EVRAZ plc

EVRAZ ANNOUNCES UNAUDITED INTERIM FINANCIAL RESULTS FOR H1 2016

18 August 2016 – EVRAZ plc ("EVRAZ" or "the Group"; LSE: EVR) today announces its unaudited interim results for the six months ended 30 June 2016 ("the Period").

H1 2016 HIGHLIGHTS

- Health and safety: lost-time injury frequency ratio (LTIFR) of 2.48x up 28% year-on-year due to increased reporting transparency of minor injuries.
- EBITDA of US$577 million, down 38.1% year-on-year primarily reflecting the lagged effect of weak steel pricing.
- EBITDA margin reached 16.3% in H1 2016 vs 18.8% in H1 2015
- Coal segment EBITDA increased 25.6% in H1 2016 with EBITDA margin reaching 39.7% due to the positive impact of rouble devaluation and effects of cost-cutting initiatives.
- Net cash flows from operating activities contracted from US$804 million in H1 2015 to US$533 million in H1 2016. Free cash flow for the period was US$102 million.
- Total debt in H1 2016 decreased by US$540 million to US$6,184 million, while net debt decreased by US$33 million to US$5,316 million vs US$5,349 million as at 31 December 2015.
- Cost savings of US$138 million due to ongoing productivity improvements and cost-cutting initiatives.
- Secure position as one of the lowest-cost producers of steel and raw materials in Russia:
    - cash cost of slabs decreased to US$162/t from US$193/t in FY 2015
    - cash costs of washed coking coal decreased to US$28/t from US$31/t in FY 2015
    - cash costs of iron ore products (58% Fe content) decreased to US$24/t from US$30 in FY 2015.

FINANCIAL HIGHLIGHTS

(US$ million)	**H1 2016**	H1 2015	Change, %
Consolidated revenue	**3,543**	4,894	(27.6)%
Profit from operations	**333**	479	(30.5)%
Consolidated EBITDA[1]	**577**	932	(38.1)%
Net profit	**7**	19	(63.2)%
Earnings per share, basic (US$)	**(0.00)**	0.01	n/a
Net cash flows from operating activities	**533**	804	(33.7)%
CAPEX[2]	**200**	251	(20.3)%

	30 June 2016	31 December 2015
Net debt[3]	**5,316**	5,349
Total assets	**9,104**	9,119

[1] *For the definition of EBITDA, see Annex 1*
[2] *Including payments on deferred terms recognised in financing activities and non-cash transactions related to CAPEX*
[3] *For the net debt calculation methodology, see Annex 5*

Commenting on the results, EVRAZ Chief Executive Officer, Alexander Frolov, said:

"Overall, the first half of 2016 can be divided into two distinct parts for EVRAZ and the sector. In the first quarter conditions were largely unchanged from the end of 2015, but in the second quarter, steel market conditions improved, and the Group demonstrated a stronger performance, largely due to a supportive pricing environment in its main markets.

In regards to health and safety, EVRAZ continues its efforts to improve injury reporting transparency and prevent fatalities. Throughout its work, the Group remains committed to its ultimate goal of reaching zero fatalities at all sites.

Structural overcapacity remains a challenge for the steel industry and EVRAZ continues to pursue its cost-cutting initiatives. These initiatives resulted in an incremental contribution of US$138 million to EBITDA in H1 2016.

EVRAZ remains focused on net debt reduction and refinancing. The Group has extended the overall duration of its debt and will comfortably cover maturities in 2016 and 2017 using a combination of currently available liquidity and future free cash flow generation.

Given the higher prices and stronger domestic demand in the second quarter, EVRAZ' outlook for the rest of the year is cautiously optimistic."

CONFERENCE CALL AND WEBCAST

A conference call to discuss the results, hosted by **Alexander Frolov**, CEO, and **Giacomo Baizini**, interim CFO, will be held on Thursday, 18 August 2016, at:

3 pm (London time)

5 pm (Moscow time)

10 am (New York time)

To join the call, please dial:

+44 20 7330 7700	UK
+7 495 937 6770	Russia
+1 212 617 1960	US

Conference ID: 912557

To avoid any technical inconvenience, it is recommended that participants dial in 10 minutes before the start of the call.

The H1 2016 results presentation will be available on the Group's website, www.evraz.com, on Thursday, 18 August 2016, at the following link:

http://www.evraz.com/investors/financial_results/presentations/

An MP3 recording will be available on Friday, 19 August 2016, at the following link:

http://www.evraz.com/investors/financial_results/conference_calls/

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STRATEGIC GOALS IN 2016

EVRAZ remains committed to its strategy of being a leader in infrastructure steel products globally and in the Russian coking coal market. The strategy focuses on five success factors: Health, Safety & Environment, Human Capital, Customer Focus, Asset Development and EVRAZ Business System.

HEALTH, SAFETY & ENVIRONMENT

The safety of employees is and always will be EVRAZ' first priority. The Group's strategic goal is to achieve and maintain a lost-time injury frequency ratio (LTIFR) of less than one. In this Period, initiatives focused on providing additional safety training, continuing the equipment electricity isolation programme and initiating a system to detect and manage critical risks. The LTIFR was 2.48x in H1 2016, compared with 1.94x in H1 2015, due to increased reporting transparency. Tragically, there were four fatal accidents at facilities in the Period. Throughout its work, EVRAZ remains committed to its ultimate goal of reaching zero fatalities at all sites.

HUMAN CAPITAL

EVRAZ prioritises the development of its people, providing a competitive salary linked to productivity, and the long-term target is to involve 80% of the workforce in development programmes. For the Period, efforts focused mainly on the "From Foreman to Managing Director" programme, which aims to evaluate and develop operations management to create a management candidate pool at plants. In response to market conditions, the Group has undertaken a headcount reduction programme and streamlined administrative functions. Overall, the workforce decreased from 84,467 people on 31 December 2015 to 79,106 on 30 June 2016, down 6%, reflecting the general and administrative cost reduction programme, efficiency improvements and asset optimisation.

CUSTOMER FOCUS

Customer-focused sales and product development policy are the key to sustaining domestic market leadership and expanding EVRAZ international presence with value-added products. In the local market, the Group makes great effort to provide flexible shipment terms and additional services and develop long-term relationships with clients. Despite the Russian steel market contracting by 2% in H1 2016 compared with H1 2015 and intense competition in long steel products, EVRAZ was able to sustain its strong positions, with market share of 16% for rebar, 65% for beams and 27% for railway wheels. The market share for rails declined to 77%, as a competitor ramped up a mill during the Period. In overseas sales development, EVRAZ received certifications for rebar to enter the European market, expanded its product mix to increase sales to the US, certified new types of wheels to serve Czech Railways, started the production of wheelsets with Slovenia's SZ-VIT and increased high-speed premium rail exports. As a result, the Group increased overseas (excluding CIS) exports of railway products to 34 thousand tonnes, up 16% year-on-year. Construction steel product exports showed a slight decline, of 4%, to 414 thousand tonnes. Altogether, customer focus initiatives generated additional EBITDA of US$46 million during the Period.

ASSET DEVELOPMENT

EVRAZ encourages asset development through a cost improvement programme and selective investment projects. Its efficiency programme generated US$138 million of additional EBITDA during the Period, through yield improvements, supply chain management and general and administrative expense reductions, as well as numerous projects to optimise operations. The investment project pipeline focused mainly on the North American large-diameter pipe (LDP) business, where the Group is enhancing its steelmaking abilities, building a new LDP rolling mill and improving its coating abilities. EVRAZ invested US$77 million in development CAPEX in H1 2016 and expects to spend another US$60 million in H2 2016.

EVRAZ BUSINESS SYSTEM

The EVRAZ Business System, is a fundamental part of corporate strategy and incorporates the business principles and tools of the ‘lean’ management philosophy to manage change and create a culture of continuous improvement within the Group. This year, EVRAZ continues to develop the system and focus efforts on the Siberia division, where maintenance and inventory management projects are being piloted.

MARKET OUTLOOK

GLOBAL MARKETS

Global steel producers experienced positive pricing sentiment during the first six months of the year. Steel prices, based on HRC (hot-rolled coil) FOB China contracts, surged by 53% from the beginning of the year to a peak of US$430/t in April and then retreated by 18% to US$352/t in June. The rally was driven by a combination of Chinese government investment stimulus, low inventory levels and speculative activity on futures markets. However, the average price was US$351/t in H1 2016, down 7% compared to H1 2015

Chinese steel export volumes remained high at 57.3 million tonnes in H1 2016, up 9% from 52.4 million tonnes in H1 2015. This created pressure for European and North American domestic steel producers, leading Western governments to launch trade investigations and introduce protectionary measures against several countries regarding HRC, rebar, plate and tubular products.

Iron ore prices were mostly in line with the positive dynamics of steel, especially in Q2 2016, when the CFR China 62% iron ore price peaked at US$70/t in April. However, despite iron ore price volatility during the Period, prices averaged US$51/t in H1 2016, down 16% compared with US$61/t in H1 2015. The seaborne market remains oversupplied, with major iron ore producers likely to supply 60 million tonnes of incremental capacity in 2016. Chinese iron ore imports amounted to 494 million tonnes in H1 2016, up 9% from 453 million tonnes in H1 2015, due to stable steel demand and domestic iron ore capacity closures.

The coking coal market was also driven by the changing sentiment in global steel markets, as well as a temporary deficit of high-grade coking coal on seaborne routes, which led to a price recovery. Based on spot FOB Australia contracts, the hard coking coal price reached US$100/t at the end of April. The price averaged US$86/t in H1 2016, compared with US$98/t in H1 2015. Chinese coking coal imports increased by 25% to 27 million tonnes in the Period, while India imported 22 million tonnes, up 3% from 21 million tonnes in H1 2015. Given the promising forecasts for the development of the Indian steel industry, EVRAZ believes that this may support coking coal prices in the long term, even with moderate imports in China. On the supply side, Australian and Russian projects coming online are expected to partly replace volumes from high-cost and financially leveraged producers in North America and China.

Global vanadium demand was estimated at around 42.3 kmtV in H1 2016, down 2% compared with 43.2 kmtV in H1 2015. Despite a slight recovery in demand since March, primarily driven by Chinese steel producers, overall consumption fell amid delayed demand in the EU and US. The average LMB FeV price was US$16.52 per kgV in H1 2016, 23% lower than US$21.52 per kgV in H1 2015.

RUSSIAN STEEL

Russian steel consumption fell by 2% to 16.9 million tonnes in H1 2016, primarily due to reduced demand for long and tubular products. In particular, demand decreased by 14% for rebar and 3% for angles and channels, although consumption of beams improved by 16%. Meanwhile, rail consumption increased to 525 thousand tonnes in H1 2016, up 34% from 391 thousand tonnes in H1 2015, driven by higher demand from Russian Railways. Demand for flat products was strong, rising by 5% to 4.4 million tonnes in H1 2016.

With domestic consumption stifled, Russian export volumes increased slightly to 14.5 million tonnes in H1 2016. Rouble weakness in the Period also made Russian export sales more attractive. Domestic crude steel production remained mostly unchanged at 35.3 million tonnes in H1 2016.

Russian steel prices were influenced by the dynamics of the global steel market and local currency fluctuations. During the Period, the CPT Moscow rebar price surged by 130%, from US$230/t in January to US$529/t in May, but settled back to US$460/t in June. The CPT Moscow rebar price averaged US$360/t in H1 2016, down 9% compared with H1 2015. The price for channels decreased to US$365/t in H1 2016, down 22% from US$467/t in H1 2015. Based on CPT Moscow, HRC averaged US$376/t, down 12% from US$427/t in H1 2015, and plates averaged US$384/t, down 18% from US$467/t in H1 2015.

UKRAINE

Relative stability in Ukraine led to internal steel consumption growth of 40% to 1.8 million tonnes in H1 2016, from 1.3 million tonnes in H1 2015. However, this was from an extremely low level in 2015 reflecting the economic and political instability. Export volumes increased to 9.0 million tonnes, up 3%, due to favourable export conditions such as a surge in prices and the hryvnia devaluation. Ukrainian crude steel production rose by 10% to 12.4 million tonnes in H1 2016, from 11.6 million tonnes in H1 2015.

NORTH AMERICA

US steel product consumption totalled 48.9 million tonnes in H1 2016, down 8% from 53.5 million tonnes in H1 2015. Demand fell by 3% for long products, 2% for flat products and 45% for tubular products. While LDP demand was fairly strong during the Period, the fundamentals of the rail market were less positive, given moderate CAPEX of the Class-I railroads due to lower traffic and a surplus inventory of rails in the system. North America consumed 586 thousand tonnes of rails in H1 2016, 19% lower than during H1 2015. Demand for wire rod and plate was steady, although the OCTG market remained weak given the lower oil prices.

Steel product imports, which impacted the North American steel industry in 2015, dropped to 13.6 million tonnes in H1 2016, down 29% year-on-year, amid anti-dumping duties and pending trade cases against certain producers. US steel production decreased slightly to 40 million tonnes in H1 2016 due to the temporary idling of certain steel mills.

Amid lower imports and idled domestic capacity, North American local steel prices rose in H1 2016, although the averages were still lower than a year before. Between January and June 2016, the AMM Chicago shredded scrap index and the CRU Midwest plate index both jumped by around 40%. Nevertheless, overall average index prices in H1 2016, declined by 11% to US$604/t for flat products, 30% for OCTG and 16% for rebar when compared to the same period in 2015.

COAL

Russian coking coal concentrate consumption remained largely unchanged at 19.2 million tonnes in H1 2016, compared with 19.3 million tonnes in H1 2015. Exports rose by 10% to 10.0 million tonnes in H1 2016, from 9.1 million tonnes in H1 2015, as increased shipments to Ukraine, Japan and South Korea replaced sales to China.

Overall Russian coking coal mining volumes were stable at 36.4 million tonnes. The high-vol coking coal segment faced a temporary supply deficit due to an accident at Vorkutaugol's Severnaya mine and several longwall moves by local producers.

In H1 2016, local coking coal prices rose, driven by global benchmark trends, although they were still lower than in H1 2015. Premium coking coal (Zh grade) decreased to US$73/t FCA Kuzbass, down 21% from US$93/t in H1 2015. Semi-hard coking coal (GZh grade) averaged US$57/t, down 9% year-on-year.

2016 YEAR-END OUTLOOK

EVRAZ expects its results to be affected by the positive dynamics in the global steel markets.

While the Group does not anticipate significant improvements in Russian steel demand in H2 2016 due to moderate investment activity and economic environment, it anticipates that current steel prices will gradually increase to the average seen in 2015. In H2 2016, the North American segment will likely experience headwinds from large volumes of dumped and subsidized large diameter pipe imports into Canada, which will extend onto 2017 - 2018 should no trade remedies be put into place against unfairly traded LD pipe from China and Japan this October. In addition, results may be negatively impacted by delays in approvals of key large pipeline projects in the US and Canada and continuing weak demand for rails. In H2 2016, EVRAZ expects coking coal concentrate prices to be supported by stable demand on the domestic market and key export destinations, as well as the temporary high-vol grades coal deficit.

The Group continues to pursue customer focus and cost-cutting initiatives. As a result, EVRAZ expects positive free cash flow and progress towards reducing net debt in absolute terms by the year-end.

FINANCIAL REVIEW

STATEMENT OF OPERATIONS

EVRAZ consolidated revenues decreased by 27.6% to US$3,543 million in H1 2016, compared with US$4,894 million in H1 2015, primarily due to lower prices and depressed demand in the Period.

In H1 2016, revenues from the Steel segment (including intersegment) decreased, amounting to 60.8% of the Group total revenue before elimination. The fall was mainly attributable to lower revenues from sales of steel products, which declined by 29.5% year-on-year, largely due to a drop in average sales prices (down 23.7%). Revenues from sales of steel products were also impacted by changes in the Group's sales volumes, which declined from 6.6 million tonnes in H1 2015 to 6.2 million tonnes in H1 2016. This was due to the worsening conditions on global steel markets, capital repairs on blast furnace #1 at EVRAZ ZSMK and the deconsolidation of Highveld Steel and Vanadium.

Revenues from the Steel, North America segment fell by 33.4% year-on-year in H1 2016. Revenues from sales of steel products dropped by 33.6%, driven by lower sales volumes (down 19.7%), declining prices (down 13.9%). The key drivers of these were, in turn, significant reductions in EVRAZ North America's sales of oil country tubular goods (OCTG) and rails resulting from subdued energy exploration activity, a decrease in Class-1 railroad maintenance spending and higher inventories at distributors.

Revenues from the Coal segment remained broadly unchanged year-on-year in H1 2016 with increased volumes partly offset by lower sales prices. Sales volumes reflected greater production due to the productivity improvement and favourable market conditions.

In H1 2016, the Steel segment's EBITDA declined due to negative steel price trends globally and a decrease in sales volumes amid depressed demand. This was partly offset by lower expenses in US dollar terms due to rouble depreciation in H1 2016 vs H1 2015, the effects of cost-cutting initiatives implemented in H1 2016 as part of ongoing productivity improvements program and lower prices for raw materials (coking coal, scrap, iron ore).

The Steel, North America segment's EBITDA was impacted by lower sales volumes and prices stemming from a downturn in the OCTG and rail markets.

The Coal segment's EBITDA increased due to the positive impact of rouble devaluation in H1 2016 vs H1 2015 on the cost base and effects of cost-cutting initiatives. The negative trend in sales prices was offset by higher sales volumes.

The "Eliminations" line in the EBITDA table below mostly reflects unrealised profits or losses that relate to the inventories on the balance sheet of the Steel, North America segment produced by the Steel segment.

Revenues (US$ million)				
Segment	**H1 2016**	**H1 2015**	**Change**	**Change, %**
Steel	2,399	3,413	(1,014)	(29.7)%
Steel, North America	832	1,249	(417)	(33.4)%
Coal	544	540	4	0.7%
Other operations	168	234	(66)	(28.2)%
Eliminations	(400)	(542)	142	(26.2)%
Total	**3,543**	**4,894**	**(1,351)**	**(27.6)%**

Revenue by region (US$ million)				
Region	**H1 2016**	**H1 2015**	**Change**	**Change, %**
Russia	1,363	1,643	(280)	(17.0)%
Americas	902	1,402	(500)	(35.7)%
Asia	610	797	(187)	(23.5)%
CIS (excl. Russia)	259	356	(97)	(27.2)%
Europe	291	520	(229)	(44.0)%
Africa and the rest of the world	118	176	(58)	(33.0)%
Total	**3,543**	**4,894**	**(1,351)**	**(27.6)%**

EBITDA* (US$ million)				
Segment	**H1 2016**	**H1 2015**	**Change**	**Change,%**
Steel	382	740	(358)	(48.4%)
Steel, North America	27	37	(10)	(27.0%)
Coal	216	172	44	25.6%
Other operations	8	8	-	-
Unallocated	(53)	(70)	17	(24.3%)
Eliminations	(3)	45	(48)	n/a
Total	**577**	**932**	**(355)**	**(38.1%)**

**In 2015, the management changed the definition of segment expenses and EBITDA to make these indicators more comparable with Russian steel peers. Segment expenses and EBITDA have now been adjusted to exclude social and social infrastructure maintenance expenses. As a result, the Group restated EBITDA for both financial reporting and management accountings purposes for the six months ended 30 June 2015. The effect is to increase segment EBITDA by $10m to $932m, comprising an increase of $9m in Steel and $1m in Coal.*

Revenues, cost of sales and gross profit of segments (US$ million)			
	H1 2016	**H1 2015**	**Change, %**
Steel segment			
Revenues	2,399	3,413	(29.7)%
Cost of sales	(1,811)	(2,415)	(25.0)%
Gross profit	*588*	*998*	(41.1)%
Steel, North America segment			
Revenues	832	1,249	(33.4)%
Cost of sales	(699)	(1,079)	(35.2)%
Gross profit	*133*	*170*	(21.8)%
Coal segment			
Revenues	544	540	0.7%
Cost of sales	(344)	(392)	(12.2)%
Gross profit	*200*	*148*	35.1%
Other operations – *gross profit*	**40**	**63**	**(36.5)%**
Unallocated – *gross profit*	**-**	**(5)**	**(100.0)%**
Eliminations – *gross profit*	**(56)**	**(35)**	**60.0%**
Total	**905**	**1,339**	**(32.4)%**

The following table details the effect of the Group's cost-cutting initiatives.

Effect of Group's cost-cutting initiatives in H1 2016 (US$ million)	
Cost-cutting initiatives and productivity improvements, including	**68**
Improving yields and raw material costs of North American and Ukrainian assets	20
Increasing productivity and cost effectiveness of Coal assets	12
Improving yields and raw material costs of Urals and Siberia divisions	12
Increasing energy efficiency and optimising maintenance costs	24
Optimisation of asset portfolio	**7**
Reduction of general and administrative (G&A) costs and non-G&A headcount	**63**
Total	**138**

Selling and distribution expenses decreased by 21.4% in H1 2016, mostly due to lower third-party sales volumes (down 9.9%) and the local currencies depreciation (down 7.6%). Another factor was the deconsolidation of Highveld Steel and Vanadium Limited following the loss of control.

General and administrative expenses declined by 25.1% in H1 2016. This reflected the reduced staff costs following the weakening of the local currencies (down 11.3%), accompanied by

headcount optimisation at EVRAZ North America, the Russian steel mills and the coal companies (down 6.9%) and deconsolidation of Highveld Steel and Vanadium Limited.

The impairment charge in the Period included a US$16 million impairment relating to EVRAZ Stratcor Inc. and a US$19 million reversal of the impairment at EVRAZ Palini e Bertoli as result of the further testing.

In H1 2016, foreign exchange gains rose, as the rouble regained ground. Russian subsidiaries have US dollar-denominated bank loans. In addition, there are some intra-group debts between subsidiaries with different functional currencies and, consequently, gains (or losses) of one subsidiary recognised in the Statement of Operations are not offset by the exchange differences of another subsidiary with a different functional currency.

Interest expenses incurred by the Group increased, as debt was refinanced at higher interest rates, including issuing rouble bonds that bear higher coupons, than dollar denominated debt. Interest expenses for bank loans, bonds and notes amounted to US$222 million in H1 2016, compared with US$209 million in H1 2015.

The share of losses of joint ventures and associates amounted to US$22 million in H1 2016 and US$28 million in H1 2015. This is predominantly related to the impairment of investments in Timir. Please refer to Note 7 of the financial statements for further details.

Losses on financial assets and liabilities amounted to US$10 million and included, among other things, US$274 million of unrealised gains and US$250 million of realised losses on changes in the fair value of derivatives not designated as hedging instrument, namely cross-currency swaps for rouble-denominated bonds. This effect was offset by a US$41 million loss on repaying debt, which is primarily a premium on repurchasing US dollar denominated bonds.

In the Period, the Group’s income tax expense fell to US$41 million, compared with US$101 million in H1 2015, as a result of the lower operational results.

Gross profit, expenses and results (US$ million)				
Item	**H1 2016**	**H1 2015**	**Change**	**Change, %**
Gross profit	**905**	**1,339**	**(434)**	**(32.4)%**
Selling and distribution costs	(334)	(425)	91	(21.4)%
General and administrative expenses	(200)	(267)	67	(25.1)%
Impairment of assets	(7)	(20)	13	(65.0)%
Foreign exchange gains/(losses), net	41	(99)	140	n/a
Other operating income and expenses, net	(72)	(49)	(23)	46.9%
Profit from operations	**333**	**479**	**(146)**	**(30.5)%**
Interest expense, net	(236)	(224)	(12)	5.4%
Share of losses of joint ventures and associates	(22)	(28)	6	(21.4)%
Gain/(loss) on financial assets and liabilities, net	(10)	48	(58)	n/a
Gain on disposals classified as held for sale, net	-	20	(20)	(100.0)%
Loss of control over a subsidiary	-	(167)	167	(100.0)%
Other non-operating losses, net	(17)	(8)	(9)	112.5%
Profit before tax	**48**	**120**	**(72)**	**(60.0)%**
Income tax expense	(41)	(101)	60	(59.4)%
Net profit	**7**	**19**	**(12)**	**(63.2)%**

Cash flow (US$ million)				
Item	**H1 2016**	**H1 2015**	**Change**	**Change, %**
Cash flows from operating activities before changes in working capital	506	864	(358)	(41)%
Changes in working capital	27	(60)	87	n/a
Net cash flows from operating activities	**533**	**804**	**(271)**	**(34)%**
Short-term deposits at banks, including interest	2	1	1	100%
Purchases of property, plant and equipment and intangible assets	(185)	(248)	63	(25)%
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	–	40	(40)	(100)%
Other investing activities	8	1	7	n/a
Net cash flows used in investing activities	**(175)**	**(206)**	**31**	**(15)%**
Net cash flows used in financing activities	**(877)**	**(758)**	**(119)**	**16%**
Effect of foreign-exchange rate changes on cash and cash equivalents	12	70	(58)	(83)%
Net decrease in cash and cash equivalents	**(507)**	**(90)**	**(417)**	**n/a**

Net cash flows from operating activities contracted from US$804 million in H1 2015 to US$533 million in H1 2016. Free cash flow for the period was US$102 million (US$372 million in H1 2015).

Calculation of free cash flow*
(US$ million)

Item	H1 2016
EBITDA	577
EBITDA excluding non-cash items	585
Changes in working capital	27
Income tax accrued	(67)
Social and social infrastructure maintenance expenses	(12)
Net cash flows from operating activities	533
Interest and similar payments	(239)
Capital expenditures, including recorded in financing activities and non-cash transactions	(200)
Other cash flows from investing activities	8
Free cash flow	**102**

** For the definition of free cash flow, please refer to Annex 2*

CAPEX AND KEY PROJECTS

In H1 2016, EVRAZ kept capital expenditure low at US$200 million, compared with US$251 million in H1 2015.

The Group made good progress with two projects at EVRAZ Regina in Canada, and their launch is scheduled at the end of Q3 2016.

The Mezhegey coal project brought into production a mine in Q2 2016 and is now increasing production volumes.

EVRAZ NTMK continued the construction of the grinding ball mill, and the plan is to finish the engineering in 2016.

The table below summarises EVRAZ capital expenditure for H1 2016.

Capital expenditure in H1 2016	Amount (US$ million)	
Steel mill upgrade	27	Upgrade of EVRAZ Regina steel mill. In progress since Q2 2015. The aim is to improve steel quality, increase capacity for casting by 110kt and rolling by 250kt, and result in a crown yield saving from 0.75% to 1.1%.
Construction of an LDP mill	18	Construction of a new mill at EVRAZ Regina has been in progress since Q2 2015 and is due to be completed in Q3 2016. Expected to add 150kt of tubular product capacity.
Coal deposit development	5	Mezhegey (phase 1) was launched in Q2 2016. Capacity of 1.5 mtpa.
Iron ore capacity expansion	4	The Sheregesh mine’s output is due to reach 4.8 mtpa of raw ore.
Grinding ball mill construction	2	Construction of a new grinding ball mill at EVRAZ NTMK has been in progress since Q2 2015 and is due to be completed in Q2 2018. Expected to increase ball production to 300kt by 2018.
Other development projects	21	
Maintenance	123	
Total	**200**	

FINANCING AND LIQUIDITY

At the beginning of 2016, total debt was US$6,724 million. The Group continued to focus its efforts on reducing debt and extending its maturity profile.

In January and February 2016, EVRAZ prepaid certain bilateral facilities with a total principal of around US$130 million. In April, EVRAZ prepaid €60 million of the outstanding principal under its credit facility with Gazprombank. In May, EVRAZ prepaid c.US$21 million of the total principal of its US$125 million facility with UniCredit. Also in May, EVRAZ prepaid c.US$80 million of its US$500 million syndicated pre-export financing facility.

In H1 2016, EVRAZ partly repurchased US$744 million in principal of its 2017 and 2018 Eurobonds in the market during two tender offers. The total cash outflow amounted to US$779 million.

In May and June 2016, EVRAZ repaid the 8.40% rouble notes due and settled the liabilities under the related swap contracts. The total cash outflow amounted to US$430 million.

In March, EvrazHolding Finance LLC issued RUB15 billion (around US$221 million at the exchange rate on the transaction date) in five-year exchange-traded bonds due in 2021 with a 12.60% coupon payable semi-annually. The proceeds from the issue were used to refinance EVRAZ' existing debt, thus not increasing overall debt.

In April, EVRAZ entered into a multi-currency facility agreement with VTB Bank governing the general terms and conditions of loans of up to seven years with a total borrowing limit of US$300 million equivalent. US$150 million was utilised under the facility in the form of a loan repayable in 12 equal quarterly instalments starting April 2020. The loan was used to refinance EVRAZ' existing debt.

In June, Evraz Group S.A. issued a US$500 million Eurobond due in 2022 with a 6.75% coupon payable semi-annually. The proceeds from the issue were used to fund the tender offer for the Eurobonds due in 2017 and 2018, and part was reserved to finance the redemption at make whole of the outstanding Evraz Group S.A. Eurobonds due in 2017.

As a result of these actions, as well as scheduled repayments of bank loans, total debt in H1 2016 decreased by US$540 million to US$6,184 million as at 30 June 2016, while net debt decreased by US$33 million to US$5,316 million, compared with US$5,349 million as at 31 December 2015. Interest expenses accrued in respect of loans, bonds and notes amounted to US$222 million in H1 2016, compared with US$209 million in H1 2015. However, due to the fall in EBITDA, net debt to LTM EBITDA reached 4.9 times, compared with 3.7 times as at 31 December 2015.

As at 30 June 2016, debt with financial maintenance covenants comprised a syndicated pre-export financing facility and various bilateral facilities with a total outstanding principal of around US$1,829 million. The maintenance covenants under these facilities include the two key ratios calculated on the basis of EVRAZ plc's consolidated financials: a maximum net leverage and a minimum EBITDA interest cover. In H1 2016, EVRAZ signed amendments to these facilities, whereby the testing of financial ratios was suspended for three semi-annual testing periods starting H1 2016, subject to compliance with certain additional restrictions on indebtedness and dividends. As a result, currently only one of the outstanding facilities has the minimum EBITDA interest cover ratio tested against a comfortable level of 1.5x.

As at 30 June 2016, EVRAZ had the only one facility, with a total outstanding principal of US$83 million, that contained maintenance financial covenants tested on the financial statements of Evraz Group S.A. The maintenance covenants under this facility include a maximum net leverage tested on a bi-annual basis.

As at 30 June 2016, EVRAZ was in full compliance with its financial covenants.

As at 30 June 2016, cash amounted to US$868 million and short-term loans and the current portion of long-term loans stood at US$546 million.

Cash-on-hand and committed credit facilities are sufficient to cover all of EVRAZ refinancing requirements for the remainder of 2016 and 2017.

KEY RECENT DEVELOPMENTS

- In August 2016, Evraz Group S.A. called its remaining 2017 Eurobonds by exercising a make whole call. The total cash used in this transaction amounted to US$188 million.
- In July and August, Evraz Group S.A. repurchased through open market operations and cancelled US$9 million in aggregate principal of 6.75% notes due in 2018 and US$12 million in aggregate principal of 9.50% notes due in 2018. The total cash used in these transactions amounted to US$23 million.
- In August 2016, the Group has signed new loans with Gazprombank with amounts of approximately RUB18 billion and €180 million. This loan is designed to refinance the existing credit facility with this bank. Upon completion of refinancing maturities of the facility with Gazprombank in a split of 30% to 70% will shift to 2021 and 2022, respectively.

REVIEW OF OPERATIONS BY SEGMENT

(US$ million)	Steel		Steel, NA		Coal		Other	
	H1 2016	H1 2015	**H1 2016**	H1 2015	**H1 2016**	H1 2015	**H1 2016**	H1 2015
Revenues	**2,399**	3,413	**832**	1,249	**544**	540	**168**	234
EBITDA	382	740	27	37	216	172	8	8
EBITDA margin	15.9%	21.7%	3.2%	3.0%	39.7%	31.9%	4.8%	3.4%
CAPEX	80	115	77	77	41	57	2	2

STEEL SEGMENT

The Steel segment includes production of steel and related products at all mills except for those in North America. The extraction of vanadium ore and production of vanadium products, iron ore mining and enrichment and certain energy-generating companies are also included in this segment, as they are closely related to the main process of steel production.

Sales review

Steel segment revenues by product	H1 2016		H1 2015		
	US$ million	**% of total segment revenues**	**US$ million**	**% of total segment revenues**	**Relative change**
Steel products, external sales	**1,968**	**82.0%**	**2,750**	**80.6%**	**(28.4)%**
Semi-finished products[1]	720	30.0%	1,136	33.3%	(36.6)%
Construction products[2]	819	34.1%	1,068	31.3%	(23.3)%
Railway products[3]	258	10.8%	297	8.7%	(13.1)%
Flat-rolled products[4]	59	2.5%	108	3.2%	(45.4)%
Other steel products[5]	112	4.7%	141	4.1%	(20.6)%
Steel products, intersegment sales	**77**	**3.2%**	**149**	**4.4%**	**(48.3)%**
Including sales to Steel, North America	75	3.1%	145	4.2%	(48.3)%
Iron ore products	**69**	**2.9%**	**85**	**2.5%**	**(18.8)%**
Vanadium products	**123**	**5.1%**	**183**	**5.4%**	**(32.8)%**
Other revenues	**162**	**6.8%**	**246**	**7.2%**	**(34.1)%**
Total	**2,399**	**100%**	**3,413**	**100%**	**(29.7)%**

[1] *Includes billets, slabs, pig iron, pipe blanks and other semi-finished products*
[2] *Includes rebars, wire rods, wire, beams, channels and angles*
[3] *Includes rails, wheels, tyres and other railway products*
[4] *Includes commodity plate and other flat-rolled products*
[5] *Includes rounds, grinding balls, mine uprights and strips, tubular products*

Sales volumes of Steel segment ('000 tonnes)	**H1 2016**	**H1 2015**	**Change**
Steel products, external sales	**5,928**	**6,260**	**(5.3)%**
Semi-finished products	2,748	2,973	(7.6)%
Construction products	2,133	2,256	(5.5)%
Railway products	558	533	4.7%
Flat-rolled products	151	208	(27.4)%
Other steel products	338	290	16.6%
Steel products, intersegment sales	**259**	**306**	**(15.4)%**
Total steel products	**6,187**	**6,566**	**(5.8)%**
Vanadium products (tonnes of pure vanadium)	**8,409**	**8,132**	**3.4%**
Vanadium in slag	421	135	211.9%
Vanadium in alloys and chemicals	7,988	7,997	(0.1)%
Iron ore products	**2,105**	**2,070**	**1.7%**
Iron ore concentrate	1	0	100.0%
Pellets	867	657	31.9%
Other iron ore products	1,237	1,413	(12.4)%

Geographic breakdown of external steel product sales	**US$ million**			**'000 t**		
	H1 2016	**H1 2015**	**Change, %**	**H1 2016**	**H1 2015**	**Change, %**
Russia	990	1,230	(19.5)%	2,556	2,563	(0.3) %
Asia	467	635	(26.5)%	1,775	1,630	8.9%
Europe	205	374	(45.2)%	672	971	(30.8)%
CIS (excl. Russia)	166	248	(33.1)%	414	528	(21.6)%
Africa, America and the rest of the world	140	263	(46.8)%	511	568	(10.0)%
Total	**1,968**	**2,750**	**(28.4)%**	**5,928**	**6,260**	**(5.3)%**

The Steel segment's revenues, including intersegment sales decreased, mainly due to lower revenues from sales of steel products. The main drivers were lower average prices (down 23.7%) and sales volumes (down 5.8%).

Revenues from external sales of semi-finished products fell by 36.6% due to lower average prices (down 29.0%) and sales volumes (down 7.6%). Lower slab volumes, mainly to the European and American markets, were partly offset by increased billet shipments to Africa.

Revenues from sales of construction products to third parties dropped due to lower average prices (down 17.8%), reduced volumes (down 5.5%) mainly due to weaker demand in the CIS (including Russia). Given the latter, prices did not increase following the rouble's devaluation versus the US dollar in H1 2016.

Revenues from external sales of railway products decreased due to lower average prices (down 17.8%), partly offset by higher sales volumes (up 4.7%). Sales volumes slightly increased in Russia, driven by purchases from Russian Railways, while sales volumes to Asia, CIS and Americas were also higher.

External revenues of flat-rolled products dropped. This was mostly due to lower sales volumes (down 27.4%) and average prices (down 18.0%) following the deconsolidation of Highveld Steel and Vanadium.

Revenues from external steel product sales in Russia decreased by 19.5% compared with H1 2015, mainly due to lower prices, while sales volumes fell slightly by 0.3%. However, the share of Russian sales in external steel product sales increased from 44.7% in H1 2015 to 50.3% in H1 2016, mainly due to a shift from Europe and North America to the domestic market.

Steel segment revenues from sales of iron ore products including intersegment sales fell by 18.8% due to lower average iron ore prices (down 20.5%), deconsolidation of Highveld Steel and Vanadium and lower sales to CIS and European markets, partially offset by higher sales volume (up 1.7%). Prices for iron ore products declined in H1 2016 in line with global benchmarks. In the Period, around 68.9% of EVRAZ's iron ore consumed in steelmaking came from own operations, compared with 65.5% in H1 2015, predominantly due to a 6.3% increase in iron ore production.

Steel segment revenues sales of vanadium products including intersegment sales declined by 32.8%. This was due to a decrease in average prices (down 36.2%) partly offset by higher sales volumes (up 3.4%).

Steel segment cost of revenue

Steel segment cost of revenue

	H1 2016		H1 2015		
	US$ million	**% of segment revenue**	**US$ million**	**% of segment revenue**	**Change, %**
Cost of revenue	**1,811**	**75.5%**	**2,415**	**70.8%**	**(25.0)%**
Raw materials	718	29.9%	944	27.7%	(23.9)%
Iron ore	115	4.8%	170	5.0%	(32.4)%
Coking coal	332	13.8%	396	11.6%	(16.2)%
Scrap	119	5.0%	176	5.2%	(32.4)%
Other raw materials	152	6.3%	202	5.9%	(24.8)%
Auxiliary materials	132	5.5%	171	5.0%	(22.8)%
Services	92	3.8%	155	4.5%	(40.6)%
Transportation	164	6.8%	309	9.1%	(46.9)%
Staff costs	210	8.8%	298	8.7%	(29.5)%
Depreciation	98	4.1%	114	3.3%	(14.0)%
Energy	181	7.5%	247	7.2%	(26.7)%
Other*	216	9.1%	177	5.3%	22.0%

**Includes primarily goods for resale, intragroup URP and certain taxes, semi-finished products and allowances for inventories*

The Steel segment's cost of revenue decreased by 25.0% year-on-year. The main reasons for the decline were as follows:

- The cost of raw materials fell by 23.9%, primarily due to a decline in prices, as well as lower consumption of materials due to lower steel production volumes. The decline in raw

material costs was also attributable to the deconsolidation of Highveld Steel and Vanadium and cost-cutting initiatives, which reduced consumption.

- Auxiliary material costs decreased by 22.8%, primarily due to the rouble's weakness and deconsolidation of Highveld Steel and Vanadium (down US$10 million).
- Lower service costs were driven by the deconsolidation of Highveld Steel and Vanadium (down US$38 million), as well as the weakness of the rouble and hryvnia.
- Transportation costs decreased primarily due to the rouble's weakness and lower sales volumes.
- Staff costs fell by 29.5%, largely due to the rouble and hryvnia weakness and headcount optimisation. An additional contributor was the deconsolidation of Highveld Steel and Vanadium.
- Depreciation and depletion costs dropped, driven mainly by local currency depreciation and the deconsolidation of Highveld Steel and Vanadium. The decline was partly offset by an increase in depreciation costs due to the commissioning of crusher and conveyor mining at EVRAZ ZSMK in Q4 2015.
- Lower energy costs were driven by the rouble and hryvnia devaluation, as well as the deconsolidation of Highveld Steel and Vanadium (down US$26 million). Lower energy costs were partly offset by an increase in tariffs in local currencies.
- Other costs increased primarily due to changes in intrasegment URP, which reflects intragroup sale price dynamics amid external price trends. This was partly offset by the cost of goods for resale and a decrease in allowances for inventories.

Steel segment gross profit

The Steel segment's gross profit decreased by 41.1% year-on-year in H1 2016, driven primarily by lower revenues from sales of steel products.

Operational update

Steel: Russia

EVRAZ ZSMK

- EVRAZ ZSMK increased the guarantee on its head-hardened rails by 1.5 times to 700 million tonnes gross. The new guarantee is double any other in the world. This will reduce infrastructure servicing costs for buyers.
- In March 2016, the 60E1 rails were certified according to India's IRS standard, allowing the first shipment of 6,500 tonnes to be made in April-May.
- In March 2016, a new type of rail section, 50E6, was launched and successful welding tests were conducted. The aim is to expand rail export sales in Taiwan. The first shipment of 1,000 tonnes was delivered in July.
- In May 2016, Deutsche Bahn conducted an audit on EVRAZ ZSMK's quality management system (HPQ).
- The first delivery of DIN rebar was made to Germany (3,500 tonnes), where margins for that product are higher than in Asia.
- EVRAZ ZSMK increased its coke sales to around 85,000 tonnes in H1 2016, up 29% year-on-year.
- In May, EVRAZ ZSMK conducted upgrade work on blast furnace #1 ahead of the beginning of the construction season in Russia. The work was completed ahead of schedule and was planned for May due to the cold winter in the region where the plant is located.

EVRAZ NTMK

- In January, a new W21 beam was launched to boost sales in Europe and America.
- In April, together with Slovenia's SZ-VIT, EVRAZ NTMK launched a new type of rolled transport product: wheelsets aimed at increasing sales of various wheels (BA314 and others).
- In May 2016, a new beam, a H-bearing pile (305x305), was launched for the Hong Kong market, and the first delivery, of 3,000 tonnes, was made in July 2016.
- In July 2016, a new project to build blast furnace #7 was launched. Up to US$170 million will be invested in the project, most of which in 2017-18.

Steel: Ukraine

EVRAZ DMZ

- Numerous initiatives to increase pig iron production were successfully completed.
- EVRAZ DMZ continued to implement numerous initiatives aimed at reducing water consumption and discharge as well as air emissions from the BOF shop.
- Commercial production of four new steel profiles was launched.
- In H1 2016, EVRAZ DMZ sold 466,000 tonnes of steel products (57% of which was billets, and 35% construction and structural steel), compared with 462,000 tonnes in H1 2015.

Steel: Kazakhstan

EVRAZ Caspian Steel

In H1 2016, EVRAZ Caspian Steel reduced production costs for finished steel products (by around 2%) and improved productivity (by around 10%), bringing the indicators closer to the targets.

Steel: Italy

EVRAZ Palini e Bertoli

In H1 2016, a rolling mill was relaunched after production was suspended in August 2013. Output in the Period amounted to 8 thousand tonnes of flat products.

Iron ore

Operations at the core iron ore business in Russia, EVRAZ KGOK, were stable in H1 2016. The facility mined 30.3 million tonnes of iron ore (up 1.1 million tonnes compared with H1 2015) and produced 5.0 million tonnes of saleable iron ore products (down 36,000 tonnes), including 1.7 million tonnes of sinter and 3.3 million tonnes of pellets.

Evrazruda produced 2.2 million tonnes of concentrate in H1 2016 (up 574,000 tonnes compared with H1 2015) from 2.6 million tonnes of self preconcentrate and 0.5 million tonnes of third-party preconcentrate (from Ruda Hakasii). The third-party preconcentrate was bought to maximise the utilisation of the enrichment facility.

In H1 2016, EVRAZ Sukha Balka in Ukraine produced 1.4 million tonnes of lumpy ore, selling 61% domestically and 39% abroad. Work was conducted on the dry magnetic separation facilities to improve iron ore quality.

Vanadium

The pulp filtration area at EVRAZ Vanady Tula was fully upgraded, resulting in cost savings and securing better yields at the mill. Together with an equipment upgrade, this substitution increased recovery rates by around 3% year-on-year. FeV 80 production increased by around 15% year-on-year.

Oxide production at EVRAZ Stratcor was mothballed due to the high cost of own oxide production. This allows the focus to be on upstream optimisation.

EVRAZ Nikom boosted FeV production by around 6% year-on-year by increasing the number of heats per month.

EVRAZ NTMK finished the construction of slag crushing and milling equipment. Testing is to be completed in Q3 2016. The new equipment will enable slag of fraction -0.16 mm or -50 mm to be supplied to customers. This will save money for transportation and third-party conversion.

STEEL, NORTH AMERICA SEGMENT

The Steel, North America segment includes the production of crude steel and final steel products in the US and Canada.

Sales review

Steel, North America segment revenues by product

	H1 2016		H1 2015		
	US$ million	% of total segment revenues	US$ million	% of total segment revenues	Relative change
Steel products	**770**	**92.5%**	**1,159**	**92.8%**	**(33.6)%**
Construction products[1]	89	10.7%	145	11.6%	(38.6)%
Railway products[2]	130	15.6%	240	19.2%	(45.8)%
Flat-rolled products[3]	197	23.7%	235	18.8%	(16.2)%
Tubular products[4]	354	42.5%	539	43.2%	(34.3)%
Other revenues[5]	**62**	**7.5%**	**90**	**7.2%**	**(31.1)%**
Total	**832**	**100%**	**1,249**	**100%**	**(33.4)%**

[1] *Includes beams, rebars and structural tubing*

[2] *Includes rails*

[3] *Includes commodity plate, specialty plate and other flat-rolled products*

[4] *Includes large-diameter line pipes, ERW pipes and casing, seamless pipes, casing and tubing, and other tubular products*

[5] *Includes scrap and services*

Sales volumes of Steel, North America segment
('000 tonnes)

	H1 2016	H1 2015	Relative change
Steel products			
Construction products	160	195	**(17.9)%**
Railway products	184	280	**(34.3)%**
Flat-rolled products	295	308	**(4.2)%**
Tubular products	318	409	**(22.2)%**
Total	**957**	**1,192**	**(19.7)%**

The segment's revenues from steel product sales decreased, driven by lower sales volumes (down 19.7%) and average sales prices (down 13.9%).

Revenues from tubular product sales decreased by 34.3%, primarily due to lower sales volumes (down 22.2%) and average prices (down 12.1%). The decrease in sales volumes was driven by weaker OCTG demand, caused by a slowdown in drilling activities due to the falling oil price.

Railway product revenues declined by 45.8%, driven by a decline of 34.3% in volumes and 11.5% in average prices. The rail market fundamentals were less positive, given moderate CAPEX of the Class-I railroads due to lower traffic and a surplus inventory of rails.

Flat-rolled product revenues fell, mainly due to lower average prices (down 12.0%) and sales volumes (down 4.2%).

Revenues from sales of construction products fell due to lower sales volumes (down 17.9%) and average prices (down 20.7%).

Steel, North America segment cost of revenue

Steel North America segment cost of revenue

	H1 2016		H1 2015		
	US$ million	% of segment revenue	US$ million	% of segment revenue	Change, %
Cost of revenue	**699**	**84.0%**	**1,079**	**86.4%**	**(35.2)%**
Raw materials	207	24.9%	376	30.1%	(44.9)%
Semi-finished products	112	13.5%	202	16.2%	(44.6)%
Auxiliary materials	52	6.3%	68	5.4%	(23.5)%
Services	68	8.2%	79	6.3%	(13.9)%
Staff costs	110	13.2%	137	11.0%	(19.7)%
Depreciation	51	6.1%	56	4.5%	(8.9)%
Energy	41	4.9%	55	4.4%	(25.5)%
Other*	58	6.9%	106	8.5%	(45.3)%

** Includes primarily allowances for inventories, goods for resale, certain taxes and transportation*

Cost of revenue decreased by 35.2% year-on-year in H1 2016. The main drivers were as follows:

- Raw material costs decreased by 44.9%, primarily due to lower consumption of raw materials (scrap, coke, ferroalloys and other). The main reasons for this were lower volumes of crude steel and finished products (primarily tubular products and rails), cost-cutting initiatives that reduced consumption and declining raw material prices.
- Costs of semi-finished products fell by 44.6%, primarily due to a decline in prices for purchased slab and decrease in consumption of coils resulting from lower tubular production volumes.
- Auxiliary materials dropped by 23.5%, as a cost-cutting plan was implemented and production volumes of crude steel and finished products dropped year-on-year.
- Service costs declined by 13.9%, as production volumes fell year-on-year in H1 2016.
- Energy costs decreased, driven by lower production volumes and energy consumption.

Steel, North America segment gross profit

The segment's gross profit decreased by 21.8% year-on-year in H1 2016, primarily due to lower sales volumes amid a downturn on the tubular and rail markets.

Operational update

In H1 2016, end markets for our products exhibited mixed results, with robust demand for wire rod, steady demand for LDP and plate, continued weakness in the OCTG segment and a lacklustre performance in the rail business. Overall, commodity prices staged a recovery, underpinned by favourable rulings on trade cases and low inventories in the distribution channel. Between January and June 2016, the AMM Chicago shredded scrap index and the CRU Midwest plate index both surged by around 40%.

In H1 2016, output of finished saleable steel products and raw steel at EVRAZ's North American operations declined by 18% and 19% year-on-year respectively. Steel production was adjusted downwards to match lower demand through a combination of maintenance outages and production curtailments at the Regina and Pueblo steelmaking facilities. Additionally, during Q1 2016, we executed fixed cost reduction initiatives that we estimate will produce around US$26 million in savings during 2016.

During H1 2016, Class-1 railroad maintenance spending retrenched from the record levels seen in 2015. Together with the high rail inventories, this resulted in lower overall demand. The Pueblo rail mill utilisation during the period declined to around 67%, compared with full utilisation in H1 2015.

Regarding tubular products, LDP production increased by 16%, partly offsetting declines of 77% for OCTG, 38% for small-diameter line pipe (SDP) and 88% for seamless pipe.

Delays by customers in obtaining regulatory approvals for their pipeline projects translated into lower than expected LDP demand during the period. On June 22, the Canada Border Service Agency announced preliminary duties of 127% against LDP from China and of 20% to 97% against LDP from Japan.

OCTG, SDP, and seamless pipe continued to be challenged during the period by subdued energy exploration activity and high inventories at distributors. Production at the Canadian OCTG facilities was down 77% year-on-year. The EVRAZ Pueblo seamless mill was idled in March 2016, resulting in a decline in seamless pipe production of 88% year-on-year. In Canada, distributor inventories of some OCTG products appear to be sufficiently depleted and together with stabilizing rig counts stabilising indicate better fundamentals for the second half of the year.

Flat-rolled product saleable volumes are in line with the same period last year, despite a planned outage of around 20 days at the Portland, Oregon plate mill to complete repairs to the re-heat furnace lining. In contrast to H1 2015, the flat division was materially accretive to EBITDA in H1 2016, as the benefits of higher plate prices and low relief values of slab in inventory improved metal spreads. During April, the US Department of Commerce initiated investigations on dumping and subsidisation of Carbon and Alloy Steel Cut-To-Length Plate from numerous countries.

In H2 2016, EVRAZ North America will continue responding to market conditions through aggressive cost structure management and optimising inventory. Additionally, it will continue working on ramping up the new LDP mill, and on the steelmaking and rolling mill upgrades in Regina.

COAL SEGMENT

The Coal segment includes coal mining and enrichment and the operations of the Nakhodka Commercial Sea Port, used extensively to ship the Group's coal products to the Asian markets.

Sales review

Coal segment revenues by product

	H1 2016		H1 2015		
	US$ million	**% of total segment revenues**	**US$ million**	**% of total segment revenues**	**Relative change**
External sales					
Coal products	**317**	**58.3%**	**307**	**56.9%**	**3.3%**
Coking coal	21	3.9%	25	4.6%	(16.0)%
Coal concentrate	296	54.4%	282	52.3%	5.0%
Intersegment sales					
Coal products	**185**	**34.0%**	**194**	**35.9%**	**(4.6)%**
Coking coal	20	3.7%	24	4.4%	(16.7)%
Coal concentrate	165	30.3%	170	31.5%	(2.9)%
Other revenues	***42***	***7.7%***	***39***	***7.2%***	***7.7%***
Total	**544**	**100%**	**540**	**100%**	**0.7%**

Sales volumes of Coal segment
('000 tonnes)

	H1 2016	H1 2015	Relative change
External sales			
Coal products	**5,043**	**4,382**	**15.1%**
Coking coal	673	735	(8.4)%
Coal concentrate and other products	4,370	3,647	19.8%
Intersegment sales			
Coal products	**2,902**	**2,910**	**(0.3)%**
Coking coal	642	593	8.3%
Coal concentrate	2,260	2,317	(2.5)%
Total, coal products	**7,945**	**7,292**	**9.0%**

Overall revenues in the segment increased slightly in H1 2016, despite lower sales prices, due to the recovery of global demand supported by a temporary domestic supply deficit following the accident at Vorkutaugol's Severnaya mine. Sales volumes increased due to the productivity improvement and favourable market conditions in H1 2016 compared with H1 2015.

Internal sales of coal products decreased due to lower average prices (down 4.3%) and sales volumes (down 0.3%).

External sales of coal products increased, mainly due to higher sales volumes (up 15.1%), partly offset by lower average prices (down 11.8%).

In H1 2016, the Coal segment's sales to the Steel segment amounted to US$201 million, or 36.9% of sales, compared with US$210 million and 38.8% of sales in H1 2015.

During the Period, around 49.5% of the coking coal consumed by EVRAZ's steelmaking operations came from own operations, compared with 46.2% in H1 2015.

Coal segment cost of revenue

Coal segment cost of revenue

	H1 2016		H1 2015		
	US$ million	% of segment revenue	US$ million	% of segment revenue	Change, %
Cost of revenue	**344**	**63.2%**	**392**	**72.6%**	**(12.2)%**
Auxiliary materials	58	10.7%	57	10.6%	1.8%
Services	38	7.0%	32	5.9%	18.8%
Transportation	66	12.1%	80	14.8%	(17.5)%
Staff costs	76	14.0%	109	20.2%	(30.3)%
Depreciation	70	12.9%	81	15.0%	(13.6)%
Energy	17	3.0%	20	3.7%	(15.0)%
Other*	19	3.5%	13	2.4%	46.2%

** Includes primarily certain taxes and goods for resale, raw materials and allowance for inventory*

The main drivers of the year-on-year decrease in the segment's cost of revenues were as follows.

- The cost of auxiliary materials and services was almost flat year-on-year in H1 2016 in US dollar terms. The positive effect of the rouble weakness (down US$13 million), as well as the effect of cost-cutting initiatives, was offset by higher consumption of auxiliary materials due to an increase in volumes.
- Transportation costs declined due to the rouble devaluation.
- Staff costs decreased due to the rouble weakness (down US$17 million) and asset optimisation initiatives.
- Depreciation and depletion costs decreased, mostly due to the rouble weakness (down US$16 million), partly offset by increase in depreciation costs due to higher volumes.
- Energy costs fell due to the effect of currency movements (down US$4 million), partly offset by higher electricity prices in local currencies.
- Other costs increased, primarily due to changes in goods for resale.

Coal segment gross profit

The Coal segment's gross profit amounted to US$200 million in H1 2016, up from US$148 million in H1 2015. The gross profit margin rose, primarily due to the effect of the rouble depreciation on costs and cost-cutting initiatives.

Operational update

The Coal segment continues to implement a production efficiency improvement programme. The main priorities in 2016 are to:

- enhance overall equipment effectiveness at longwalls and the Raspadsky open pit
- increase the rate of development work compared with 2015

- improve washing efficiency (growth of concentrate yields)

In H1 2016, EVRAZ's raw coking coal output totalled 11.0 million tonnes, up 1.6 million tonnes year-on-year.

Raspadskaya

In H1 2016, raw coking coal output from Raspadskaya amounted to 4.9 million tonnes (including 2.6 million tonnes from the Raspadskaya mine). The Raspadsky open pit mined 2 million tonnes, 0.7 million tonnes higher than in H1 2015. The main reason was favourable market conditions in 2016, which avoided the need to suspend mining activities, as in 2015.

Output from the Raspadskaya-Koksovaya mine in H1 2016 amounted to 0.28 million tonnes of K-grade raw coking coal. The mine continues to develop room-and-pillar operations.

Yuzhkuzbassugol

In H1 2016, Yuzhkuzbassugol mined 5.9 million tonnes of raw coking coal, up 1.8 million tonnes year-on-year. The main drivers were:

- Stable longwall operations, with higher output per face compared with 2015
- Optimisation of the longwall move schedule at the Uskovskaya and Esaulskaya mines

Mezhegeyugol

In H1 2016, Mezhegeyugol launched room-and-pillar mining operations. Raw coking coal output amounted to 0.2 million tonnes, compared with 0.1 million tonnes in H1 2015.

KEY RISKS AND UNCERTAINTIES

EVRAZ is exposed to numerous risks and uncertainties in its business. These may affect its ability to execute its strategy effectively in the remaining six months of the financial year and could cause the actual results to differ materially from expected and historical results.

Despite the ongoing market volatility described in the Market Outlook section, the directors consider that the principal risks and uncertainties as summarised below and detailed in the EVRAZ plc 2015 annual report on pages 28 to 31, copies of which are available at www.evraz.com, remain relevant in 2016 and the mitigating actions described continue to be appropriate.

Risks:

- Global economic factors, industry conditions
- Competition
- Cost effectiveness
- Treasury: availability of finance
- Functional currency devaluation
- HSE: environmental
- HSE: health and safety
- Potential actions by governments
- Business interruption

EVRAZ continues to actively monitor the risk environment of the business and actively pursues strategies to mitigate the identified risks on an ongoing basis.

DIRECTOR'S RESPONSIBILITY STATEMENT

The directors confirm that, to the best of their knowledge, this consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

An indication of important events that have occurred during the first six months and their impact on the consolidated interim financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

By order of the Board

Alexander Frolov
Chief Executive Officer
EVRAZ plc

17 August 2016

APPENDIXES

Appendix 1

EBITDA

EBITDA is determined as a segment's profit/(loss) from operations, adjusted for social and social infrastructure maintenance expenses, impairment of assets, profit/(loss) on disposal of property, plant and equipment and intangible assets, foreign exchange gains/(losses) and depreciation, depletion and amortisation expense.

In 2015, the management changed the definition of segment expense and EBITDA to make them more comparable with the indicators of Russian steel peers. Starting from 2015, segment expense in the consolidated financial statements does not include social and social infrastructure maintenance expenses and profit/(loss) from operations is adjusted for these expenses in arriving at EBITDA. As a result, the Group restated EBITDA for both financial reporting and management accountings purposes for the six months ended 30 June 2015.

Appendix 2

Free Cash Flow

Free Cash Flow represents EBITDA, net of non-cash items, less changes in working capital, income tax paid, interest paid and social and infrastructure maintenance, covenant reset charges, conversion premiums, premiums on early repurchases of bonds and realised gain/(losses) on interest payments under swap contracts, interest income and debt issue costs, less capital expenditure, including recorded in financing activities, purchases of subsidiaries, net of cash acquired, proceeds from sale of disposals classified as held for sale, net of transaction costs, less purchases of treasury shares for participants of the incentive plans, plus other cash flows from investing activities. Free Cash Flow is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ's calculation of Free Cash Flow may be different from the calculation used by other companies and therefore comparability may be limited.

Appendix 3

Cash and short-term bank deposits

Cash and short-term bank deposits is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ's calculation of cash and short-term bank deposits may be different from the calculation used by other companies and therefore comparability may be limited.

Cash and short-term bank deposits calculation

	30 June 2016	31 December 2015
	(US$ million)	
Cash and cash equivalents	868	1,375
Cash of disposal groups classified as held for sale	-	-
Collateral under swaps	-	-
Cash and short-term bank deposits	**868**	**1,375**

Appendix 4

Total debt

Total debt represents the nominal value of loans and borrowings plus unpaid interest, including those related to the disposal groups classified as held for sale, finance lease liabilities and the nominal effect of cross-currency swaps on principal of rouble-denominated notes. Management uses this measure because it represents the Group's interest-bearing financial obligations. Total debt is not defined in the international financial reporting standards, therefore, EVRAZ's calculation of total debt may be different from the calculation used by other companies and therefore comparability may be limited. This calculation differs from that used for covenant compliance calculations.

Total debt has been calculated as follows:

	30 June 2016	31 December 2015
	(US$ million)	
Long-term loans, net of current portion	5,553	5,850
Short-term loans and current portion of long-term loans	546	497
Add back: Unamortised debt issue costs and fair value adjustment to liabilities assumed in business combination	48	47
Nominal effect of cross-currency swaps on principal of rouble-denominated notes	32	325
Finance lease liabilities, including current portion	5	5
Total debt	**6,184**	**6,724**

Appendix 5

Net debt

Net debt represents total debt less cash and liquid short-term financial assets, including those related to disposal groups classified as held for sale. Net debt is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ's calculation of net debt may be different from the calculation used by other companies and therefore comparability may be limited. The current calculation is different from that used for covenant compliance calculations.

Net debt has been calculated as follows:

	30 June 2016	31 December 2015
	(US$ million)	
Total debt	**6,184**	**6,724**
Short-term bank deposits	-	-
Cash and cash equivalents	(868)	(1,375)
Cash of assets classified as held for sale	-	-
Collateral under swaps	-	-
Net debt	**5,316**	**5,349**

EVRAZ plc

Unaudited Interim Condensed Consolidated Financial Statements

Six-month period ended 30 June 2016

EVRAZ plc

Unaudited Interim Condensed Consolidated Financial Statements

Six-month period ended 30 June 2016

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Independent Review Report to EVRAZ plc

Introduction

We have been engaged by EVRAZ plc (the Company) to review the condensed set of financial statements in the interim report for the six months ended 30 June 2016 which comprises the Interim Condensed Consolidated Statement of Operations, Interim Condensed Consolidated Statement of Comprehensive Income, Interim Condensed Consolidated Statement of Financial Position, Interim Condensed Consolidated Statement of Cash Flows, Interim Condensed Consolidated Statement of Changes in Equity and related notes 1 to 14. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority. As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland), 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP,

London,

17 August 2016

Unaudited Interim Condensed Consolidated Statement of Operations

(In millions of US dollars, except for per share information)

	Notes	Six-month period ended 30 June 2016	2015*
Revenue			
Sale of goods		**$ 3,444**	$ 4,786
Rendering of services		**99**	108
		3,543	4,894
Cost of revenue		**(2,638)**	(3,555)
Gross profit		**905**	1,339
Selling and distribution costs		**(334)**	(425)
General and administrative expenses		**(200)**	(267)
Social and social infrastructure maintenance expenses		**(12)**	(10)
Loss on disposal of property, plant and equipment		**(10)**	(17)
Impairment of assets	**4**	**(7)**	(20)
Foreign exchange gains/(losses), net		**41**	(99)
Other operating income		**7**	10
Other operating expenses		**(57)**	(32)
Profit from operations		**333**	479
Interest income		**5**	5
Interest expense		**(241)**	(229)
Share of profits/(losses) of joint ventures and associates	**7**	**(22)**	(28)
Gain/(loss) on financial assets and liabilities, net		**(10)**	48
Gain/(loss) on disposal groups classified as held for sale, net		**–**	20
Loss of control over a subsidiary		**–**	(167)
Other non-operating gains/(losses), net		**(17)**	(8)
Profit before tax		**48**	120
Income tax expense	**5**	**(41)**	(101)
Net profit		**$ 7**	$ 19
Attributable to:			
Equity holders of the parent entity		**$ (4)**	$ 19
Non-controlling interests		**11**	–
		$ 7	$ 19
Earnings/(losses) per share: for profit/(loss) attributable to equity holders of the parent entity, basic and diluted, US dollars	**10**	**$ (0.00)**	$ 0.01

* The amounts shown here do not correspond to the financial statements for the six-month period ended 30 June 2015 and reflect reclassifications described in Note 2.

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

(In millions of US dollars)

	Notes	Six-month period ended 30 June 2016	2015
Net profit		**$ 7**	$ 19
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations into presentation currency		**369**	(5)
Recycling of exchange difference to profit or loss		**–**	142
		369	137
Effect of translation to presentation currency of the Group's joint ventures and associates	**7**	**9**	1
Share of other comprehensive income of joint ventures and associates accounted for using the equity method		**9**	1
Items not to be reclassified to profit or loss in subsequent periods			
Gains/(losses) on re-measurement of net defined benefit liability		**–**	(5)
Income tax effect		**–**	2
		–	(3)
Total other comprehensive income		**378**	135
Total comprehensive income, net of tax		**$ 385**	$ 154
Attributable to:			
Equity holders of the parent entity		**$ 366**	$ 151
Non-controlling interests		**19**	3
		$ 385	$ 154

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

EVRAZ plc

Unaudited Interim Condensed Consolidated Statement of Financial Position

(In millions of US dollars)

	Notes	30 June 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	**6**	**$ 4,640**	$ 4,302
Intangible assets other than goodwill		**324**	324
Goodwill		**1,215**	1,176
Investments in joint ventures and associates	**7**	**61**	74
Deferred income tax assets		**122**	119
Other non-current financial assets		**79**	79
Other non-current assets		**62**	56
		6,503	6,130
Current assets			
Inventories		**901**	899
Trade and other receivables		**552**	447
Prepayments		**52**	50
Loans receivable		**8**	5
Receivables from related parties	**8**	**16**	6
Income tax receivable		**30**	44
Other taxes recoverable		**128**	127
Other current financial assets		**35**	35
Cash and cash equivalents	**9**	**868**	1,375
		2,590	2,988
Assets of disposal groups classified as held for sale		**11**	1
		2,601	2,989
Total assets		**$ 9,104**	$ 9,119
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Issued capital	**10**	**$ 1,507**	$ 1,507
Treasury shares	**10**	**(270)**	(305)
Additional paid-in capital		**2,511**	2,501
Revaluation surplus		**119**	124
Accumulated profits		**610**	644
Translation difference		**(3,965)**	(4,335)
		512	136
Non-controlling interests		**159**	133
		671	269
Non-current liabilities			
Long-term loans	**11**	**5,553**	5,850
Deferred income tax liabilities		**361**	352
Employee benefits		**324**	301
Provisions		**174**	146
Other long-term liabilities		**86**	116
		6,498	6,765
Current liabilities			
Trade and other payables		**790**	1,070
Advances from customers		**237**	228
Short-term loans and current portion of long-term loans	**11**	**546**	497
Payables to related parties	**8**	**171**	143
Income tax payable		**34**	17
Other taxes payable		**125**	107
Provisions		**32**	23
		1,935	2,085
Total equity and liabilities		**$ 9,104**	$ 9,119

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

Unaudited Interim Condensed Consolidated Statement of Cash Flows

(In millions of US dollars)

	Six-month period ended 30 June	
	2016	2015
Cash flows from operating activities		
Net profit	**$ 7**	$ 19
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:		
Deferred income tax (benefit)/expense	**(26)**	27
Depreciation, depletion and amortisation	**256**	307
Loss on disposal of property, plant and equipment	**10**	17
Impairment of assets	**7**	20
Foreign exchange (gains)/losses, net	**(41)**	99
Interest income	**(5)**	(5)
Interest expense	**241**	229
Share of (profits)/losses of associates and joint ventures	**22**	28
(Gain)/loss on financial assets and liabilities, net	**10**	(48)
(Gain)/loss on disposal groups classified as held for sale, net	**–**	(20)
Loss of control over a subsidiary	**–**	167
Other non-operating (gains)/losses, net	**17**	8
Bad debt expense	**(1)**	9
Changes in provisions, employee benefits and other long-term assets and liabilities	**–**	(3)
Expense arising from equity-settled awards	**10**	12
Other	**(1)**	(2)
	506	864
Changes in working capital:		
Inventories	**54**	78
Trade and other receivables	**(99)**	20
Prepayments	**4**	28
Receivables from/payables to related parties	**46**	11
Taxes recoverable	**27**	(70)
Other assets	**(2)**	–
Trade and other payables	**(36)**	(81)
Advances from customers	**13**	2
Taxes payable	**18**	(49)
Other liabilities	**2**	1
Net cash flows from operating activities	**533**	804
Cash flows from investing activities		
Issuance of loans receivable to related parties	**(1)**	(1)
Proceeds from repayment of loans receivable, including interest	**–**	2
Restricted deposits at banks in respect of investing activities	**–**	(2)
Short-term deposits at banks, including interest	**2**	1
Purchases of property, plant and equipment and intangible assets	**(185)**	(248)
Proceeds from disposal of property, plant and equipment	**4**	2
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	**–**	40
Dividends received	**1**	–
Other investing activities, net	**4**	–
Net cash flows used in investing activities	**(175)**	(206)

Continued on the next page

Unaudited Interim Condensed Consolidated Statement of Cash Flows (continued)

(In millions of US dollars)

	Six-month period ended 30 June	
	2016	2015
Cash flows from financing activities		
Purchase of treasury shares, including transaction costs	**$ –**	$ (339)
Sale of non-controlling interests	**–**	1
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary	**7**	–
Proceeds from bank loans and notes	**989**	1,463
Repayment of bank loans and notes, including interest	**(1,615)**	(1,756)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**(1)**	(4)
Payments for purchase of property, plant and equipment on deferred terms	**(1)**	(3)
Gain/(loss) on derivatives not designated as hedging instruments	**(244)**	(123)
Collateral under swap contracts	**–**	4
Payments under covenants reset	**(3)**	–
Payments under finance leases, including interest	**(1)**	(1)
Other financing activities	**(8)**	–
Net cash flows used in financing activities	**(877)**	(758)
Effect of foreign exchange rate changes on cash and cash equivalents	**12**	70
Net increase/(decrease) in cash and cash equivalents	**(507)**	(90)
Cash and cash equivalents at beginning of year	**1,375**	1,086
Cash and cash equivalents at end of period	**$ 868**	$ 996
Supplementary cash flow information:		
Cash flows during the period:		
Interest paid	**$ (200)**	$ (213)
Interest received	**2**	2
Income taxes paid	**(37)**	(147)

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

(In millions of US dollars)

	Attributable to equity holders of the parent entity								
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Accumulated profits	Translation difference	Total	Non-controlling interests	Total Equity
At 31 December 2015	$ 1,507	$ (305)	$ 2,501	$ 124	$ 644	$ (4,335)	$ 136	$ 133	$ 269
Net profit/(loss)	–	–	–	–	(4)	–	(4)	11	7
Other comprehensive income/(loss)	–	–	–	–	–	370	370	8	378
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(5)	5	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	–	(5)	1	370	366	19	385
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary	–	–	–	–	–	–	–	7	7
Transfer of treasury shares to participants of the Incentive Plans	–	35	–	–	(35)	–	–	–	–
Share-based payments	–	–	10	–	–	–	10	–	10
At 30 June 2016	$ 1,507	$ (270)	$ 2,511	$ 119	$ 610	$ (3,965)	$ 512	$ 159	$ 671

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

Unaudited Interim Condensed Consolidated Statement of Changes in Equity (continued)

(In millions of US dollars)

	Attributable to equity holders of the parent entity								
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Accumulated profits	Translation difference	Total	Non-controlling interests	Total Equity
At 31 December 2014	$ 1,507	$ –	$ 2,481	$ 155	$ 1,299	$ (3,644)	$ 1,798	$ 218	$ 2,016
Net profit/(loss)	–	–	–	–	19	–	19	–	19
Other comprehensive income/(loss)	–	–	–	–	(3)	135	132	3	135
Reclassification of revaluation surplus to accumulated profits in respect of the disposed subsidiaries	–	–	–	(28)	28	–	–	–	–
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(3)	3	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	–	(31)	47	135	151	3	154
Derecognition of non-controlling interests in subsidiaries	–	–	–	–	–	–	–	(4)	(4)
Non-controlling interests arising on sale of ownership interests in subsidiaries	–	–	–	–	(3)	–	(3)	2	(1)
Purchase of treasury shares	–	(336)	–	–	(3)	–	(339)	–	(339)
Transfer of treasury shares to participants of the Incentive Plans	–	31	–	–	(31)	–	–	–	–
Share-based payments	–	–	12	–	–	–	12	–	12
At 30 June 2015	$ 1,507	$ (305)	$ 2,493	$ 124	$ 1,309	$ (3,509)	$ 1,619	$ 219	$ 1,838

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

1. Corporate Information

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors of EVRAZ plc on 17 August 2016.

EVRAZ plc ("EVRAZ plc" or "the Company") was incorporated on 23 September 2011 as a public company under the laws of the United Kingdom with the registered number 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 Company.

2. Significant Accounting Policies

Basis of Preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", as adopted by the European Union. Accordingly, these interim condensed consolidated financial statements do not include all the information and disclosures required for a complete set of financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2015, which were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union.

The interim condensed consolidated financial statements do not constitute statutory accounts as defined by Section 435 of the Companies Act 2006. The financial information for the full year is based on the statutory accounts for the financial year ended 31 December 2015. Statutory accounts for the year ended 31 December 2015 have been filed with the Registrar of Companies. The auditor's report under section 495 of the Companies Act 2006 in relation to those accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Operating results for the six-month period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the year ending 31 December 2016.

Going Concern

These interim condensed consolidated financial statements have been prepared on a going concern basis.

The Group's activities in all of its operating segments continue to be affected by the uncertainty and instability of the current economic environment (Note 12). In response, the Group implemented a number of cost cutting initiatives, reduced capital expenditures, continues to reduce the level of debt and proactively manages its debt covenants compliance.

Based on the currently available facts and circumstances the directors and management have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

2. Significant Accounting Policies (continued)

Restatement of Financial Statements

Reclassification of Expenses

In 2016, the Group reclassified property tax accrued and paid by the production subsidiaries from general and administrative expenses to the “cost of revenue” caption. The Group also reclassified staff costs of certain categories of personnel and the related expenses from cost of revenue to general and administrative expenses.

The reclassifications were made to better reflect the nature of these costs in the current business environment and in order to make the financial statements more comparable with industry peers.

The effects of the restatement on the previously reported amounts are set out below.

	Six-month period ended 30 June 2015			
	As previously reported	**Property tax**	**Staff costs**	**Restated**
Statement of Operations				
Cost of revenue	$ (3,570)	$ (15)	$ 30	$ (3,555)
Gross profit	1,324	(15)	30	1,339
General and administrative expenses	(252)	15	(30)	(267)

Changes in Accounting Policies

In the preparation of the interim condensed consolidated financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the complete consolidated financial statements for year ended 31 December 2015, except for the adoption of new standards and interpretations and revision of existing IAS as of 1 January 2016.

New/Revised Standards and Interpretations Adopted in 2016:

- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

- Amendments to IAS 1 – Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify existing IAS 1 requirements:

- The materiality requirements in IAS 1
- The requirements that apply when additional subtotals are presented in the statement of financial position and the statements of profit or loss and OCI
- That specific line items in the statements of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

- Amendments to IAS 16 and IAS 41 – Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- Amendments to IAS 27 – Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

- Annual Improvements to IFRSs 2010-2012 Cycle

The amendments relate to IFRS 2 “Share-based Payment, IFRS 3 “Business Combinations”, IFRS 8 “Operating Segments”, IAS 16 “Property, Plant and Equipment” and “IAS 38 Intangible Assets”, IAS 24 “Related Party Disclosures”.

- Annual Improvements to IFRSs 2012-2014 Cycle

The amendments relate to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, IFRS 7 “Financial Instruments: Disclosures”, IAS 19 “Employee Benefits”, IAS 34 “Interim Financial Reporting”.

The amendments described above had no significant impact on the financial position and performance of the Group or the disclosures in the consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Segment Information

As disclosed in the consolidated financial statements for the year ended 31 December 2015, in the second half of 2015, management changed the definition of segment expense and EBITDA to make these indicators more comparable with Russian steel peers. Segment expense and EBITDA were adjusted to not include social and social infrastructure maintenance expenses. As such, the comparative segment information for the first half of 2015 has been restated accordingly.

The following tables present measures of segment profit or loss based on management accounts.

Six-month period ended 30 June 2016

US$ million	**Steel**	**Steel, North America**	**Coal**	**Other operations**	**Eliminations**	**Total**
Revenue						
Sales to external customers	**$ 2,376**	**$ 835**	**$ 210**	**$ 30**	**$ –**	**$ 3,451**
Inter-segment sales	**107**	**–**	**272**	**110**	**(489)**	**–**
Total revenue	**2,483**	**835**	**482**	**140**	**(489)**	**3,451**
Segment result – EBITDA	**$ 429**	**$ 25**	**$ 210**	**$ 7**	**$ (47)**	**$ 624**

Six-month period ended 30 June 2015

US$ million	**Steel**	**Steel, North America**	**Coal**	**Other operations**	**Eliminations**	**Total**
Revenue						
Sales to external customers	$ 3,386	$ 1,250	$ 195	$ 40	$ –	$ 4,871
Inter-segment sales	179	–	292	173	(644)	–
Total revenue	3,565	1,250	487	213	(644)	4,871
Segment result – EBITDA	$ 631	$ 49	$ 178	$ 9	$ 13	$ 880

3. Segment Information (continued)

The following table shows a reconciliation of revenue and EBITDA used by management for decision making and revenue and profit or loss before tax per the consolidated financial statements prepared under IFRS.

Six-month period ended 30 June 2016

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	**$ 2,483**	**$ 835**	**$ 482**	**$ 140**	**$ (489)**	**$ 3,451**
Reclassifications and other adjustments	**(84)**	**(3)**	**62**	**28**	**89**	**92**
Revenue per IFRS financial statements	**$ 2,399**	**$ 832**	**$ 544**	**$ 168**	**$ (400)**	**$ 3,543**
EBITDA	**$ 429**	**$ 25**	**$ 210**	**$ 7**	**$ (47)**	**$ 624**
Unrealised profits adjustment	**(41)**	**1**	**–**	**–**	**(3)**	**(43)**
Reclassifications and other adjustments	**(6)**	**1**	**6**	**1**	**47**	**49**
	(47)	**2**	**6**	**1**	**44**	**6**
EBITDA based on IFRS financial statements	**$ 382**	**$ 27**	**$ 216**	**$ 8**	**$ (3)**	**$ 630**
Unallocated subsidiaries						**(53)**
						$ 577
Social and social infrastructure maintenance expenses	**(12)**	**–**	**–**	**–**	**–**	**(12)**
Depreciation, depletion and amortisation expense	**(103)**	**(77)**	**(73)**	**(1)**	**–**	**(254)**
Impairment of assets	**(4)**	**–**	**(3)**	**–**	**–**	**(7)**
Loss on disposal of property, plant and equipment and intangible assets	**(5)**	**(3)**	**(2)**	**–**	**–**	**(10)**
Foreign exchange gains/(losses), net	**(6)**	**39**	**78**	**–**	**–**	**111**
	252	**(14)**	**216**	**7**	**(3)**	**405**
Unallocated income/(expenses), net						**(72)**
Profit/(loss) from operations						**$ 333**
Interest income/(expense), net						**(236)**
Share of profits/(losses) of joint ventures and associates						**(22)**
Gain/(loss) on financial assets and liabilities						**(10)**
Other non-operating gains/(losses), net						**(17)**
Profit/(loss) before tax						**$ 48**

3. Segment Information (continued)

Six-month period ended 30 June 2015

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$ 3,565	$ 1,250	$ 487	$ 213	$ (644)	$ 4,871
Reclassifications and other adjustments	(152)	(1)	53	21	102	23
Revenue per IFRS financial statements	$ 3,413	$ 1,249	$ 540	$ 234	$ (542)	$ 4,894
EBITDA	$ 631	$ 49	$ 178	$ 9	$ 13	$ 880
Exclusion of management services from segment result	47	–	4	–	–	51
Unrealised profits adjustment	37	4	–	–	32	73
Reclassifications and other adjustments	25	(16)	(10)	(1)	–	(2)
	109	(12)	(6)	(1)	32	122
EBITDA based on IFRS financial statements	$ 740	$ 37	$ 172	$ 8	$ 45	$ 1,002
Unallocated subsidiaries						(70)
						$ 932
Social and social infrastructure maintenance expenses	(9)	–	(1)	–	–	(10)
Depreciation, depletion and amortisation expense	(134)	(81)	(88)	(1)	–	(304)
Impairment of assets	(12)	–	(8)	–	–	(20)
Loss on disposal of property, plant and equipment and intangible assets	(9)	(6)	(2)	–	–	(17)
Foreign exchange gains/(losses), net	(82)	(35)	6	3	–	(108)
	494	(85)	79	10	45	473
Unallocated income/(expenses), net						6
Profit/(loss) from operations						$ 479
Interest income/(expense), net						(224)
Share of profits/(losses) of joint ventures and associates						(28)
Gain/(loss) on financial assets and liabilities						48
Gain/(loss) on disposal groups classified as held for sale						20
Loss of control over a subsidiary						(167)
Other non-operating gains/(losses), net						(8)
Profit/(loss) before tax						$ 120

In the six-month period ended 30 June 2016, the Group recognised income on net reversal of the allowance for net realisable value of inventory in the amount of $9 million.

The material changes in property, plant and equipment during the six-month period ended 30 June 2016 other than those disclosed above are presented below:

US$ million	Steel	Steel, North America	Coal	Other operations	Total
Additions	**$ 68**	**$ 79**	**$ 41**	**$ –**	**$ 188**

4. Impairment of Non-current Assets

The Group recognised impairment losses as a result of the impairment testing at the level of cash-generating units. In addition, the Group made a write-off of certain functionally obsolete items of property, plant and equipment.

For the purpose of the impairment testing as of 30 June 2016 the Group assessed the recoverable amount of each cash-generating unit (“CGU”) where indicators of impairment were identified.

4. Impairment of Non-current Assets (continued)

In the first half of 2016, based on the analysis of market changes and cash inflow dependence between the assets and new business organisational structure, management redefined the composition of cash generating units of Steel North America for the purposes of impairment testing. The assets of EVRAZ Inc. NA and EVRAZ Inc. NA Canada, which were previously allocated to cash-generating units based on individual plant level, were merged into 5 new units based on principal markets served by each cash-generating unit:

- Large diameter pipes;
- Oil Country Tubular Goods (casing and tubing);
- Seamless pipes;
- Flat rolled products (plates and coils);
- Long products (rails, rod and bar products).

The recoverable amount has been determined based on a value-in-use calculation using cash flow projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting the time value of money and risks associated with respective cash-generating units. For the periods not covered by management business plans, cash flow projections have been estimated by extrapolating the respective business plans' results using a zero real growth rate. The key assumptions used by management in the value-in-use calculations with respect to the cash-generating units to which the goodwill was allocated and where indicators of impairment existed are presented in the table below.

	Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of commodity per tonne in 2016	Average price of commodity per tonne in 2017	Recoverable amount of CGU, US$ million	Carrying amount of CGU, US$ million
Steel North America	5	10.88-11.29	steel products	$694	$769	3,273	2,516
Large diameter pipes	5	11.29	steel products	$918	$888	1,300	919
Oil Country Tubular Goods	5	11.20	steel products	$943	$978	431	390
Seamless pipes	5	11.23	steel products	$910	$1 170	153	137
Flat rolled products	5	10.93	steel products	$590	$660	563	517
Long products	5	10.88	steel products	$570	$593	825	553

In addition, the Group determined that there were indicators of impairment in several other cash generating units and tested them for impairment using the following assumptions.

	Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of commodity per tonne in 2016	Average price of commodity per tonne in 2017
EVRAZ Palini e Bertoli	9	15.44	steel plates	€416	€432
EVRAZ Yuzhkoks (former Bagleykoks)	5	18.57	coke	$129	$156
Raspadskaya	19	13.04	coal	$41	$41
EVRAZ Stratcor Inc.	5	11.71	vanadium products	$34,613	$36,742
Mezhegeyugol	26	12.48	coal	$51	$70
EVRAZ Sukha Balka	18	21.64	ore	$18	$20

4. Impairment of Non-current Assets (continued)

As a result of impairment testing, the Group recognised a $16 million impairment loss with regards to EVRAZ Stratcor Inc. and made a partial reversal of impairment of EVRAZ Palini e Bertoli in the amount of $19 million.

Discount Rates

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rates have been determined using the Capital Asset Pricing Model and analysis of industry peers. Reasonably possible changes in discount rates could lead to an impairment at EVRAZ Sukha Balka, EVRAZ Stratcor Inc. and EVRAZ Inc. NA cash-generating units. If the discount rates were 10% higher, this would lead to an impairment of $69 million.

Sales Prices

The price assumptions of the products sold by the Group were estimated using industry research using analysts' views published by Credit Suisse, Deutsche Bank, JP Morgan, Morgan Stanley, RBC, UBS, VTB during the period from April to June 2016. The Group expects that the nominal prices will grow with a compound annual growth rate of (7.0)%-6.6% in 2016 – 2021 and 2.0%-2.5% in 2022 and thereafter. Reasonably possible changes in sales prices in the 2nd half of 2016 and 2017 could lead to an impairment at EVRAZ Sukha Balka and EVRAZ Stratcor Inc. cash-generating units. If the prices assumed for the 2nd half of 2016 and 2017 were 10% lower, this would lead to an impairment of $4 million.

Sales Volumes

Management assumed that the sales volumes of steel products would increase by 12.2% in 2017 and future dynamics will be driven by gradual market recovery and changes in assets' capacities. Reasonably possible changes in sales volumes in the 2nd half of 2016 and 2017 could lead to an impairment at EVRAZ Stratcor Inc. If the sales volumes were 10% lower than those assumed for the 2nd half of 2016 and 2017, this would lead to an impairment of $5 million.

Cost Control Measures

The recoverable amounts of cash-generating units are based on the business plans approved by management. A reasonably possible deviation of cost from these plans could lead to an impairment at EVRAZ Sukha Balka and EVRAZ Stratcor Inc. cash-generating units. If the actual costs were 10% higher than those assumed for the 2nd half of 2016 and 2017, this would lead to an impairment of $17 million.

The unit's recoverable amount would become equal to its carrying amount if the assumptions used to measure the recoverable amount changed as follows:

	Discount rates	Sales prices	Sales volumes	Cost control measures
EVRAZ Sukha Balka	3.9%	(5.9)%	–	3.7%
Steel North America				
Oil Country Tubular Goods	6.1%	–	–	–
Flat	5.7%	–	–	–
Seamless	7.0%	–	–	–

5. Income Taxes

Major components of income tax expense were as follows:

US$ million	Six-month period ended 30 June	
	2016	**2015**
Current income tax expense	**$ (66)**	$ (76)
Adjustment in respect of income tax of previous years	**(1)**	2
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	**26**	(27)
Income tax expense reported in the consolidated statement of operations	**$ (41)**	$ (101)

6. Property, Plant and Equipment

The movement in property, plant and equipment for the six-month period ended 30 June 2016 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2015, cost, net of accumulated depreciation	**$ 97**	**$ 822**	**$ 1,798**	**$ 79**	**$ 1,192**	**$ 12**	**$ 302**	**$ 4,302**
Additions	**–**	**–**	**2**	**–**		**–**	**186**	**188**
Assets put into operation	**–**	**24**	**91**	**6**	**20**	**1**	**(142)**	**–**
Disposals		**(7)**	**(1)**	**(1)**	**–**	**(1)**	**(1)**	**(11)**
Depreciation and depletion charge	**–**	**(32)**	**(154)**	**(10)**	**(40)**	**(2)**	**–**	**(238)**
Impairment losses recognised in statement of operations	**–**	**(7)**	**(13)**	**(1)**	**(5)**	**–**	**(4)**	**(30)**
Impairment losses reversed through statement of operations	**2**	**4**	**14**	**–**	**2**	**–**	**1**	**23**
Transfer to assets held for sale	**–**	**–**	**–**	**–**	**–**	**–**	**(9)**	**(9)**
Change in site restoration and decommissioning provision	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**1**
Translation difference	**4**	**82**	**150**	**8**	**142**	**–**	**28**	**414**
At 30 June 2016, cost, net of accumulated depreciation	**$ 103**	**$ 887**	**$ 1,887**	**$ 81**	**$ 1,311**	**$ 10**	**$ 361**	**$ 4,640**

7. Investments in Joint Ventures and Associates

The movement in investments in joint ventures and associates during the six-month period ended 30 June 2016 was as follows:

US$ million	Timir	Streamcore	Other associates	Total
At 31 December 2015	**$ 40**	**$ 26**	**$ 8**	**$ 74**
Share of profit/(loss)	(24)	2	–	(22)
Translation difference	5	4	–	9
At 30 June 2016	**$ 21**	**$ 32**	**$ 8**	**$ 61**

The Group assessed the recoverability of its investment in Timir at 30 June 2016. The recoverable amount of the asset was based on a value-in-use calculation using cash flow projections based on the business plans approved by management and an appropriate discount rate reflecting the time value of money and risks associated with the asset. The period of the forecast was 25 years. The discount rates were 11.78%. As a result, in the 1st half of 2016, the Group partially impaired its investment in Timir. The major drivers that led to impairment were the decrease in the expected long-term prices for iron ore, the increase in the amount of the required capital expenditures to maintain the production at the budgeted capacities and the postponement of the start of production for 2 years.

7. Investments in Joint Ventures and Associates (continued)

In the value-in-use calculation management assumed that the railway tariffs for the iron ore transportation in the Yakutia region, which are established by the local railway companies, will be reduced to the general level of the tariffs in Russia. These tariffs have not been agreed yet by the parties. If the assumption were not valid, this would lead to an additional impairment of $58 million which would give a $21 million effect on the share of profits/(losses) of joint ventures and associates recognised in the consolidated statement of operations.

8. Related Party Disclosures

For the Group related parties include 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 Group's ultimate parent or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Amounts owed by/to related parties were as follows:

	Amounts due from related parties		**Amounts due to related parties**	
US$ million	**30 June 2016**	**31 December 2015**	**30 June 2016**	**31 December 2015**
Vtorresource-Pererabotka	**$ 1**	$ 1	**$ 19**	$ 10
Yuzhny GOK	**8**	–	**149**	129
Other entities	**7**	5	**3**	4
	16	6	**171**	143
Less: allowance for doubtful accounts	**–**	–	**–**	–
	$ 16	$ 6	**$ 171**	$ 143

Transactions with related parties were as follows for the six-month periods ended 30 June:

	Sales to related parties		**Purchases from related parties**	
US$ million	**2016**	**2015**	**2016**	**2015**
Genalta Recycling Inc.	**$ –**	$ –	**$ 4**	$ 8
Interlock Security Services	**–**	–	**9**	13
Vtorresource-Pererabotka	**3**	5	**99**	167
Yuzhny GOK	**11**	15	**31**	35
Other entities	**–**	1	**7**	7
	$ 14	$ 21	**$ 150**	$ 230

Compensation to Key Management Personnel

In the six-month periods ended 30 June 2016 and 2015, key management personnel totalled 34 and 42 persons, respectively. Total compensation to key management personnel was included in general and administrative expenses and consisted of the following in the six-month periods ended 30 June:

US$ million	**2016**	**2015**
Salary	**$ 6**	$ 8
Performance bonuses	**5**	6
Social security taxes	**2**	3
Share-based payments	**5**	5
	$ 18	$ 22

9. Cash and Cash Equivalents

Cash and cash equivalents were denominated in the following currencies:

US$ million	**30 June 2016**	31 December 2015
US dollar	**$ 759**	$ 1,196
Russian rouble	**50**	121
Others	**59**	58
	$ 868	$ 1,375

The above cash and cash equivalents mainly consist of cash at banks.

10. Equity

Share Capital

Number of shares	**30 June 2016**	**31 December 2015**
Issued and fully paid		
Ordinary shares of $1 each	**1,506,527,294**	1,506,527,294

Treasury Shares

Number of shares	**30 June 2016**	**31 December 2015**
Number of treasury shares	**87,066,592**	98,481,249

Earnings per Share

Earnings per share are calculated by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the potential dilutive ordinary shares into ordinary shares.

The following reflects the profit and share data used in the basic and diluted earnings per share computations:

	Six-month period ended 30 June	
	2016	**2015**
Weighted average number of ordinary shares outstanding during the period	**1,410,286,193**	1,466,710,794
Effect of dilution: share options	**–**	34,505,010
Weighted average number of ordinary shares adjusted for the effect of dilution	**1,410,286,193**	1,501,215,804
Profit/(loss) for the period attributable to equity holders of the parent entity, US$ million	**$ (4)**	$ 19
Basic earnings/(losses) per share	**$ (0.00)**	$ 0.01
Diluted earnings/(losses) per share	**$ (0.00)**	$ 0.01

In the six-month period ended 30 June 2016, share-based awards were antidilutive as the Group reported net losses attributable to the equity holders of the parent entity.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these interim condensed consolidated financial statements.

11. Loans and Borrowings

Short-term and long-term loans and borrowings were as follows:

US$ million	30 June 2016	31 December 2015
Bank loans	**$ 2,113**	$ 2,236
US dollar-denominated		
7.40% notes due 2017	**177**	286
7.75% bonds due 2017	**26**	186
9.5% notes due 2018	**137**	353
6.75% notes due 2018	**537**	796
7.5% senior secured notes due 2019	**350**	350
6.50% notes due 2020	**1,000**	1,000
8.25% notes due 2021	**750**	750
6.75% notes due 2022	**500**	–
Rouble-denominated		
8.40% rouble bonds due 2016	**–**	165
12.95% rouble bonds due 2019	**233**	206
12.60% rouble bonds due 2021	**233**	–
Fair value adjustment to liabilities assumed in business combination	**1**	7
Unamortised debt issue costs	**(49)**	(54)
Interest payable	**91**	66
	$ 6,099	$ 6,347

Some of the loan agreements and terms and conditions of notes provide for certain covenants in respect of EVRAZ plc and its subsidiaries. The covenants impose restrictions in respect of certain transactions and financial ratios, including restrictions in respect of indebtedness and profitability.

Pledged Assets

The Group pledged its rights under selected export contracts as collateral under the loan agreements. All proceeds from sales of steel pursuant to these contracts can be used to satisfy the obligations under the loan agreements in the event of a default.

At 30 June 2016, a 100% ownership interest in EVRAZ Inc NA and 51% in EVRAZ Inc NA Canada were pledged against a $350 million liability under 7.5% senior secured notes due 2019. The subsidiaries represent approximately 33.8% of the consolidated assets at 30 June 2016 and generated almost 23.5% of the consolidated revenues in the six-month period ended 30 June 2016. In addition, property, plant and equipment and inventory of these subsidiaries amounting to $1,101 million and $316 million, respectively, at 30 June 2016 were pledged as collateral under the notes.

At 30 June 2016, 100% of shares of EVRAZ Caspian Steel were pledged as collateral under a bank loan with a carrying value of $98 million at 30 June 2016. The subsidiary represented 1% of the consolidated assets at 30 June 2016 and generated 0.8% of the consolidated revenues in the six-month period ended 30 June 2016. In addition, property, plant and equipment of EVRAZ Caspian Steel amounting to $53 million at 30 June 2016 were pledged as collateral under the same loan.

The Group's pledged assets at carrying value included the following:

US$ million	30 June 2016	31 December 2015
Property, plant and equipment	**$ 1,154**	$ 1,107
Inventory	**316**	383

11. Loans and Borrowings (continued)

Issue of Notes and Bonds

In June 2016, the Group issued 6.75% notes due 2022 in the amount of $500 million. The proceeds from the issue of the notes were used to finance the purchase of 7.40% notes due 2017, 9.50% notes due 2018, 6.75% notes due 2018 and 7.75% bonds due 2017 at the tender offer settled on 17 June 2016 and to refinance other current indebtedness of the Group.

In March 2016, the Group completed a placement of bonds in the total amount of 15,000 million Russian roubles ($233 million at 30 June 2016), which bear interest of 12.60% per annum and mature on 23 March 2021. The currency risk exposure of these bonds was not hedged.

Repurchase of Notes and Bonds

In the first half of 2016, the Group partially repurchased 7.40% notes due 2017 ($109 million), 9.50% notes due 2018 ($216 million), 6.75% notes due 2018 ($259 million) and 7.75% bonds due 2017 ($160 million). The premium over carrying value on the repurchase in the amount of $5 million, $19 million, $6 million and $5 million, respectively, was charged to the Gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations.

In addition, the Group fully settled its 8.40% rouble bonds due 2016, there was no gain or loss on this transaction.

Unutilised Borrowing Facilities

As of 30 June 2016, the Group had unutilised bank loans in the amount of $1,132 million, including $198 million of committed facilities.

12. Commitments and Contingencies

Operating Environment of the Group

The Group is one of the largest vertically integrated steel producers globally and the largest steel producer in Russia. The Group's major subsidiaries are located in Russia, Ukraine, the USA and Canada. Russia and Ukraine are considered to be developing markets with higher economic and political risks. Steel consumption is affected by the cyclical nature of demand for steel products and the sensitivity of that demand to worldwide general economic conditions.

The global economic recession resulted in a significantly lower demand for steel products and decreased profitability. In addition, the political crisis over Ukraine led to an additional uncertainty in the global economy. The unrest in the Southeastern region of Ukraine and the economic sanctions imposed on Russia caused the depreciation of national currencies and economic slowdown in Russia and Ukraine. In addition, a significant drop in crude oil prices negatively impacted the Russian economy. The combination of the above resulted in increased inflation and uncertainty regarding economic growth. If the Ukrainian crisis broadens and further sanctions are imposed on Russia, this could have an adverse impact on the Group's business.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

The global economic climate continues to be unstable and this may negatively affect the Group's results and financial position in a manner not currently determinable.

12. Commitments and Contingencies (continued)

Taxation

Russian and Ukrainian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities which were identified by management at the end of the reporting period as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in these financial statements could be up to approximately $21 million.

Contractual Commitments

At 30 June 2016, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $144 million.

In 2010, the Group concluded a contract for the construction of an air separation plant and for the supply of oxygen and other gases produced by a third party at this plant for a period of 20 years. Due to a change in plans of the third party provider and in management's assessment of the extent of sales of gases to third parties the Group no longer considers this supply contract to fall within the scope of IFRIC 4 "Determining whether an Arrangement Contains a Lease". At 30 June 2016, the Group has a committed expenditure of $553 million over the life of the contract.

Social Commitments

The Group is involved in a number of social programmes aimed to support education, healthcare and social infrastructure development in towns where the Group's assets are located. The Group budgeted to spend approximately $24 million under these programmes in the second half of 2016.

Environmental Protection

In the course of the Group's operations, the Group may be subject to environmental claims and legal proceedings. The quantification of environmental exposures requires an assessment of many factors, including changing laws and regulations, improvements in environmental technologies, the quality of information available related to specific sites, the assessment stage of each site investigation, preliminary findings and the length of time involved in remediation or settlement.

The Group has a number of environmental claims and proceedings which are at an early stage of investigation. Environmental provisions in relation to these proceedings that were recognised at 30 June 2016 amounted to $12 million. Preliminary estimates available of the incremental costs indicate that such costs could be up to $263 million. The Group has insurance agreements, which are expected to provide reimbursement of the costs to be actually incurred. Management believes that, as of now, an economic outflow of the additional costs is not probable and any pending environmental claims or proceedings will not have a material adverse effect on its financial position and results of operations.

In addition, the Group has committed to various environmental protection programmes covering periods from 2016 to 2022, under which it will perform works aimed at reductions in environmental pollution and contamination. As of 30 June 2016, the costs of implementing these programmes are estimated at $114 million.

Legal Proceedings

The Group has been and continues to be the subject of legal proceedings, none of which has had, individually or in aggregate, a significant effect on the Group's operations or financial position. At 30 June 2016, possible liabilities were estimated at $8 million.

13. Fair Value of Financial Instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs).

The carrying amounts of financial instruments, such as cash, short-term and long-term investments, short-term accounts receivable and payable, short-term loans receivable and payable and promissory notes, approximate their fair value.

The Group held the following financial instruments measured at fair value:

	30 June 2016			31 December 2015		
US$ million	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at fair value						
Available-for-sale financial assets	**4**	**–**	**–**	5	–	–
Liabilities measured at fair value						
Derivatives not designated as hedging instruments	**–**	**–**	**–**	–	274	–
Hedging instruments	**–**	**37**	**–**	–	59	–

The following table shows fair values of the Group's bonds and notes.

US$ million	30 June 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
USD-denominated				
7.40% notes due 2017	**$ 179**	**$ 187**	$ 290	$ 299
7.75% bonds due 2017	**27**	**27**	195	190
9.50% notes due 2018	**138**	**152**	354	379
6.75% notes due 2018	**542**	**564**	802	804
7.50% bonds due 2019	**347**	**342**	347	328
6.50% notes due 2020	**1,009**	**1,038**	1,009	955
8.25% notes due 2021	**778**	**845**	746	747
6.75% notes due 2022	**498**	**510**	–	–
Rouble-denominated				
8.40% rouble bonds due 2016	**–**	**–**	167	165
12.95% rouble bonds due 2019	**233**	**239**	205	208
12.60% rouble bonds due 2021	**241**	**247**	–	–
	$ 3,992	**$ 4,151**	$ 4,115	$ 4,075

The fair value of the non-convertible bonds and notes was determined based on market quotations (Level 1).

14. Subsequent Events

Repayment of Notes

In August 2016, the Group fully settled its liabilities under the 7.40% notes due 2017 paying a premium over the carrying value of $9 million.