Financing and liquidity

EVRAZ began 2017 with total debt of US$5,961 million. Throughout the year, the Group prepaid and refinanced several of its bank financing facilities, further reducing its financial leverage and debt service costs.

In two transactions, amounting to US$110 million in January and US$270 million in July, EVRAZ prepaid the remaining outstanding principal of its US$500 million syndicated pre-export financing facility. The Group also prepaid its UniCredit Bank and Nordea Bank loans in the amounts of US$44 million and US$13 million, respectively.

In August, the Group partially repaid and refinanced the remainder of its loan from Gazprombank. This transaction reduced the outstanding balance, converted the rouble-denominated part into US dollars, repriced the facility and extended the final maturity to 2022. Upon completion of this transaction, the loan from Gazprombank consists of a tranche denominated in US dollars of US$152 million and a euro-denominated tranche of EUR180 million.

In September, EVRAZ prepaid US$99 million toward one of its outstanding loans from VTB.

To fund the prepayments, the Group raised several new bank loans: a six-year, US$200 million credit from Alfa-Bank, as well as two-, three-, and five-year tranches totalling US$300 million from Sberbank. In November, it also borrowed US$100 million from ING DiBa with final maturity in 2022.

In October, EVRAZ' North American subsidiaries entered into a new US$450 million asset-based lending facility maturing in 2022, which was arranged by JP Morgan Chase Bank N.A. and a syndicate of banks. This agreement is intended to finance the North American operations' working capital needs and has replaced a similar facility that would have matured in 2019.

During 2017, EVRAZ was also active on capital markets completing several transactions.

In March, Evraz Group S.A. issued a US$750 million Eurobond due in 2023 with a semi-annual coupon of 5.375%, which is the lowest rate in the Group's history. The proceeds were used to fund the tender offer for the Eurobonds due in 2018 and 2020. The Group partially repurchased the 9.50% notes due in 2018 (US$50 million), the 6.75% notes due in 2018 (US$332 million) and the 6.50% bonds due in 2020 (US$300 million). The total cash outflow was US$726 million, including the premium paid over the nominal value.

In October, Evraz Group S.A. completed an early redemption, at the make-whole price, of its 9.5% notes due in 2018 with a principal amount of US$75 million and its 6.75% notes due in 2018 with a principal amount of US$196 million. The total cash outflow was US$285 million, including the premium paid over the nominal value.

In May, Evraz Inc NA Canada called US$345 million of its 7.50% senior secured notes due in 2019. In September, it called the remaining US$5 million outstanding of these notes in full. These two transactions resulted in a total cash outflow of US$364 million, including the premium paid over the nominal value.

These activities, as well as scheduled drawings and repayments of bank loans, brought the Group's total debt down by US$529 million to US$5,432 million as at 31 December 2017. Net debt dropped by US$836 million to US$3,966 million, compared with US$4,802 million as at 31 December 2016.

Mainly due to decreasing total debt and the Group's efforts to refinance existing facilities during 2017, interest expenses accrued in respect of loans, bonds and notes decreased to US$394 million for the reporting period, compared with US$439 million a year earlier.

Net debt to EBITDA stood at 1.5 times, compared with 3.1 times as at 31 December 2016.

At the year-end, the Group had a total outstanding principal of around US$1,772 million on debt with financial maintenance covenants, comprised of various bilateral facilities. The maintenance covenants under these facilities include the two key ratios that are calculated based on EVRAZ plc's consolidated financial statements: a maximum net leverage and a minimum EBITDA interest coverage ratio. As of the year-end, EVRAZ was in full compliance with its financial covenants.

As at 31 December 2017, the Group had accumulated US$1,466 million of cash and cash equivalents. It had additional liquidity sources available in the form of US$131 million in committed and US$1,251 million in uncommitted credit facilities.

At the year-end, short-term loans and the current portion of long-term loans totalled US$148 million. Cash on hand and committed credit facilities were more than sufficient to cover all of EVRAZ' debt principal maturing in 2018 and 2019.

Key recent developments

In February 2018, EVRAZ repaid two US$100 million loans from Alfa Bank due 2019, a US$200 million loan from Alfa Bank due 2023 and a US$100 million loan from Sberbank due 2020. The Group financed these repayments with a combination of its cash balances and a new 5-year US$300 million term loan from Alfa bank. These transactions resulted in an extension of maturity profile and reduction of interest charges.