EVRAZ plc
Separate Financial Statements for the year ended 31 December 2018

Separate Statement of Comprehensive Income

In millions of US dollars

	Notes	31 December 2018	31 December 2017
General and administrative expenses		**$ (10)**	$ (9)
Operating income	**6**	**6**	7
Reversal of impairment of investments	**3**	**–**	6
Foreign exchange gains/(losses)	**3,4,6**	**164**	(1)
Interest expense	**3,6,7**	**(66)**	(19)
Other non-operating losses	**9**	**–**	(1)
Profit/(loss) before tax		**94**	(17)
Current income tax expense	**8**	**(14)**	–
Net profit/(loss)		**80**	(17)
Total comprehensive income/(loss)		**$ 80**	$ (17)

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

Separate Statement of Financial Position

In millions of US dollars

		31 December	
	Notes	2018	2017
ASSETS			
Non–current assets			
Investments in subsidiaries	3	**$ 3,197**	$ 3,182
Investments in joint ventures	3	**24**	24
Receivables from related parties	6	**21**	17
		3,242	3,223
Current assets			
Receivables from related parties	6	**12**	10
TOTAL ASSETS		**3,254**	3,233
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	4	**75**	1,507
Treasury shares	4	**(196)**	(231)
Reorganisation reserve	4	**(584)**	(584)
Merger reserve	4	**127**	127
Share-based payments	5	**149**	134
Accumulated profits		**1,393**	1,472
		964	2,425
LIABILITIES			
Non-current liabilities			
Trade and other payables	7	**14**	27
Loans payable to related parties	6	**724**	630
Financial guarantee liabilities	6	**21**	17
		759	674
Current liabilities			
Trade and other payables	3,7	**14**	17
Payables to related parties	6	**–**	1
Loans payable to related parties	6	**1,493**	108
Financial guarantee liabilities	6	**10**	8
Income tax payable	8	**14**	–
		1,531	134
TOTAL LIABILITIES		**2,290**	808
TOTAL EQUITY AND LIABILITIES		**$ 3,254**	$ 3,233

The Financial Statements on pages 244–257 were approved by the Board of Directors on 27 February 2019 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	2018	2017
Cash flows from operating activities			
Net profit/(loss)		**$ 80**	$ (17)
Adjustments to reconcile net loss to net cash flows from operating activities:			
Operating income	**6**	**(6)**	(7)
Reversal of impairment	**3**	**–**	(6)
Foreign exchange (gains)/losses	**3,4,6**	**(164)**	1
Interest expense	**3,6,7**	**66**	19
Other non-operating losses	**9**	**–**	1
		(24)	(9)
Changes in working capital:			
Receivables from related parties	**6**	**5**	11
Trade and other payables	**7**	**(6)**	(8)
Tax payable		**14**	–
Net cash flow used in operating activities		**(11)**	(6)
Cash flows from financing activities			
Dividends paid to shareholders	**4**	**(1,556)**	(430)
Proceeds from loans provided by related parties	**6**	**2,976**	662
Repayment of loans provided by related parties, including interest	**6**	**(1,396)**	(217)
Payments for investments on deferred terms, including interest	**3**	**(11)**	(11)
Net cash flow from financing activities		**13**	4
Effect of foreign exchange rate changes on cash and cash equivalents		**(2)**	–
Net decrease in cash and cash equivalents		**–**	(2)
Cash and cash equivalents at the beginning of the year		**–**	2
Cash and cash equivalents at the end of the year		**$ –**	$ –
Supplementary cash flow information:			
Interest paid		**(34)**	(17)

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 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**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**80**	**80**
Share-based payments	**5**	**–**	**–**	**–**	**–**	**15**	**–**	**15**
Dividends declared	**4**	**–**	**–**	**–**	**–**	**–**	**(1,556)**	**(1,556)**
Reduction of share capital	**4**	**(1,432)**	**–**	**–**	**–**	**–**	**1,432**	**–**
Transfer of treasury shares to participants of the Incentive Plans	**4**	**–**	**35**	**–**	**–**	**–**	**(35)**	**–**
At 31 December 2018		**$ 75**	**$ (196)**	**$ (584)**	**$ 127**	**$ 149**	**$ 1,393**	**$ 964**

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 2018

1. Corporate Information

These separate financial statements were authorised for issue by the Board of Directors of EVRAZ plc on 27 February 2019.

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, vanadium products and coal and iron ore mining. The Group is one of the largest steel producers globally.

Until 3 September 2018 Lanebrook Limited (“Lanebrook”) registered in Cyprus was the ultimate controlling party of the Group. On that date Lanebrook distributed all its ownership interest in EVRAZ plc to its direct shareholders in proportion to their holdings in Lanebrook. At 31 December 2018, EVRAZ plc is jointly controlled by a group of 3 shareholders: Greenleas International Holdings Limited (BVI), Abiglaze Limited (Cyprus) and Crosland Global Limited (Cyprus).

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 2018, 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.

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.

Financial Guarantee Liabilities

Financial guarantee liabilities issued by the Company are those contracts that require a payment to be made to reimburse the incurred losses because the specified debtor or counterparty to a contract fails to make payments or to perform the agreed terms of a contract. Financial guarantees issued by the Company 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	
	2018	**2017**	**2018**	**2017**
Subsidiaries				
Evraz Group S.A.	100%	100%	**3,197**	3,182
Joint Ventures				
Timir	51.00001%	51.00001%	**24**	24

The movement in investments was as follows:

$US million	**Evraz Group S.A.**	**Timir**	**Total**
31 December 2016	**$ 3,165**	**$ 18**	**$ 3,183**
Share-based compensations	17	–	17
Impairment loss (recognition)/reversal	–	6	6
31 December 2017	**$ 3,182**	**$ 24**	**$ 3,206**
Share-based compensations	15	–	15
31 December 2018	**$ 3,197**	**$ 24**	**$ 3,221**

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.

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 2018 and 2017, such share-based compensations amounted to $15 million and $17 million, respectively.

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 2018 and 2017, the Company recognised interest charges on deferred installments of $1 million and $2 million, respectively, within interest expense.

In 2018 and 2017, the Company paid 500 million roubles ($9 million and $8 million, respectively) of purchase consideration and $2 million and $3 million, respectively, of interest charges.

At 31 December 2018 and 2017, trade and other accounts payable included liabilities relating to this acquisition in the amount of $8 million and $19 million, respectively.

3. Investments in Subsidiaries and Joint Ventures (continued)

OJSC Mining and Metallurgical Company Timir (continued)

Due to the postponement of the major project activities, the Company assessed the recoverability of its investment in Timir at 30 September 2017 (in 2018 there were no indicators of impairment). 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 rate was 11.56%. In 2017, the long-term prices for iron ore were revised and this led to a partial reversal of impairment of $6 million.

Additional information regarding Timir is provided in 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

	31 December	
Number of shares	**2018**	**2017**
Ordinary shares of $0.05 each, issued and fully paid	**1,506,527,294**	–
Ordinary shares of $1.00 each, issued and fully paid	**–**	1,506,527,294

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

On 10 July 2018 the High Court of England and Wales approved the reduction of the nominal value of each share from $1.00 to $0.05. The amount of the cancelled share capital amounting to $1,432 million increased the Company's distributable reserves.

Treasury Shares

	31 December	
Number of shares	**2018**	**2017**
Treasury shares	**63,177,187**	74,474,663

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 2018 and 2017, the Company transferred to the participants of Incentive Plans 11,297,476 and 12,541,215 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.

4. Equity (continued)

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.

In 2015, the disposal of the investment in Corber to Evraz Group S.A. (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 2018 and 2017, the Company declared dividends in the amount of $1,556 million and $430 million, respectively (Note 20 of the consolidated financial statements).

Distributable Reserves

$US million	**2018**	**2017**
Accumulated profits	**1,393**	1,472
Reorganisation reserve	**(584)**	(584)
31 December	**809**	888

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 2018 and 2017, the Company recognised share-based compensation expense amounting to $15 million and $17 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 2017-2018.

US$ million	**Currency**	**Interest rate**	**Maturity**	**Balance at 31 December 2017**	**Loans received from related parties**	**Interest expense**	**Repayment of loans**	**Forex (gain)/ loss**	**Balance at 31 December 2018**
Direct subsidiary									
Evraz Group S.A.	USD	3.50%	2020	**$ –**	**$ 92**	**$ 1**	**$ (93)**	**$ –**	**$ –**
Indirect subsidiaries									
East Metals A.G	USD	2.73-5.06%	2018-2020	**738**	**552**	**16**	**(1,244)**	**–**	**62**
EVRAZ KGOK	RUB	5.89%	2019-2020	**–**	**664**	**10**	**–**	**(26)**	**648**
EVRAZ Vanady Tula	RUB	5.51-5.89%	2019	**–**	**257**	**4**	**(1)**	**(16)**	**244**
EVRAZ ZSMK	RUB	5.51-5.89%	2019-2021	**–**	**1,411**	**33**	**(58)**	**(123)**	**1,263**
				$ 738	**$ 2,976**	**$ 64**	**$ (1,396)**	**$ (165)**	**$ 2,217**

US$ million	**Currency**	**Interest rate**	**Maturity**	**Balance at 31 December 2016**	**Loans received from related parties**	**Interest expense**	**Repayment of loans**	**Forex (gain)/ loss**	**Balance at 31 December 2017**
Indirect subsidiaries									
Evrazholding Finance	USD	6.31%	2021	$ 203	$ –	$ 4	$ (207)	$ –	$ –
East Metals A.G.	USD	2.73-3.75%	2018-2020	74	662	12	(10)	–	738
				$ 277	$ 662	$ 16	$ (217)	$ –	$ $ 738

6. Related Party Transactions (continued)

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 $1,061 million at 31 December 2018 (2017: $1,772 million). The loans are due for repayment during the period from 2021 to 2023. The Company earns guarantee fees in respect of these guarantees and in 2018 it accrued $3 million of such income (2017: $5 million).

In addition, in 2018 the Company accrued $1 million of guarantee fees (2017: $1 million) for the issued guarantees to several banks for liabilities of East Metals A.G amounting to $86 million as of 31 December 2018 (2017: $66 million).

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.

In 2018, the Company issued a guarantee to nine companies owned by Sibuglemet to compensate any direct losses caused by the failure to perform the agreed management services provided by Management Company Mezhdurechensk, an indirect subsidiary of the Company, to these entities (Note 30 of the consolidated financial statements). The Company accrued $2 million income in respect of this guarantee. In 2018 the Company recognised financial guarantee liability of $18 million.

The above guarantees are recognised at fair value in the statement of financial position of the Company. The guarantee fees are recorded within the Operating income caption of the Company's income statement.

Other Transactions

In 2018, OOO Evrazholding, an indirect subsidiary of the Company, rendered consulting services to the Company in the amount of $1 million (2017: $1 million).

At 31 December 2017, the Company owed $1 million to Evraz Inc North America, an indirect subsidiary of the Company. This balance was fully settled in 2018.

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. Trade and other payables

Trade and other accounts payable included the following at 31 December:

	2018		2017	
US$ million	**Non-current**	**Current**	**Non-current**	**Current**
Liability relating to a settlement of guarantee	**$ 14**	**$ 6**	$ 19	$ 6
Payables for the acquisition of Timir (Note 3)	**–**	**8**	8	11
	$ 14	**$ 14**	$ 27	$ 17

At 31 December 2018 and 2017, trade and other accounts payable included liabilities 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 2018, the Company paid $6 million (2017: $7 million) in respect of this liability and recognised interest expense of $1 million (2017: $1 million).

8. Income Taxes

A reconciliation of income tax expense applicable to profit before income tax using the statutory tax rate to income tax expense as reported in the Company's financial statements for the years ended 31 December is as follows:

US$ million	**2018**	**2017**
Profit/(loss) before income tax	**$ 94**	$ (17)
At the statutory income tax rate of 19%	**(18)**	3
Allowance for deferred tax asset	**–**	(3)
Benefit arising from a previously unrecognised tax loss of a prior period that is used to reduce current tax expense	**4**	–
Current income tax expense	**$ (14)**	$ –

9. Other Non-operating Losses

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

10. 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 2018

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	$ –	$ 251	$ 1,209	$ 557	$ 167	$ –	$ 2,184
Interest	–	7	103	23	7	–	140
Trade and other payables							
Principal	–	10	3	7	8	–	28
Interest	–	1	–	–	–	–	1
Financial guarantees	–	–	10	7	10	4	31
Total fixed-rate debt	$ –	$ 269	$ 1,325	$ 594	$ 192	$ 4	$ 2,384

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	14	–	44
Interest	–	2	–	1	–	–	3
Financial guarantees	–	–	8	7	10	–	25
Total fixed-rate debt	–	14	120	471	242	–	847
Non-interest bearing debt							
Payables to related parties	1	–	–	–	–	–	1
Total non-interest bearing debt	1	–	–	–	–	–	1
	$ 1	$ 14	$ 120	$ 471	$ 242	$ –	$ 848

10. Financial Instruments (continued)

Market Risk

Currency Risk

The Company's exposure to currency risk determined as the net monetary position in the respective currencies was as follows at 31 December:

US$ million	**2018**	**2017**
USD/RUB	**$ 2,162**	$ 19

Sensitivity Analysis

The following table demonstrates the sensitivity to reasonably possible changes in the respective currencies, with all other variables held constant, of the Company's profit before tax. In estimating reasonably possible changes the Company assessed the volatility of foreign exchange rates during the reporting periods.

	2018		**2017**	
	Change in exchange rate	**Effect on PBT**	**Change in exchange rate**	**Effect on PBT**
	%	*US$ millions*	*%*	*US$ millions*
USD/RUB	**(13.87)**	**(348)**	(10.01)	(2)
	13.87	**263**	10.01	2

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.

11. Subsequent Events

Material events after the reporting year are disclosed in Note 33 of the consolidated financial statements.