature within the box.

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# 2018 Annual Meeting Admission Ticket

**2018 Annual Meeting of**
**Shareholders of Ferroglobe PLC**

**Wednesday, June 27, 2018, 10:00 am British Summer Time**
**The Mayfair Hotel, Stratton Street**
**Mayfair, London W1J 8LT, United Kingdom**

**Upon arrival, please present this admission ticket**
**and photo identification at the registration desk.**

**U.K. annual report and accounts 2017**

1. THAT the directors' and auditor's reports and the accounts of the Company for the financial year ended December 31, 2017 (the "**U.K. Annual Report and Accounts**") be received.

**Directors' 2017 remuneration report (the "Directors' Remuneration Report")**

2. THAT the Directors' Remuneration Report (excluding that part containing the directors' remuneration policy) for the year ended December 31, 2017 be received and approved.

**Directors' election**

3. THAT Pedro Larrea Paguaga be elected as a director.
4. THAT Pierre Vareille be elected as a director.
5. THAT José María Alapont be elected as a director.

**Directors' re-election**

6. THAT Javier López Madrid be re-elected as a director.
7. THAT Donald G. Barger, Jr. be re-elected as a director.
8. THAT Bruce L. Crockett be re-elected as a director.
9. THAT Stuart E. Eizenstat be re-elected as a director.
10. THAT Manuel Garrido y Ruano be re-elected as a director.
11. THAT Greger Hamilton be re-elected as a director.
12. THAT Javier Monzón be re-elected as a director.
13. THAT Juan Villar-Mir de Fuentes be re-elected as a director.

**Appointment of Auditor**

14. THAT Deloitte LLP be appointed as auditor of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next general meeting at which accounts are laid before the Company.

**Remuneration of auditor**

15. THAT the Audit Committee of the Board be authorised to determine the auditor's remuneration.

▼ IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. ▼

## Proxy — Ferroglobe PLC

### Proxy Solicited by Board of Directors for Annual Meeting – June 27, 2018

The undersigned hereby appoints the Company's Executive Chairman or Company Secretary, each individually and each with powers of substitution, as proxies for the undersigned to vote all of the Ordinary Shares the undersigned may be entitled to vote at the Annual General Meeting of Shareholders of Ferroglobe PLC called to be held on **Wednesday, June 27, 2018, 10:00 am British Summer Time at the Mayfair Hotel, Stratton Street, Mayfair, London W1J 8LT, United Kingdom,** or any adjournment or postponement thereof in the manner indicated on the reverse side of this proxy, and upon such other business as may lawfully come before the meeting or any adjournment or postponement thereof. The undersigned acknowledges receipt of the Notice of Annual General Meeting of Ferroglobe PLC. The undersigned revokes any proxy or proxies previously given for such shares. The undersigned ratifies and confirms any actions that the persons holding the undersigned's proxy, or their substitutes, by virtue of this executed card take in accordance with the proxy granted hereunder. **IF NO DIRECTION AS TO THE MANNER OF VOTING THE PROXY IS MADE, THE PROXY WILL BE VOTED "FOR" THE RESOLUTIONS IN PROPOSALS 1 THROUGH 15 AS INDICATED ON THE REVERSE SIDE HEREOF.**

**You are encouraged to specify your choices by marking the appropriate boxes (SEE REVERSE SIDE) but you need not mark any boxes if you wish to vote in accordance with the Board of Directors' recommendations. This proxy, when properly executed, will be voted in the manner directed herein. The Board of Directors recommends a vote "FOR" Proposals 1 – 15.**

(Items to be voted appear on reverse side.)