EVRAZ plc
Separate Financial Statements
for the year ended 31 December 2017

Separate Statement of Comprehensive Income

In millions of US dollars

	Notes	31 December 2017	31 December 2016
General and administrative expenses		**$ (9)**	$ (7)
Operating income	**6**	**7**	11
Reversal of impairment/(impairment) of investments	**3**	**6**	(21)
Foreign exchange losses	**3**	**(1)**	(4)
Interest expense	**3,6,7**	**(19)**	(14)
Other non-operating losses	**7**	**(1)**	(39)
Net loss		**(17)**	(74)
Total comprehensive loss		**$ (17)**	$ (74)

The accompanying notes form an integral part of these separate financial statements.

Separate Statement of Financial Position

In millions of US dollars

	Notes	31 December 2017	31 December 2016
ASSETS			
Non–current assets			
Investments in subsidiaries	3	$ 3,182	$ 3,165
Investments in joint ventures	3	24	18
Receivables from related parties	6	17	18
		3,223	3,201
Current assets			
Receivables from related parties	6	10	14
Cash and cash equivalents		–	2
		10	16
TOTAL ASSETS		3,233	3,217
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	4	1,507	1,507
Treasury shares	4	(231)	(270)
Reorganisation reserve	4	(584)	(584)
Merger reserve	4	127	127
Share-based payments	5	134	117
Accumulated profits		1,472	1,958
		2,425	2,855
LIABILITIES			
Non-current liabilities			
Trade and other payables	3,7	27	41
Loans payable to related parties	6	630	274
Financial guarantee liabilities	6	17	18
		674	333
Current liabilities			
Trade and other payables	3,7	17	17
Payables to related parties	6	1	–
Loans payable to related parties	6	108	3
Financial guarantee liabilities	6	8	9
		134	29
TOTAL LIABILITIES		808	362
TOTAL EQUITY AND LIABILITIES		$ 3,233	$ 3,217

The Financial Statements on pages 244–255 were approved by the Board of Directors on 28 February 2018 and signed on its behalf by Alexander Frolov, Chief Executive Officer.

The accompanying notes form an integral part of these separate financial statements.

Separate Statement of Cash Flows

In millions of US dollars

	Notes	2017	2016
Cash flows from operating activities			
Net loss		**$ (17)**	$ (74)
Adjustments to reconcile net loss to net cash flows from operating activities:			
Operating income	**6**	**(7)**	(11)
(Reversal of impairment)/impairment of investments	**3**	**(6)**	21
Foreign exchange losses	**3**	**1**	4
Interest expense	**3,6,7**	**19**	14
Other non-operating losses	**7**	**1**	39
		(9)	(7)
Changes in working capital:			
Receivables from related parties	**6**	**11**	11
Trade and other payables	**7**	**(8)**	(8)
Net cash flow used in operating activities		**(6)**	(4)
Cash flows from investing activities			
Investments in subsidiaries	**3**	**–**	(300)
Return of funds by subsidiaries	**3**	**–**	32
Net cash flow used in investing activities		**–**	(268)
Cash flows from financing activities			
Dividends paid to shareholders	**4**	**(430)**	–
Proceeds from loans provided by related parties	**6**	**662**	305
Repayment of loans provided by related parties, including interest	**6**	**(217)**	(39)
Payments for investments on deferred terms, including interest	**3**	**(11)**	(8)
Net cash flow from financing activities		**4**	258
Net decrease in cash and cash equivalents		**(2)**	(14)
Cash and cash equivalents at the beginning of the year		**2**	16
Cash and cash equivalents at the end of the year		**$ –**	$ 2
Supplementary cash flow information:			
Interest paid		**(17)**	(8)

The accompanying notes form an integral part of these separate financial statements.

Separate Statement of Changes in Equity

In millions of US dollars

	Notes	Issued capital	Treasury shares	Reorganisation reserve	Merger reserve	Share-based payments	Accumulated profits	Total
At 31 December 2015		$ 1,507	$ (305)	$ (584)	$ 127	$ 101	$ 2,067	$ 2,913
Total comprehensive loss for the year		–	–	–	–	–	(74)	(74)
Share-based payments	**5**	–	–	–	–	16	–	16
Transfer of treasury shares to participants of the Incentive Plans	**4**	–	35	–	–	–	(35)	–
At 31 December 2016		**$ 1,507**	**$ (270)**	**$ (584)**	**$ 127**	**$ 117**	**$ 1,958**	**$ 2,855**
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**–**	**(17)**	**(17)**
Share-based payments	**5**	**–**	**–**	**–**	**–**	**17**	**–**	**17**
Dividends declared	**4**	**–**	**–**	**–**	**–**	**–**	**(430)**	**(430)**
Transfer of treasury shares to participants of the Incentive Plans	**4**	**–**	**39**	**–**	**–**	**–**	**(39)**	**–**
At 31 December 2017		**$ 1,507**	**$ (231)**	**$ (584)**	**$ 127**	**$ 134**	**$ 1,472**	**$ 2,425**

The accompanying notes form an integral part of these separate financial statements.

EVRAZ plc
Notes to the Separate Financial Statements
For the year ended 31 December 2017

1. Corporate Information

These separate financial statements were authorised for issue by the Board of Directors of EVRAZ plc on 28 February 2018.

EVRAZ plc ("EVRAZ plc" or "the Company") was incorporated on 23 September 2011 as a public company limited by shares under the laws of the United Kingdom. The Company was incorporated under the Companies Act 2006 with the registered number in England 7784342. The Company's registered office is at 5th Floor, 6 St. Andrew Street, London, EC4A 3AE, United Kingdom.

The Company, together with its subsidiaries (the "Group"), is involved in the production and distribution of steel and related products and coal and iron ore mining. In addition, the Group produces vanadium products. The Group is one of the largest steel producers globally.

Lanebrook Limited (Cyprus) is the ultimate controlling party of the Group.

2. Significant Accounting Policies

Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union and in accordance with the Companies Act 2006.

International Financial Reporting Standards are issued by the International Accounting Standard Board ("IASB"). IFRSs that are mandatory for application as of 31 December 2017, but not adopted by the European Union, are not expected to have a significant impact on the Company's financial statements.

These financial statements have been prepared on a going concern basis as the directors believe there are no material uncertainties which could create a significant doubt as to the Company's ability to continue as a going concern in the foreseeable future.

Foreign Currency Transactions

The presentation and functional currency of the Company is the US dollar. Transactions in foreign currencies are initially recorded in US dollars at the rate on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

2. Significant Accounting Policies (continued)

Investments

Investments in subsidiaries, associates or joint ventures are initially recorded at acquisition cost. Write–downs are recorded if, in the opinion of the management, there is any impairment in value.

The initial cost of the investment in Evraz Group S.A. was measured at the carrying amount of the equity items of Evraz Group S.A. as a separate legal entity at the date of the reorganisation (Note 3).

Dividend income is recognised as revenue when the Company’s right to receive the payment is established.

All purchases and sales of investments are recognised on the settlement date, which is the date when the investment is delivered to or by the Company.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the end of the reporting period or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of operations. Reversals of impairment losses in respect of equity instruments are not recognised in the statement of operations. Impairment losses in respect of debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the statement of operations.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Borrowings

Borrowings are initially recognised at fair value, net of directly attributable transaction costs. After initial recognition, borrowings are measured at amortised cost using the effective interest rate method; any difference between the amount initially recognised and the redemption amount is recognised as interest expense over the period of the borrowings.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and when 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. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2. Significant Accounting Policies (continued)

Financial Guarantee Liabilities

Financial guarantee liabilities issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts between the Company and banks providing loans to the Company's subsidiaries are recognised initially as a liability at fair value, being equal to the estimated future cash inflows receivable from the subsidiaries under the guarantee agreements, with a corresponding recognition of the same amount as receivables from related parties. Subsequently, the liability is amortised over the lives of the guarantees through the statement of comprehensive income, unless it is considered probable that a guarantee will be called, in which case it is measured at the value of the guaranteed amount payable, if higher.

3. Investments in Subsidiaries and Joint Ventures

Investments in subsidiaries and joint ventures consisted of the following as of 31 December:

	Ownership interest		Cost, net of impairment US$ million	
Subsidiaries	**2017**	**2016**	**2017**	**2016**
Evraz Group S.A.	100%	100%	**3,182**	3,165
Joint Ventures				
OJSC Mining and Metallurgical Company Timir	51.00001%	51.00001%	**24**	18

The movement in investments was as follows:

$US million	Evraz Group S.A.	EVRAZ Greenfield Development S.A.	Timir	Total
31 December 2015	**$ 2,849**	**$ 31**	**$ 40**	**$ 2,920**
Additional investments	300	–	–	300
Share-based compensations	16	–	–	16
Liquidation of investments	–	(32)	–	(32)
Impairment (loss recognition)/reversal	–	1	(22)	(21)
31 December 2016	**$ 3,165**	**$ –**	**$ 18**	**$ 3,183**
Share-based compensations	17	–	–	17
Impairment loss (recognition)/reversal	–	–	6	6
31 December 2017	**$ 3,182**	**$ –**	**$ 24**	**$ 3,206**

Evraz Group S.A.

The Company acquired Evraz Group S.A. in 2011 by means of the share exchange offer made by the Company to the shareholders of Evraz Group S.A. The cost of investments in Evraz Group S.A. was measured at the carrying amount of the equity items shown in the separate accounts of Evraz Group S.A. at the dates of the share exchange.

3. Investments in Subsidiaries and Joint Ventures (continued)

Evraz Group S.A. (continued)

In 2016, the Company made a cash contribution to the share capital of Evraz Group S.A. in the amount of $300 million.

In addition, the Company recognises share-based payments made to employees of subsidiaries under control of Evraz Group S.A. as an addition to the cost of its investments in Evraz Group S.A. (Note 5). In 2017 and 2016, such share-based compensations amounted to $17 million and $16 million, respectively.

EVRAZ Greenfield Development S.A. (“EGD”)

In 2016, EGD transferred the Mezhegey coal project to Evraz Group S.A. and was liquidated. The Company received from EGD $32 million in cash as a return of shareholder’s funds. Consequently, the Company reversed impairment of $1 million being the difference between cash proceeds from EGD and its carrying value before liquidation.

OJSC Mining and Metallurgical Company Timir

Since 2013 the Company has owned a 51% ownership interest in the joint venture with Alrosa for the development of iron ore deposits in the Yakutia region in Russia. The Company’s consideration for this stake of 4,950 million roubles was recognised as $149 million being the present value of the expected cash outflows at the exchange rate as of the date of the transaction.

In 2017 and 2016, the Company recognised interest charges on deferred installments of $2 million and $3 million, respectively, within interest expense.

In 2017 and 2016, the Company paid 500 million roubles ($8 million and $7 million, respectively) of purchase consideration and $3 million and $1 million, respectively, of interest charges.

In 2017 and 2016, the Company recognised $1 million and $4 million, respectively, of foreign exchange losses on liabilities for Timir.

At 31 December 2017 and 2016, trade and other accounts payable included liabilities relating to this acquisition in the amount of $19 million and $27 million, respectively.

At 30 September 2017 and 30 September 2016, the Company assessed the recoverability of its investment in Timir. The recoverable amount of the asset was its fair value less costs to sell, which was determined using cash flow projections based on business plans approved by management and an appropriate discount rate reflecting time value of money and risks associated with the asset. The discount rates were 11.56% and 11.75% in 2017 and 2016, respectively. As a result, in 2017 the Company recognised an impairment reversal of $6 million (2016: impairment losses of $22 million). The major drivers that led to impairment losses in 2016 were the decrease in the expected long-term prices for iron ore, the increase in the amount of the required capital expenditure to maintain production at budgeted capacities and the postponement of the start of production for 2 years. In 2017, the long-term prices for iron ore were revised and this led to a partial reversal of impairment.

Additional information regarding Timir is provided in Note 11 of the consolidated financial statements.

Any change to the key assumptions in the value in use calculations could materially impact the recoverable value and result in further impairment or a reversal of previously recognised impairment. For further analysis of these key assumptions please refer to Note 11 of the consolidated financial statements.

Indirect Subsidiaries and Other Significant Holdings

The full list of indirect subsidiaries and other significant holdings of EVRAZ plc is presented in Note 34 of the consolidated financial statements.

4. Equity

Share Capital

Number of shares	31 December 2017	31 December 2016
Ordinary shares of $1 each, issued and fully paid	**1,506,527,294**	1,506,527,294

EVRAZ plc does not have an authorised limit on its share capital.

Treasury Shares

Number of shares	31 December 2017	31 December 2016
Treasury shares	**74,474,663**	87,015,878

In 2015, EVRAZ plc purchased 108,458,508 of its own shares. These shares are used for the Company's Incentive Plans (Note 21 of the consolidated financial statements). Under these plans, in 2017 and 2016, the Company transferred to the participants of Incentive Plans 12,541,215 and 11,465,371 shares, respectively.

Reorganisation Reserve

Reorganisation reserve represents the difference between the net assets of Evraz Group S.A. at the date of the Group's reorganisation (7 November 2011) and the par value of the issued shares of EVRAZ plc. This charge to equity reduced the amount of distributable reserves.

Merger Reserve

The merger reserve arose in 2013 in connection with the purchase of 50% in Corber Enterprises S.à r.l. ("Corber") in accordance with section 612 of the Companies Act 2006. Impairments of the carrying value of this investment were transferred to the merger reserve.

The disposal of the investment in Corber to Evraz Group S.A., the Company's subsidiary, in 2015 (Note 3) was made for non-cash consideration which does not meet the criteria for qualifying consideration. The balance of the merger reserve will be presented as a separate component of equity in the Company's statement of financial position until such time as Evraz Group S.A. is sold for qualifying consideration, and the merger reserve will be re-allocated to accumulated profits and become distributable.

Dividends

In 2017, the Company declared dividends:

	Date of declaration	To holders registered at	Dividends declared, US$ million	US$ per share
Interim for 2017	09/08/2017	18/08/2017	430	0.30

No dividends were declared in 2016.

Distributable Reserves

$US million	2017	2016
Accumulated profits	**1,472**	1,958
Reorganisation reserve	**(584)**	(584)
31 December	**888**	1,374

5. Share-based Payments

As disclosed in Note 21 of the consolidated financial statements, the Group has incentive plans under which certain employees ("participants") can be gifted shares of the Company.

In 2017 and 2016, the Company recognised share-based compensation expense amounting to $17 million and $16 million, respectively, as a cost of investment in Evraz Group S.A. with a corresponding increase in equity.

6. Related Party Transactions

Related parties of the Company include its direct and indirect subsidiaries, associates and joint venture partners, key management personnel and other entities that are under the control or significant influence of the key management personnel, the Company's parent or its shareholders.

Loans received from Related Parties

The following movements in loans payable to related parties were in 2016-2017.

US$ million	Currency	Interest rate per contract	Maturity	Balance at 31 December 2016	Loans received from related parties	Interest expense	Repayment of loans	Balance at 31 December 2017
Indirect subsidiaries								
Evrazholding Finance	USD	6.31%	2021	**$ 203**	**$ –**	**$ 4**	**$ (207)**	**$ –**
East Metals A.G.	USD	3.75%	2018	**69**	**–**	**3**	**(6)**	**66**
East Metals A.G.	USD	3.13%	2018	**5**	**32**	**1**	**(1)**	**37**
East Metals A.G.	USD	3.32%	2020	**–**	**200**	**4**	**(3)**	**201**
East Metals A.G.	USD	2.73%	2019	**–**	**430**	**4**	**–**	**434**
				$ 277	**$ 662**	**$ 16**	**$ (217)**	**$ 738**

US$ million	Currency	Interest rate per contract	Maturity	Balance at 31 December 2015	Loans received from related parties	Interest expense	Repayment of loans	Balance at 31 December 2016
Indirect subsidiaries								
Evrazholding Finance	USD	6.31%	2021	$ –	$ 200	$ 9	$ (6)	$ 203
East Metals A.G.	USD	3.75%	2018	–	100	2	(33)	69
East Metals A.G.	USD	3.13%	2018	–	5	–	–	5
				$ –	$ 305	$ 11	$ (39)	$ 277

Guarantees

In 2014-2017, the Company issued guarantees to several banks in respect of the liabilities of EVRAZ NTMK and EVRAZ ZSMK, indirect subsidiaries of the Company, under certain loans totalling $1,772 million at 31 December 2017 (2016: $1,784 million). The loans are due for repayment during the period from 2020 to 2024. The Company earns guarantee fees in respect of these guarantees and in 2017 it accrued $5 million of such income (2016: $9 million). In 2017, the Company recognised an additional financial guarantee liability of $3 million (2016: $5 million).

In addition, in 2017 the Company accrued $1 million of guarantee fees for the issued guarantees to East Metals A.G. for liabilities of Evraz Group S.A., both indirect subsidiaries of the Company, and $1 million of guarantee fees (2016:$1 million) for the issued guarantees to several banks for liabilities of East Metals A.G amounting to $66 million as of 31 December 2017 (2016: $141 million).

In 2016, the Company accrued $1 million of guarantee fees for the issued guarantees to East Metals A.G. for liabilities of Mastercroft Finance Limited, both indirect subsidiaries of the Company.

6. Related Party Transactions (continued)

Other Transactions

In 2017, OOO Evrazholding, an indirect subsidiary of the Company, rendered consulting services in the amount of $1 million (2016: $1 million).

As of 31 December 2017, the Company owed $1 million to Evraz Inc North America, an indirect subsidiary of the Company.

Other disclosures on directors' remuneration required by Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts & Reports) regulations 2008 and those specified for audit by the Directors' Remuneration Report Regulations 2002 are included in the Directors' Remuneration Report.

7. Other non-operating loss

In 2017, other non-operating losses represent $1 million of related expenses paid by the Company for the sale of EVRAZ Nakhodka Trade Sea Port, an indirect subsidiary of the Company.

In 2016, other non-operating losses represent $39 million (including $8 million paid in 2016) relating to the settlement of the Company's guarantee under a long-term take-or-pay supply contract of a former indirect subsidiary of the Company.

In 2017, the Company paid $7 million under the guarantee and recognised interest expense of $1 million. At 31 December 2017 and 2016, trade and other accounts payable included liabilities relating to this guarantee in the amount of $25 million and $31 million, respectively.

8. Financial Instruments

Liquidity Risk

The following tables summarise the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including interest payments.

31 December 2017

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed –rate debt							
Loans payable to related parties							
Principal	$ –	$ –	$ 102	$ 430	$ 200	$ –	$ 732
Interest	–	–	7	18	18	–	43
Trade and other payables							
Principal	–	12	3	15	15	–	45
Interest	–	2	–	1	–	–	3
Financial guarantees	–	–	8	7	10	–	25
Total fixed-rate debt	–	14	120	471	243	–	848
Non-interest bearing debt							
Payables to related parties	1	–	–	–	–	–	1
Total non-interest bearing debt	1	–	–	–	–	–	1
	$ 1	$ 14	$ 120	$ 471	$ 243	$ –	$ 849

8. Financial Instruments (continued)

Liquidity Risk (continued)

31 December 2016

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed –rate debt							
Loans payable to related parties							
Principal	$ –	$ –	$ –	$ –	$ 74	$ 200	$ 274
Interest	–	–	3	28	29	28	88
Trade and other payables							
Principal	–	12	3	15	25	4	59
Interest	–	3	–	2	–	1	6
Financial guarantees	–	–	9	7	10	1	27
Total fixed-rate debt	–	15	15	52	138	234	454

Fair Value of Financial Instruments

The carrying amounts of financial instruments, such as cash, accounts receivable and payable, loans payable to related parties, approximate their fair value.

9. Subsequent Events

On 28 February 2018, the Board of directors of EVRAZ plc declared a second interim dividend for 2017 in the amount of $429.6 million, which represents $0.3 per share.

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