

EVRAZ plc

Separate Financial Statements

for the year ended 31 December 2021

Separate statement of comprehensive income

(In millions of US dollars)

	Notes	31 December	
		2021	2020
General and administrative expenses		\$ (19)	\$ (12)
Operating income	6	8	10
Reversal of impairment/ (impairment) of investments	3	393	(76)
Foreign exchange gains/(losses)	6,9	2	(49)
Interest expense	6,7,8	(183)	(239)
Gain/(loss) on financial assets or liabilities	7	(9)	-
Dividend income	6	2,020	2,129
Other non-operating gains/(losses)	6	-	2
Profit before tax		2,212	1,765
Current income tax expense	9	(202)	(213)
Net profit		2,010	1,552
Total comprehensive income		\$ 2,010	\$ 1,552

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	
		2021	2020
ASSETS			
Non-current assets			
Investments in subsidiaries	3	\$ 13,994	\$ 15,057
Investments in joint ventures	3	23	23
Receivables from related parties	6	8	12
		14,025	15,092
Current assets			
Receivables from related parties	6	7	12
Dividends receivable from related parties	6	234	704
Income tax receivable	9	16	16
Cash and cash equivalents		292	-
		549	732
Assets classified as held for distribution to owners	3	1,468	-
		2,017	732
TOTAL ASSETS		16,042	15,824
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	4	75	75
Treasury shares	4	(148)	(154)
Reorganisation reserve	4	(584)	(584)
Merger reserve	4	127	127
Share-based payments	5	185	173
Accumulated profits		10,016	9,835
		9,671	9,472
LIABILITIES			
Non-current liabilities			
Long-term loans	7	1,445	1,961
Loans payable to related parties	6	4,526	3,201
Financial guarantee liabilities	6	8	12
Trade and other payables	8	-	4
		5,979	5,178
Current liabilities			
Trade and other payables	3,8	7	4
Payables to related parties	6	-	6
Dividends payable	4	292	-
Short-term loans and current portion of long-term loans	7	20	800
Loans payable to related parties	6	45	285
Financial guarantee liabilities	6	5	9
Income tax payable	9	23	70
		392	1,174
TOTAL LIABILITIES		6,371	6,352
TOTAL EQUITY AND LIABILITIES		\$ 16,042	\$ 15,824

The Financial Statements on pages 270-283 were approved by the Board of Directors on 24 February 2022 and signed on its behalf by Deborah Gudgeon, director.

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

Separate statement of cash flows

(In millions of US dollars)

	Notes	2021	2020
Cash flows from operating activities			
Net profit		\$ 2,010	\$ 1,552
<i>Adjustments to reconcile net loss to net cash flows from operating activities:</i>			
(Reversal of impairment)/impairment of investments	3	(393)	76
Foreign exchange (gains)/losses	6	(2)	49
Interest expense	6,7,8	183	239
(Gain)/loss on financial assets or liabilities	7	9	-
Dividend income	6	(2,020)	(2,129)
Other non-operating (gains)/losses	6	-	(2)
		(213)	(215)
<i>Changes in working capital:</i>			
Payables/receivables from related parties	6	-	(64)
Trade and other payables	8	(1)	(7)
Taxes payable		202	213
Net cash flow used in operating activities		(12)	(73)
Cash flows from investing activities			
Dividends received	6	2,243	1,777
Payment for acquisition of investments in subsidiaries	3	(6)	(47)
Net cash flow from investing activities		2,237	1,730
Cash flows from financing activities			
Repayment of bank loans and notes, including interest and premiums	7	(1,392)	(188)
Payments under covenant reset	7	(10)	-
Proceeds from loans provided by related parties	6	2,145	1,345
Repayment of loans provided by related parties, including interest	6	(1,146)	(1,947)
Dividends paid to shareholders	4	(1,531)	(872)
Net cash flow used in/(from) financing activities		(1,934)	(1,662)
Effect of foreign exchange rate changes on cash and cash equivalents		1	5
Net increase in cash and cash equivalents		292	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		\$ 292	\$ -
Supplementary cash flow information:			
Interest paid to third parties	7	(140)	(173)
Interest paid to related parties	6	(46)	(102)
Income taxes withheld by tax agent	9	(249)	(197)

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	Reorganisati on reserve	Merger reserve	Share-based payments	Accumulated profits	Total
At 31 December 2019		\$ 75	\$ (169)	\$ (584)	\$ 127	\$ 162	\$ 9,170	\$ 8,781
Total comprehensive loss for the year		-	-	-	-	-	1,552	1,552
Share-based payments	5	-	-	-	-	11	-	11
Dividends declared	4	-	-	-	-	-	(872)	(872)
Transfer of treasury shares to participants of the Incentive Plans	4	-	15	-	-	-	(15)	-
At 31 December 2020		\$ 75	\$ (154)	\$ (584)	\$ 127	\$ 173	\$ 9,835	\$ 9,472
Total comprehensive income for the year		-	-	-	-	-	2,010	2,010
Share-based payments	5	-	-	-	-	12	-	12
Dividends declared	4	-	-	-	-	-	(1,823)	(1,823)
Transfer of treasury shares to participants of the Incentive Plans	4	-	6	-	-	-	(6)	-
At 31 December 2021		\$ 75	\$ (148)	\$ (584)	\$ 127	\$ 185	\$ 10,016	\$ 9,671

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

EVRAZ plc

Notes to the separate financial statements

Year ended 31 December 2021

1. CORPORATE INFORMATION

These separate financial statements were authorised for issue by the Board of Directors of EVRAZ plc on 24 February 2022.

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 address is 2 Portman street, London, W1H 6DU, 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.

At 31 December 2021 and 2020, EVRAZ plc was 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 separate financial statements of EVRAZ plc have been prepared in accordance with UK-adopted international accounting standards. These standards are International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standard Board (“IASB”), as endorsed by the UK Endorsement Board.

These financial statements have been prepared on a going concern basis as the directors believe that 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 (Note 2 of the consolidated financial statements).

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.

Investments

Investments in subsidiaries, associates or joint ventures are initially recorded at acquisition cost. Impairment in value is recorded if the carrying value of an investment exceeds its recoverable amount. The reversal of impairment is recognised when the recoverable amount exceeds the carrying amount, but is limited to the amount of accumulated impairment losses previously recognised.

The determination of the recoverable amount of investments involves the use of estimates by management. These estimates, including the methodologies used, may have a material impact on the value in use of cash-generating units, which are included in the investment, and, ultimately, the amount of any impairment. In 2021, reasonably possible changes in the assumptions could lead to a smaller amount of an impairment reversal of the investment in Evraz Group S.A. for an effect of possible impairment of cash-generating units of the Steel North America segment. The key estimates and assumptions are disclosed in Note 6 of the consolidated financial statements.

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Held for Sale or for Distribution to Owners

In the separate financial statements when investments accounted for at cost are classified as held for sale or for distribution to owners, they are accounted for in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, i.e. they are presented in a separate line item in the statement of financial position. If such assets represent discontinued operations, no adjustments are made in the separate statement of comprehensive income for current or previous years.

Non-cash Distributions to Owners

The Company measures a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. If the Company gives its owners a choice of receiving either a non-cash asset or a cash alternative, the Company estimates the dividend payable by calculating the fair value of each alternative. At the end of each reporting period and at the date of settlement, the Company reviews and adjusts the carrying amount of the dividend payable, with any changes in the carrying amount of the dividend payable recognised in equity as adjustments to the amount of the distribution.

When the Company settles the dividend liability, it recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable in profit or loss.

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	
	2021	2020	2021	2020
Subsidiaries				
Evrax Group S.A.	100%	100%	\$ 3,203	\$ 2,808
EVRAZ NTMK	100%	100%	10,791	10,781
Raspadskaya	-	90.90%	-	1,468
			13,994	15,057
Raspadskaya (classified as held for distribution to owners)	93.24%	-	1,468	-
Joint Ventures				
Timir	51.00001%	51.00001%	23	23

3. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

The movement in investments was as follows:

<i>\$US million</i>	Evraz Group S.A.	NTMK	Raspadskaya	Timir	Total
31 December 2019	\$ 2,884	\$ 10,771	\$ 1,440	\$ 22	\$ 15,117
Additional investments	-	-	28	-	28
Impairment loss (recognition)/reversal	(77)	-	-	1	(76)
Share-based compensations	1	10	-	-	11
31 December 2020	\$ 2,808	\$ 10,781	\$ 1,468	\$ 23	\$ 15,080
Impairment loss (recognition)/reversal	393	-	-	-	393
Share-based compensations	2	10	-	-	12
Reclassification to assets held for distribution to owners	-	-	(1,468)	-	(1,468)
31 December 2021	\$ 3,203	\$ 10,791	\$ -	\$ 23	\$ 14,017

The Company recognises share-based payments made to employees of subsidiaries under control of Evraz Group S.A., EVRAZ NTMK and Raspadskaya as an addition to the cost of its investments in these subsidiaries (Note 5).

The accumulated impairment of the investments was as follows:

<i>\$US million</i>	Evraz Group S.A.	EVRAZ NTMK	Raspadskaya	Timir	Total
31 December 2019	\$ (316)	\$ -	\$ -	\$ (127)	\$ (443)
Impairment loss (recognition)/reversal	(77)	-	-	1	(76)
31 December 2020	\$ (393)	\$ -	\$ -	\$ (126)	\$ (519)
Impairment loss (recognition)/reversal	393	-	-	-	393
31 December 2021	\$ -	\$ -	\$ -	\$ (126)	\$ (126)

Evraz Group S.A.

In 2011, the Company acquired Evraz Group S.A. by means of the share exchange offer made by the Company to the shareholders of Evraz Group S.A. At that date 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. In 2020 and 2019, the Company impaired its investment in Evraz Group S.A. largely as a consequence of the decline in value of cash-generating units of EVRAZ Inc. NA Canada. In 2021, the value of these cash-generating units increased due to market recovery and increase in prices for steel products. Consequently, the Company fully reversed the prior years impairment of \$393 million. More details are provided in Note 6 of the consolidated financial statements.

EVRAZ NTMK

On 18 April 2019, the Company acquired 100% ownership interest in EVRAZ NTMK from Evraz Group S.A. for consideration of \$10,761 million, which was partially settled by non-cash consideration (Note 6). At 31 December 2019, the Company owed \$2,899 million to Evraz Group S.A. in respect of this acquisition. In 2020, the Company paid \$25 million under these liabilities and the remaining balance was converted into a loan (Note 6).

Raspadskaya

On 18 April 2019, the Company acquired 84.33% ownership interest in Raspadskaya from Evraz Group S.A. for consideration of \$1,423 million, which was settled wholly by non-cash consideration (Note 6). Later in 2019, the Company acquired 1.33% in Raspadskaya from Evraz Group S.A. for cash consideration of \$17 million, which in 2020 was converted into a loan payable to Evraz Group S.A. in the amount of \$15 million (Note 6).

In 2020, the Company acquired an additional 2.74% interest in Raspadskaya from Evraz Group S.A. for cash consideration of \$28 million of which \$22 million was paid in cash in 2020 and \$6 million was paid in cash in 2021 (Note 6).

On 31 December 2021, the Company analysed all facts and circumstances in connection with the potential demerger of Raspadskaya disclosed in Note 13 of the consolidated financial statements and concluded that the investment in Raspadskaya met all criteria for being recognised as an asset held for distribution to owners. Consequently, the Company accounted for its investment in Raspadskaya according to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

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 in the amount of \$149 million being the present value of the expected cash outflows at the exchange rate as of the date of the transaction. During 2013-2019 the Company paid deferred installments for this acquisition. In 2019, the Company paid the final tranche of 480 million roubles (\$7 million of purchase consideration and \$1 million of interest charges).

3. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

OJSC Mining and Metallurgical Company Timir (continued)

In 2016 and before, due to the postponement of the major project activities, the Company impaired its investment in Timir. In 2020, the Company reversed impairment loss of \$1 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

Number of shares	31 December	
	2021	2020
Ordinary shares of \$0.05 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	
	2021	2020
Treasury shares	47,837,582	49,654,691

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 2021 and 2020, the Company transferred to the participants 1,817,109 and 4,965,542 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.

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 2021 and 2020, the Company declared dividends in the amount of \$1,823 million and \$872 million, respectively (Note 20 of the consolidated financial statements). During 2021 the Company paid dividends of \$1,531 million. As of 31 December 2021 an amount of \$292 million of dividends declared is payable.

Distributable Reserves

\$US million	2021	2020
Accumulated profits	10,016	9,835
Reorganisation reserve	(584)	(584)
Unrealised profits	(8,200)	(8,200)
31 December	1,232	1,051

Dividend income from Evraz Group S.A. in the amount of \$8,200 million (Note 6) did not constitute a qualifying consideration and was distributed out of the profit resulting from sale of assets (EVRAZ NTMK and Rospadskaya) to parent and, therefore, this income is excluded from the Company's distributable reserves at 31 December 2021 and 2020.

4. EQUITY (CONTINUED)

Distributable Reserves (continued)

In February 2020 the directors became aware that certain dividends paid in 2018 and 2019 totaling \$1,447 million had been made otherwise than in accordance with the Companies Act 2006. The directors duly checked the sufficiency of distributable reserves before each distribution, but due to an administrative error the interim accounts were not filed at Companies House prior to payment. To rectify these breaches, in February 2020 the Company filed the interim accounts in respect of each dividend payment. In addition, a special resolution was planned to be proposed at the Annual General Meeting of the Company's shareholders in June 2020 to authorise the appropriation of distributable profits for the payment of the relevant dividends and remove any right for the Company to pursue shareholders or directors (the 'Director Release') for repayment. Due to the uncertainty caused by the effect of COVID-19 on the Company's ability to conduct an in-person meeting of shareholders this resolution was postponed to a more convenient time. It is expected that the special resolution will be proposed at the Annual General Meeting of the Company's shareholders in June 2022. The Director Release will constitute a related party transaction under the Listing Rules of the UK Listing Authority and under IFRS. The overall effect of the special resolution will be to return all parties to the position they would have been in had the relevant dividends been made in full compliance with the Companies Act 2006.

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 2021 and 2020, the Company recognised share-based compensation expense amounting to \$12 million and \$11 million, respectively, as a cost of investments in subsidiaries 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 and the Company's ultimate controlling parties.

Loans Received from Related Parties

The following movements in loans payable to related parties were in 2020-2021.

US\$ million	Currency	Interest rate	Maturity	Balance at 31 December 2020	Loans received from related parties	Interest expense	Repayment of loans	Non-cash transactions	Forex (gain)/loss	Balance at 31 December 2021
<i>Direct subsidiary</i>										
Evrax Group S.A.	USD	1.93-2.64%	2021- 2023	\$ 2,736	\$ 1,220	\$ 57	\$ (669)	\$ -	\$ -	\$ 3,344
<i>Indirect subsidiaries</i>										
East Metals A.G.	USD	2.55%	2023	-	550	13	(6)	-	-	557
ENA plc	USD	1.93%	2023	750	-	13	(93)	-	-	670
EVRAZ KGOK	USD	1.92%	2025	-	375	3	(378)	-	-	-
				\$ 3,486	\$ 2,145	\$ 86	\$ (1,146)	\$ -	\$ -	\$ 4,571

US\$ million	Currency	Interest rate	Maturity	Balance at 31 December 2019	Loans received from related parties	Interest expense	Repayment of loans	Non-cash transactions	Forex (gain)/loss	Balance at 31 December 2020
<i>Direct subsidiary</i>										
Evrax Group S.A.	USD	1.93-4.95%	2021-2023	\$ 528	\$ 815	\$ 89	\$ (596)	\$ 1,900	\$ -	\$ 2,736
Evrax Group S.A.	RUB	6.4%	2020	-	-	2	(459)	474	(17)	-
<i>Indirect subsidiaries</i>										
East Metals A.G.	USD	3.00-5.06%	2020	418	466	8	(892)	-	-	-
EVRAZ ZSMK	RUB	4.56%	2021	-	64	-	-	(66)	2	-
ENA plc	USD	1.93%	2023	-	-	-	-	750	-	750
				\$ 946	\$ 1,345	\$ 99	\$ (1,947)	\$ 3,058	\$ (15)	\$ 3,486

6. RELATED PARTY TRANSACTIONS (CONTINUED)

In 2020, non-cash transactions included the following:

- In January 2020, a US dollar-denominated loan, which was received from Evraz Group S.A. in 2019, amounting to \$474 million was converted into a loan denominated in roubles.
- In March 2020, EVRAZ plc and Evraz Group S.A. signed an assignment agreement and the outstanding balances payable to Evraz Group S.A. for the purchase of EVRAZ NTMK and Rospadskaya (Note 3) and for the transfer of loans in 2019 were converted into a loan in the amount of \$3,124 million.
- In April 2020, EVRAZ plc transferred to Evraz Group S.A. its obligations under loans payable to EVRAZ ZSMK amounting to \$66 million for consideration of \$64 million. An amount of \$2 million was recognised as non-operating gain in the separate statement of comprehensive income.
- In December 2020, Evraz Group S.A. reassigned \$750 million under a loan receivable from EVRAZ plc to ENA plc.

Dividend Income

	Evraz Group S.A.	EVRAZ NTMK	Rospadskaya	Total
Dividends receivable at 31 December 2019	\$ –	\$ 629	\$ –	\$ 629
Dividend income accrued in 2020	–	2,083	46	2,129
Dividends received by cash	–	(1,735)	(42)	(1,777)
Tax withheld	–	(193)	(4)	(197)
Non-cash offset	–	–	–	–
Foreign exchange gain/(loss)	–	(80)	–	(80)
Dividends receivable at 31 December 2020	\$ –	\$ 704	\$ –	\$ 704
Dividend income accrued in 2021	–	1,540	480	2,020
Dividends received by cash	–	(2,019)	(224)	(2,243)
Tax withheld	–	(225)	(24)	(249)
Foreign exchange gain/(loss)	–	–	2	2
Dividends receivable at 31 December 2021	\$ –	\$ –	\$ 234	\$ 234

In April, July and October 2021, EVRAZ NTMK declared and fully paid dividends in the amount of 24.8 billion roubles (\$324 million), 66.1 billion roubles (\$891 million) and 22.5 billion roubles (\$325 million).

In February, June, August 2020 EVRAZ NTMK declared dividends in the amount of 31.9 billion roubles (\$499 million), 38.4 billion roubles (\$556 million), 23.6 billion roubles (\$324 million), respectively, which were paid in 2020, and in December 2020 NTMK declared 52.4 billion roubles (\$704 million), which were paid to EVRAZ plc in 2021.

In May, September and December 2021, EVRAZ plc accrued its share in the dividends declared by Rospadskaya in the amount of 3.5 billion roubles (\$48 million), 14.3 billion roubles (\$196 million) and 17.4 billion roubles (\$236 million) respectively. As of 31 December 2021, the dividends declared in December 2021 amounting to \$234 million were outstanding.

In May and September 2020, EVRAZ plc accrued its share in the dividends declared and fully paid by Rospadskaya in the amount of 1.7 billion roubles (\$24 million) and 1.7 billion roubles (\$22 million), respectively.

Offset of Liabilities with Evraz Group S.A.

During 2020 there were a number of transactions between EVRAZ plc and its direct subsidiary Evraz Group S.A.:

- In February 2020, EVRAZ plc repaid \$25 million to Evraz Group S.A. in respect of the liabilities for the purchase of EVRAZ NTMK (Note 3). In March 2020, EVRAZ plc and Evraz Group S.A. signed an assignment agreement and the remaining balances payable to Evraz Group S.A. for the purchase of EVRAZ NTMK and Rospadskaya (Note 3) and for the transfer of loans were converted into a loan amounting to \$3,124 million. An amount of \$2 million was recognised as foreign exchange gain in the separate statement of comprehensive income (Note 6, *Loans Received from Related Parties*);
- In April 2020, EVRAZ plc transferred to Evraz Group S.A. its obligations under loans payable to EVRAZ ZSMK amounting to \$66 million for consideration of \$64 (Note 6, *Loans Received from Related Parties*);
- During 2020 EVRAZ plc purchased Rospadskaya shares from Evraz Group S.A. for total consideration of \$28 million of which \$6 million were not settled at 31 December 2020.

During 2020 EVRAZ plc and Evraz Group S.A. concluded agreements, under which the above mentioned mutual payment obligations were offset resulting in a net liability payable to Evraz Group S.A. in the amount of \$6 million, which was fully settled in 2021.

6. RELATED PARTY TRANSACTIONS (CONTINUED)

Guarantees

The guarantees issued by Company to related parties were as follows at 31 December:

Debtor	Subject of guarantee	Maturity at 31 December 2021	2021			2020		
			Guaranteed amount (principal)	Financial guarantee liability	Guarantee fees earned	Guaranteed amount (principal)	Financial guarantee liability	Guarantee fees earned
East Metals A.G.	Bank loans	not determined	\$ 348	\$ –	\$ 1	\$ 193	\$ –	\$ 1
EVRAZ NTMK/ EVRAZ ZSMK	Bank loans	2023-2028	1,697	11	3	1,458	10	3
Evrzholding Finance	Rouble bonds	not determined	269	1	2	280	3	2
Evrz Group S.A.	Loan to East Metals A.G.	2022-2024	667	–	1	486	–	1
Management Company Mezhdurechensk	Performance of services	2023	202	1	1	203	8	3
EVRAZ Nikom a.s.	Bank loans	not determined	13	–	–	14	–	–
			\$ 3,196	\$ 13	\$ 8	\$ 2,634	\$ 21	\$ 10

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 statement of comprehensive income.

In 2018, the Company issued a guarantee to nine companies owned by Sibuglemt 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). In 2018, the Company recognised financial guarantee liability of \$18 million. In 2021 and 2020, the Company accrued \$1 million and \$3 million income, respectively, under this guarantee. In May 2020, the Group issued a notification about termination of the management services contract from 15 November 2020. The guarantee will continue to be effective 3 years after the date of termination.

Other Transactions

In 2021, OOO Evraz (former name – Evrazholding), an indirect subsidiary of the Company, rendered consulting services to the Company in the amount of \$1 million (2020: \$Nil).

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. LOANS AND BORROWINGS

In 2019, Evraz Group S.A. transferred all rights and obligations under its notes to EVRAZ plc for consideration being the market value of the notes at that date. The Company recognised the liabilities at fair value and classified them as subsequently measured at amortised cost.

During 2020-2021 the movement in the notes was as follows.

\$US million	8.25% notes due 2021	6.75% notes due 2022	5.375% notes due 2023	5.25% notes due 2024	Total
31 December 2019	\$ 806	\$ 531	\$ 768	\$ 705	\$ 2,810
Non-cash changes:					
Interest and other charges expensed	36	26	39	38	139
Cash changes:					
Repayment of interest and premiums on early repayment	(62)	(34)	(40)	(37)	(173)
Repayment of principal	(15)	–	–	–	(15)
31 December 2020	\$ 765	\$ 523	\$ 767	\$ 706	\$ 2,761
Non-cash changes:					
Interest and other charges expensed	1	20	38	38	97
Accrual of premiums and other charges on early repayment of borrowings	–	9	–	–	9
Capitalisation of covenants reset costs	–	(3)	(3)	(4)	(10)
Cash changes:					
Repayment of interest and premiums on early repayment	(31)	(49)	(40)	(37)	(157)
Repayment of principal	(735)	(500)	–	–	(1,235)
31 December 2021	\$ –	\$ –	\$ 762	\$ 703	\$ 1,465

7. LOANS AND BORROWINGS (CONTINUED)

In January 2021, 8.25% notes due 2021 were fully settled.

In June, August and October 2021, EVRAZ plc early repaid in full its 6.75% notes due 2022 (\$500 million). The premium over the carrying value on the repurchase amounting to \$(9) million was included in the Gain/(loss) on financial assets and liabilities caption of the separate statement of comprehensive income.

In 2021, the Company paid \$10 million in connection with the covenants reset relating to the potential demerger of the coal business (Note 13 of the consolidated financial statements). These charges will be amortised during the term of the respective notes.

In November 2020, EVRAZ plc early repaid \$15million under 8.25% notes due 2021.

At 31 December 2021, the current portion of the borrowings included only interest payable under the notes. At 31 December 2020, the current portion of the borrowings included a principal payable under 8.25% notes due 2021 and interest payable under all issued notes.

8. TRADE AND OTHER PAYABLES

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

US\$ million	2021		2020	
	Non-current	Current	Non-current	Current
Liability relating to a settlement of guarantee	\$ -	\$ 4	\$ 4	\$ 4
Other payables	-	3	-	-
	\$ -	\$ 7	\$ 4	\$ 4

At 31 December 2021 and 2020, 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 2021, the Company paid \$4 million (2020: \$7 million) in respect of this liability and recognised interest expense of \$Nil (2020: \$1 million).

9. 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	2021	2020
Profit/(loss) before income tax	\$ 2,212	\$ 1,765
At the statutory income tax rate of 19%	(420)	(336)
Group relief effect	(2)	-
Non-taxable income/(non-deductible expenses)	40	(56)
Effect of lower tax rate for dividend income	182	192
Allowance for deferred tax asset	(2)	(13)
Current income tax expense	\$ (202)	\$ (213)

In 2021, the effect of non-taxable income was mostly caused by the reversal of impairment of investments (Note 3), which is not taxable.

A numerical reconciliation between the average effective tax rate and the applicable tax rate is disclosed in the table below.

	2021	2020
Applicable income tax rate	19.0%	19.0%
Group relief effect	0.1%	-
Non taxable income/(non-deductible expenses)	(1.8)%	3.2%
Effect of lower tax rate for dividend income	(8.3)%	(10.9)%
Allowance for deferred tax asset	0.1%	0.8%
Average effective interest rate	9.1%	12.1%

The applicable tax rate is a normal corporation tax in the United Kingdom.

9. INCOME TAXES (CONTINUED)

The movement in the net balance of current income tax receivable/(payable) was as follows:

US\$ million	2021	2020
1 January	\$ (54)	\$ (46)
Current income tax on dividend income	(202)	(213)
Income tax withheld (Note 6)	249	197
Foreign exchange gain/(loss)	-	8
31 December	\$ (7)	\$ (54)

The tax rate on dividends is equal to 10% for income from the Russian subsidiaries and zero rate for dividend income from Luxembourg. At 31 December 2021 the Company had an amount payable of \$23 million in relation to income tax on dividends receivable from Raspadskaya (2020: \$70 million of income tax payable on dividends receivable from EVRAZ NTMK).

In 2019, the Company recognised current income tax benefit of \$16 million relating to prior year tax losses of \$87 million that can be carried back to recover income tax paid in 2018.

At 31 December 2021, the unused tax losses carried forward amounted to \$196 million (2020: \$188 million). Deferred tax assets in respect of these losses have not been recorded as it is not probable that sufficient taxable profits will be available in the foreseeable future to offset the losses. They are available for offset against future taxable profits indefinitely.

At 31 December 2021, the Company had \$253 million of accumulated unutilised foreign tax credits (2020: \$209 million). No deferred tax asset has been recognised on these tax credits as they are unlikely to have value in the future. These tax credits have no fixed expiry date.

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 2021

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 and borrowings							
Principal	\$ -	\$ -	\$ -	\$ 750	\$ 700	\$ -	\$ 1,450
Interest	-	20	57	57	18	-	152
Loans payable to related parties							
Principal	-	-	-	4,526	-	-	4,526
Interest	-	45	93	81	-	-	219
Trade and other payables	-	2	2	-	-	-	4
Financial guarantees	-	-	5	5	3	-	13
Total fixed-rate debt	-	67	157	5,419	721	-	6,364
Non-interest bearing debt							
Dividends payable	-	292	-	-	-	-	292
Trade and other payables	3	-	-	-	-	-	3
Total non-interest bearing debt	3	292	-	-	-	-	295
	\$ 3	\$ 359	\$ 157	\$ 5,419	\$ 721	\$ -	\$ 6,659

10. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity Risk (continued)

31 December 2020

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 and borrowings							
<i>Principal</i>	\$ -	\$ 735	\$ -	\$ 500	\$ 1,450	\$ -	\$ 2,685
<i>Interest</i>	-	48	78	97	94	-	317
Loans payable to related parties							
<i>Principal</i>	-	280	-	-	3,201	-	3,481
<i>Interest</i>	-	4	65	63	60	-	192
Trade and other payables	-	2	2	4	-	-	8
Financial guarantees	-	-	9	7	5	-	21
Total fixed-rate debt	-	1,069	154	671	4,810	-	6,704
Non-interest bearing debt							
Payables to related parties	6	-	-	-	-	-	6
Total non-interest bearing debt	6	-	-	-	-	-	6
	\$ 6	\$ 1,069	\$ 154	\$ 671	\$ 4,810	\$ -	\$ 6,710

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	2021	2020
USD/RUB	\$ -	\$ 6

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.

	2021		2020	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	US\$ millions	%	US\$ millions
USD/RUB	-	-	(16.88)	1
	-	-	16.88	(1)

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. The fair value of the notes is disclosed in Note 28 of the consolidated financial statements.

11. SUBSEQUENT EVENTS

In January 2022, the Company fully paid to its shareholders the dividends declared in December 2021 (*Dividends* in Note 4).

In February 2022, the Company received the full amount of dividends declared by Raspadskaya in December 2021 (*Dividend Income* in Note 6).

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