EVRAZ plc

Unaudited Interim Condensed
Consolidated Financial Statements

Six-month period ended 30 June 2013

EVRAZ plc

Unaudited Interim Condensed Consolidated Financial Statements

Six-month period ended 30 June 2013

Contents

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 2013 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 15. 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 interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim 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 interim report for the six months ended 30 June 2013 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
28 August 2013

Unaudited Interim Condensed Consolidated Statement of Operations

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

	Notes	Six-month period ended 30 June 2013	2012 restated*
Revenue			
Sale of goods		**$ 7,142**	$ 7,440
Rendering of services		**220**	179
		7,362	7,619
Cost of revenue		**(5,877)**	(6,020)
Gross profit		**1,485**	1,599
Selling and distribution costs		**(618)**	(621)
General and administrative expenses		**(448)**	(428)
Social and social infrastructure maintenance expenses		**(22)**	(21)
Loss on disposal of property, plant and equipment		**(10)**	(25)
Impairment of assets	**5**	**(7)**	(80)
Foreign exchange gains/(losses), net		**(177)**	28
Other operating income		**48**	33
Other operating expenses		**(68)**	(46)
Profit from operations		**183**	439
Interest income		**16**	8
Interest expense		**(377)**	(322)
Share of profits/(losses) of joint ventures and associates	**8**	**3**	6
Gain/(loss) on derecognition of equity investments, net	**4**	**89**	–
Gain/(loss) on financial assets and liabilities, net		**(71)**	(26)
Gain/(loss) on disposal groups classified as held for sale, net		**54**	(2)
Other non-operating gains/(losses), net		**(3)**	(13)
Profit/(loss) before tax		**(106)**	90
Income tax expense	**6**	**(16)**	(136)
Net loss		**$ (122)**	$ (46)
Attributable to:			
Equity holders of the parent entity		**$ (111)**	$ (34)
Non-controlling interests		**(11)**	(12)
		$ (122)	$ (46)
Earnings per share: basic and diluted, for profit/(loss) attributable to equity holders of the parent entity, US dollars	**11**	**$ (0.07)**	$ (0.03)

* The amounts shown here do not correspond to the financial statements for the six-month period ended 30 June 2012 and reflect adjustments made in connection with the obligatory change in the accounting policies (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 2013	Six-month period ended 30 June 2012 restated*
Net loss		**$ (122)**	$ (46)
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		**(414)**	(116)
Recycling of exchange difference to profit or loss *(Note 4)*		**68**	–
Net gains/(losses) on available-for-sale financial assets		**4**	6
Effect of translation to presentation currency of the Group's joint ventures and associates	**8**	**(10)**	4
Share of other comprehensive income of joint ventures and associates accounted for using the equity method		**(10)**	4
Items not to be reclassified to profit or loss in subsequent periods			
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment		**(5)**	–
Income tax effect		**1**	–
		(4)	–
Total other comprehensive loss		**(356)**	(106)
Total comprehensive loss, net of tax		**$ (478)**	$ (152)
Attributable to:			
Equity holders of the parent entity		**$ (430)**	$ (140)
Non-controlling interests		**(48)**	(12)
		$ (478)	$ (152)

***** The amounts shown here do not correspond to the financial statements for the six-month period ended 30 June 2012 and reflect adjustments made in connection with the obligatory change in the accounting policies (Note 2).

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 2013	31 December 2012 restated*
ASSETS			
Non-current assets			
Property, plant and equipment	**7**	**$ 9,773**	$ 7,792
Intangible assets other than goodwill		**545**	586
Goodwill		**2,131**	2,180
Investments in joint ventures and associates	**8**	**187**	551
Deferred income tax assets		**147**	143
Other non-current financial assets		**139**	92
Other non-current assets		**81**	64
		13,003	11,408
Current assets			
Inventories		**1,851**	1,978
Trade and other receivables		**1,050**	895
Prepayments		**125**	143
Loans receivable		**9**	19
Receivables from related parties	**9**	**14**	12
Income tax receivable		**71**	59
Other taxes recoverable		**245**	329
Other current financial assets		**66**	712
Cash and cash equivalents	**10**	**1,471**	1,320
		4,902	5,467
Assets of disposal groups classified as held for sale		**916**	930
		5,818	6,397
Total assets		**$ 18,821**	$ 17,805
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Issued capital	**11**	**$ 1,473**	$ 1,340
Treasury shares		**(1)**	(1)
Additional paid-in capital	**11**	**2,310**	1,820
Revaluation surplus		**169**	173
Other reserves	**11**	**156**	–
Unrealised gains and losses		**9**	5
Accumulated profits		**2,893**	3,004
Translation difference		**(1,743)**	(1,424)
		5,266	4,917
Non-controlling interests		**509**	200
		5,775	5,117
Non-current liabilities			
Long-term loans	**12**	**6,750**	6,373
Deferred income tax liabilities		**1,036**	927
Finance lease liabilities		**10**	11
Employee benefits		**611**	578
Provisions		**265**	257
Other long-term liabilities		**320**	170
		8,992	8,316
Current liabilities			
Trade and other payables		**1,224**	1,412
Advances from customers		**122**	157
Short-term loans and current portion of long-term loans	**12**	**1,453**	1,783
Payables to related parties	**9**	**451**	257
Income tax payable		**82**	48
Other taxes payable		**216**	195
Current portion of finance lease liabilities		**2**	2
Provisions		**29**	32
Dividends payable by the Group's subsidiaries to non-controlling shareholders		**8**	8
		3,587	3,894
Liabilities directly associated with disposal groups classified as held for sale		**467**	478
		4,054	4,372
Total equity and liabilities		**$ 18,821**	$ 17,805

* The amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made in connection with the obligatory change in the accounting policies and a correction of a prior period error (Note 2).

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

EVRAZ plc

Unaudited Interim Condensed Consolidated Statement of Cash Flows

(In millions of US dollars)

	Six-month period ended 30 June 2013	Six-month period ended 30 June 2012 restated*
Cash flows from operating activities		
Net loss	**$ (122)**	$ (46)
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:		
Deferred income tax (benefit)/expense	**(131)**	(30)
Depreciation, depletion and amortisation	**562**	668
Loss on disposal of property, plant and equipment	**10**	25
Impairment of assets	**7**	80
Foreign exchange (gains)/losses, net	**177**	(28)
Interest income	**(16)**	(8)
Interest expense	**377**	322
Share of (profits)/losses of associates and joint ventures	**(3)**	(6)
Gain/(loss) on derecognition of equity investments, net	**(89)**	–
(Gain)/loss on financial assets and liabilities, net	**71**	26
(Gain)/loss on disposal groups classified as held for sale, net	**(54)**	2
Other non-operating (gains)/losses, net	**3**	13
Bad debt expense	**(1)**	10
Changes in provisions, employee benefits and other long-term assets and liabilities	**(43)**	(70)
Expense arising from the equity-settled awards	**11**	8
Other	**(2)**	(2)
	757	964
Changes in working capital:		
Inventories	**86**	(38)
Trade and other receivables	**(176)**	(14)
Prepayments	**15**	(31)
Receivables from/payables to related parties	**94**	91
Taxes recoverable	**68**	186
Other assets	**(3)**	(55)
Trade and other payables	**(224)**	(53)
Advances from customers	**(32)**	(15)
Taxes payable	**42**	(17)
Other liabilities	**1**	71
Net cash flows from operating activities	**628**	1,089
Cash flows from investing activities		
Issuance of loans receivable to related parties	**(1)**	(3)
Issuance of loans receivable	**(1)**	–
Proceeds from repayment of loans receivable, including interest	**1**	4
Purchases of subsidiaries, net of cash acquired *(Note 4)*	**82**	–
Purchase of interest in a joint venture *(Note 8)*	**(16)**	–
Restricted deposits at banks in respect of investing activities	**(1)**	(13)
Short-term deposits at banks, including interest	**680**	6
Purchases of property, plant and equipment and intangible assets	**(492)**	(565)
Proceeds from disposal of property, plant and equipment	**3**	4
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	**(1)**	11
Dividends received	**1**	86
Other investing activities, net	**(17)**	–
Net cash flows from/(used in) investing activities	**238**	(470)

***** The amounts shown here do not correspond to the financial statements for the six-month period ended 30 June 2012 and reflect adjustments made in connection with the obligatory change in the accounting policies (Note 2).

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 2013	Six-month period ended 30 June 2012 restated*
Cash flows from financing activities		
Purchase of treasury shares in the course of the Group's reorganisation	**$ –**	$ (4)
Proceeds from bank loans and notes	**1,776**	2,072
Repayment of bank loans and notes, including interest	**(2,849)**	(1,807)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**412**	93
Payments under covenants reset	**–**	(7)
Gain on derivatives not designated as hedging instruments	**19**	42
Collateral under swap contracts	**(26)**	(21)
Payments under finance leases, including interest	**(2)**	(9)
Net cash flows from/(used in) financing activities	**(670)**	359
Effect of foreign exchange rate changes on cash and cash equivalents	**(49)**	(16)
Net increase/(decrease) in cash and cash equivalents	**147**	962
Cash and cash equivalents at beginning of year	**1,320**	801
Add back: decrease in cash of disposal groups classified as assets held for sale	**4**	**–**
Cash and cash equivalents at end of period	**$ 1,471**	$ 1,763
Supplementary cash flow information:		
Cash flows during the period:		
Interest paid	**$ (302)**	$ (271)
Interest received	**17**	3
Income taxes paid by the Group	**(126)**	(134)

***** The amounts shown here do not correspond to the financial statements for the six-month period ended 30 June 2012 and reflect adjustments made in connection with the obligatory change in the accounting policies (Note 2).

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

EVRAZ plc

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**	**Other reserves**	**Unrealised gains and losses**	**Accumulated profits**	**Translation difference**	**Total**	**Non-controlling interests**	**Total Equity**
At 31 December 2012 (as reported)	**$ 1,340**	**$ (1)**	**$ 1,820**	**$ 173**	**$ –**	**$ 5**	**$ 3,356**	**$ (1,520)**	**$ 5,173**	**$ 200**	**$ 5,373**
Correction of a prior period error *(Note 2)*	**–**	**–**	**–**	**–**	**–**	**–**	**(96)**	**96**	**–**	**–**	**–**
Change in accounting policies *(Note 2)*	**–**	**–**	**–**	**–**	**–**	**–**	**(256)**	**–**	**(256)**	**–**	**(256)**
At 31 December 2012 (as restated)	**1,340**	**(1)**	**1,820**	**173**	**–**	**5**	**3,004**	**(1,424)**	**4,917**	**200**	**5,117**
Net loss	**–**	**–**	**–**	**–**	**–**	**–**	**(111)**	**–**	**(111)**	**(11)**	**(122)**
Other comprehensive income/(loss)	**–**	**–**	**–**	**(4)**	**–**	**4**	**–**	**(319)**	**(319)**	**(37)**	**(356)**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**(4)**	**–**	**4**	**(111)**	**(319)**	**(430)**	**(48)**	**(478)**
Issue of shares *(Note 4)*	**133**	**–**	**478**	**–**	**156**	**–**	–	**–**	**767**	**–**	**767**
Acquisition of non-controlling interests in existing subsidiaries *(Note 4)*	**–**	**–**	**1**	**–**	**–**	**–**	–	**–**	**1**	**(3)**	**(2)**
Non-controlling interests arising on acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**360**	**360**
Share-based payments	**–**	**–**	**11**	**–**	**–**	**–**	**–**	**–**	**11**	**–**	**11**
At 30 June 2013	**$ 1,473**	**$ (1)**	**$ 2,310**	**$ 169**	**$ 156**	**$ 9**	**$ 2,893**	**$ (1,743)**	**$ 5,266**	**$ 509**	**$ 5,775**

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	Other reserves	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total Equity
At 31 December 2011 (as reported)	$ 1,338	$ (8)	$ 2,289	$ 171	$ –	$ –	$ 3,606	$ (1,851)	$ 5,545	$ 236	$ 5,781
Change in accounting policies *(Note 2)*	–	–	–	–	–	–	(200)	5	(195)	–	(195)
At 31 December 2011 (as restated)	1,338	(8)	2,289	171	–	–	3,406	(1,846)	5,350	236	5,586
Net loss (restated)*	–	–	–	–	–	–	(34)	–	(34)	(12)	(46)
Other comprehensive income/(loss)	–	–	–	–	–	6	–	(112)	(106)	–	(106)
Total comprehensive income/(loss) for the period (restated)*	–	–	–	–	–	6	(34)	(112)	(140)	(12)	(152)
Issue of shares in the course of the Group's reorganisation	2	(4)	–	–	–	–	8	–	6	(10)	(4)
Acquisition of non-controlling interests in existing subsidiaries	–	–	1	–	–	–	(30)	–	(29)	(6)	(35)
Non-controlling interests arising on sale of ownership interests in subsidiaries	–	–	–	–	–	–	–	–	–	1	1
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary	–	–	–	–	–	–	–	–	–	3	3
Buyback of own shares by a joint venture's subsidiary	–	–	–	–	–	–	(22)	–	(22)	–	(22)
Transfer of treasury shares to participants of the Incentive Plan	–	11	–	–	–	–	(11)	–	–	–	–
Share-based payments	–	–	8	–	–	–	–	–	8	–	8
Dividends declared by the parent entity to its shareholders	–	–	–	–	–	–	(228)	–	(228)	–	(228)
At 30 June 2012 (restated)*	$ 1,340	$ (1)	$ 2,298	$ 171	$ –	$ 6	$ 3,089	$ (1,958)	$ 4,945	$ 212	$ 5,157

***** The amounts shown here do not correspond to the financial statements for the six-month period ended 30 June 2012 and reflect adjustments made in connection with the obligatory change in the accounting policies (Note 2).

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 28 August 2013.

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.

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. In response the Group implemented a number of cost cutting initiatives, reduced capital expenditures and significantly reduced the level of debt subject to financial maintenance covenants.

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

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 2012, which were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and also in conjunction with the explanation of the correction of a prior period error below as to how certain of those comparative figures have been restated to reclassify from other comprehensive loss to loss for the period, the cumulative amount of exchange differences relating to the foreign operations that were disposed of in 2012.

The comparative figures as of 31 December 2012 are not the Company's statutory accounts for the year ended 31 December 2012 in terms of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2012, in respect of which the audit report 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. Statutory accounts for the year ended 31 December 2012 have been filed with the Registrar of Companies.

Operating results for the six-month period ended 30 June 2013 are not necessarily indicative of the results that may be expected for the year ending 31 December 2013.

Restatement of Financial Statements

Correction of a Prior Period Error

According to IAS 21 "The Effects of Changes in Foreign Exchange Rates" on the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity, should be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised. In 2013, the Group discovered that in 2012 it did not reclassify the accumulated exchange losses in the amount of $96 million on the disposal of its subsidiaries - Dneprodzerzhinsk Coke Chemical Plant and Prichaly Kominterna. As such, the Group corrected this prior period error and has disclosed the restated consolidated statements of operations and comprehensive income, the statement of financial position and the relevant extract from the statement of changes in equity for the year ended 31 December 2012 below.

The correction of this error does not affect the Group's compliance with financial covenants at 31 December 2012.

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Obligatory Change in the Accounting Policies Following the Amendments to IAS 19

Amended IAS 19 "Employee Benefits", which is effective for annual periods beginning on or after 1 January 2013, introduced a full recognition of deficit/(surplus) of a defined benefit obligation in the statement of financial position, net presentation of interest on the defined benefit liabilities and assets, new presentation of changes in defined benefit obligations and plan assets and additional disclosure requirements. These amendments are required to be applied retrospectively. As such, in these interim consolidated financial statements the Group adjusted the balances starting from the earliest prior period presented and the results of its operations for the respective periods.

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

Statement of Operations

	Year ended 31 December 2012			
	As previously reported	Reclassification of accumulated exchange losses	Change in accounting policies	Restated
Revenue				
Sale of goods	$ 14,367	$ –	$ –	$ 14,367
Rendering of services	359	–	–	359
	14,726	–	–	14,726
Cost of revenue	(11,797)	–	15	(11,782)
Gross profit	2,929	–	15	2,944
Selling and distribution costs	(1,211)	–	–	(1,211)
General and administrative expenses	(860)	–	–	(860)
Social and social infrastructure maintenance expenses	(51)	–	–	(51)
Loss on disposal of property, plant and equipment	(56)	–	–	(56)
Impairment of assets	(413)	–	–	(413)
Foreign exchange gains/(losses), net	(41)	–	–	(41)
Other operating income	75	–	–	75
Other operating expenses	(129)	–	–	(129)
Profit from operations	243	–	15	258
Interest income	23	–	–	23
Interest expense	(645)	–	(9)	(654)
Share of profits/(losses) of joint ventures and associates	1	–	–	1
Gain/(loss) on financial assets and liabilities, net	164	–	–	164
Gain/(loss) on disposal groups classified as held for sale, net	114	(96)	–	18
Other non-operating gains/(losses), net	(6)	–	–	(6)
Profit/(loss) before tax	(106)	(96)	6	(196)
Income tax benefit/(expense)	(229)	–	–	(229)
Net profit/(loss)	$ (335)	$ (96)	$ 6	$ (425)
Attributable to:				
Equity holders of the parent entity	$ (308)	$ (96)	$ 6	$ (398)
Non-controlling interests	(27)	–	–	(27)
	$ (335)	$ (96)	$ 6	$ (425)
Earnings/(losses) per share: for profit/(loss) attributable to equity holders of the parent entity, US dollars, basic and diluted	$ (0.23)	$ (0.07)	$ –	$ (0.30)

2. Significant Accounting Policies

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Comprehensive Income

	Year ended 31 December 2012			
	As previously reported	**Reclassification of accumulated exchange losses**	**Change in accounting policies**	**Restated**
Net loss	$ (335)	$ (96)	$ 6	$ (425)
Other comprehensive income/(loss)				
Effect of translation to presentation currency	286	–	–	286
Reclassification of cumulative amount of the exchange differences relating to the disposal of subsidiaries to profit or loss	–	96	–	96
Net gains/(losses) on available-for-sale financial assets	4	–	–	4
Actuarial losses recognised in the period	–	–	(74)	(74)
Income tax effect	–	–	14	14
	4	96	(60)	40
Recognition of net actuarial gains/(losses) by the Group's joint ventures and associates	–	–	(2)	(2)
Net gains/(losses) on available-for-sale financial assets of the Group's joint ventures and associates	1	–	–	1
Effect of translation to presentation currency of the Group's joint ventures and associates	44	–	–	44
Share of other comprehensive income/(loss) of joint ventures and associates accounted for using the equity method	45	–	(2)	43
Total other comprehensive income/(loss)	335	96	(62)	369
Total comprehensive income/(loss), net of tax	$ –	$ –	$ (56)	$ (56)
Attributable to:				
Equity holders of the parent entity	$ 28	$ –	$ (56)	$ (28)
Non-controlling interests	(28)	–	–	(28)
	$ –	$ –	$ (56)	$ (56)

Statement of Changes in Equity

	31 December 2012			
	As previously reported	**Reclassification of accumulated exchange losses**	**Change in accounting policies**	**Restated**
Accumulated profits	$ 3,356	$ (96)	$ (256)	$ 3,004
Translation difference	(1,520)	96	–	(1,424)

2. Significant Accounting Policies

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

<u>Statement of Financial Position</u>

	31 December 2012			
	As previously reported	**Reclassification of accumulated exchange losses**	**Change in accounting policies**	**Restated**
ASSETS				
Non-current assets				
Property, plant and equipment	$ 7,792	$ –	$ –	$ 7,792
Intangible assets other than goodwill	586	–	–	586
Goodwill	2,180	–	–	2,180
Investments in joint ventures and associates	561	–	(10)	551
Deferred income tax assets	66	–	77	143
Other non-current financial assets	92	–	–	92
Other non-current assets	103	–	(39)	64
	11,380	–	28	11,408
Current assets			–	
Inventories	1,978	–	–	1,978
Trade and other receivables	895	–	–	895
Prepayments	143	–	–	143
Loans receivable	19	–	–	19
Receivables from related parties	12	–	–	12
Income tax receivable	59	–	–	59
Other taxes recoverable	329	–	–	329
Other current financial assets	712	–	–	712
Cash and cash equivalents	1,320	–	–	1,320
	5,467	–	–	5,467
Assets of disposal groups classified as held for sale	930	–	–	930
	6,397	–	–	6,397
Total assets	$ 17,777	$ –	$ 28	$ 17,805
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent entity				
Issued capital	$ 1,340	$ –	–	$ 1,340
Treasury shares	(1)	–	–	(1)
Additional paid-in capital	1,820	–	–	1,820
Revaluation surplus	173	–	–	173
Unrealised gains and losses	5	–	–	5
Accumulated profits	3,356	(96)	(256)	3,004
Translation difference	(1,520)	96	–	(1,424)
	5,173	–	(256)	4,917
Non-controlling interests	200	–	–	200
	5,373	–	(256)	5,117
Non-current liabilities				
Long-term loans	$ 6,373	$ –	$ –	$ 6,373
Deferred income tax liabilities	927	–	–	927
Finance lease liabilities	11	–	–	11
Employee benefits	294	–	284	578
Provisions	257	–	–	257
Other long-term liabilities	170	–	–	170
	8,032	–	284	8,316
Current liabilities				
Trade and other payables	1,412	–	–	1,412
Advances from customers	157	–	–	157
Short-term loans and current portion of long-term loans	1,783	–	–	1,783
Payables to related parties	257	–	–	257
Income tax payable	48	–	–	48
Other taxes payable	195	–	–	195
Current portion of finance lease liabilities	2	–	–	2
Provisions	32	–	–	32
Dividends payable by the Group's subsidiaries to non-controlling shareholders	8	–	–	8
	3,894	–	–	3,894
Liabilities directly associated with disposal groups classified as held for sale	478	–	–	478
	4,372	–	–	4,372
Total equity and liabilities	$ 17,777	$ –	$ 28	$ 17,805

2. Changes in Accounting Policies

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Operations

	Six-month period ended 30 June 2012		
	As previously reported	**Change in accounting policies**	**Restated**
Revenue			
Sale of goods	$ 7,440	$ –	$ 7,440
Rendering of services	179	–	179
	7,619	–	7,619
Cost of revenue	(6,029)	9	(6,020)
Gross profit	1,590	9	1,599
		–	
Selling and distribution costs	(621)	–	(621)
General and administrative expenses	(428)	–	(428)
Social and social infrastructure maintenance expenses	(21)	–	(21)
Loss on disposal of property, plant and equipment	(25)	–	(25)
Impairment of assets	(80)	–	(80)
Foreign exchange gains/(losses), net	28	–	28
Other operating income	33	–	33
Other operating expenses	(46)	–	(46)
Profit from operations	430	9	439
		–	
Interest income	8	–	8
Interest expense	(317)	(5)	(322)
Share of profits/(losses) of joint ventures and associates	6	–	6
Gain/(loss) on financial assets and liabilities, net	(26)	–	(26)
Gain/(loss) on disposal groups classified as held for sale, net	(2)		(2)
Other non-operating gains/(losses), net	(13)		(13)
Profit before tax	86	4	90
Income tax benefit/(expense)	(136)	–	(136)
Net loss	$ (50)	$ 4	$ (46)
Attributable to:			
Equity holders of the parent entity	$ (38)	$ 4	$ (34)
Non-controlling interests	(12)	–	(12)
	$ (50)	$ 4	$ (46)
Earnings/(losses) per share: for profit/(loss) attributable to equity holders of the parent entity, US dollars, basic and diluted	$ (0.03)	$ –	$ (0.03)

2. Significant Accounting Policies

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 2012, except for the adoption of new standards and interpretations and revision of the existing IAS as of 1 January 2013.

New/Revised Standards and Interpretations Adopted in 2013:

- Amendments to IAS 19 "Employee Benefits"

IAS 19 (revised) includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The amended standard is required to be applied retrospectively. The effects of the application of the revised IAS 19 are disclosed in the *Basis of Preparation* above.

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32.

- IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 "Financial Instruments: Disclosures". Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

- Amendments to IAS 1 "Presentation of Financial Statements" – Changes to the Presentation of Other Comprehensive Income

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings).

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"

This Interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine.

If the benefit from the stripping activity will be realised in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity recognises these costs as a non-current asset, only if certain criteria are met. This is referred to as the 'stripping activity asset'. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset.

If the costs of the stripping activity asset and the inventory produced are not separately identifiable, the entity allocates the cost between the two assets using an allocation method based on a relevant production measure.

After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortisation and less impairment losses, in the same way as the existing asset of which it is a part.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

- Amendments to standards following the May 2012 "Improvements to IFRS" project

Except for IAS 19 (revised), the amendments described above did not have a significant impact on the financial position or performance of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Segment Information

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

Six-month period ended 30 June 2013

US$ million	Steel	Mining	Vanadium	Other	Eliminations	Total
Revenue						
Sales to external customers	**$ 6,641**	**$ 372**	**$ 148**	**$ 100**	**$ –**	**$ 7,261**
Inter-segment sales	**179**	**1,185**	**140**	**235**	**(1,739)**	**–**
Total revenue	**6,820**	**1,557**	**288**	**335**	**(1,739)**	**7,261**
Segment result – EBITDA	**$ 530**	**$ 248**	**$ 27**	**$ 36**	**$ (34)**	**$ 807**

Six-month period ended 30 June 2012

US$ million	Steel	Mining	Vanadium	Other	Eliminations	Total
Revenue						
Sales to external customers	$ 7,188	$ 157	$ 106	$ 94	$ –	$ 7,545
Inter-segment sales	177	1,171	147	334	(1,829)	–
Total revenue	7,365	1,328	253	428	(1,829)	7,545
Segment result – EBITDA	$ 662	$ 404	$ 38	$ 101	$ (52)	$ 1,153

3. Segment Information (continued)

The following table shows a reconciliation of revenue and EBITDA used by the 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 2013

US$ million	Steel	Mining	Vanadium	Other	Eliminations	Total
Revenue	**$ 6,820**	**$ 1,557**	**$ 288**	**$ 335**	**$ (1,739)**	**$ 7,261**
Reclassifications and other adjustments	**(404)**	**65**	**(20)**	**130**	**330**	**101**
Revenue per IFRS financial statements	**$ 6,416**	**$ 1,622**	**$ 268**	**$ 465**	**$ (1,409)**	**$ 7,362**
EBITDA	**$ 530**	**$ 248**	**$ 27**	**$ 36**	**$ (34)**	**$ 807**
Exclusion of management services from segment result	**75**	**23**	**2**	**2**	**–**	**102**
Unrealised profits adjustment	**8**	**–**	**(1)**	**–**	**(27)**	**(20)**
Reclassifications and other adjustments	**38**	**83**	**6**	**23**	**–**	**150**
	121	**106**	**7**	**25**	**(27)**	**232**
EBITDA based on IFRS financial statements	**$ 651**	**$ 354**	**$ 34**	**$ 61**	**$ (61)**	**$ 1,039**
Unallocated subsidiaries						**(100)**
						$ 939
Depreciation, depletion and amortisation expense	**(277)**	**(257)**	**(7)**	**(17)**	**–**	**(558)**
Impairment of assets	**32**	**(39)**	**–**	**–**	**–**	**(7)**
Gain/(loss) on disposal of property, plant and equipment and intangible assets	**(8)**	**(2)**	**–**	**1**	**–**	**(9)**
Foreign exchange gains/(losses), net	**(42)**	**16**	**–**	**–**	**–**	**(26)**
	356	**72**	**27**	**45**	**(61)**	**339**
Unallocated income/(expenses), net						**(156)**
Profit/(loss) from operations						**$ 183**
Interest income/(expense), net						**(361)**
Share of profits/(losses) of joint ventures and associates						**3**
Gain/(loss) on derecognition of equity investments, net						**89**
Gain/(loss) on financial assets and liabilities						**(71)**
Gain/(loss) on disposal groups classified as held for sale						**54**
Other non-operating gains/(losses), net						**(3)**
Profit/(loss) before tax						**$ (106)**

3. Segment Information (continued)

Six-month period ended 30 June 2012 (restated)

US$ million	Steel	Mining	Vanadium	Other	Eliminations	Total
Revenue	$ 7,365	$ 1,328	$ 253	$ 428	$ (1,829)	$ 7,545
Forecasted vs. actual revenue	24	2	2	(8)	–	20
Reclassifications and other adjustments	(370)	53	8	121	242	54
Revenue per IFRS financial statements	$ 7,019	$ 1,383	$ 263	$ 541	$ (1,587)	$ 7,619
EBITDA	$ 662	$ 404	$ 38	$ 101	$ (52)	$ 1,153
Forecasted vs. actual EBITDA	–	10	1	2	–	13
Exclusion of management services from segment result	50	24	2	2	–	78
Unrealised profits adjustment	(48)	–	–	–	102	54
Reclassifications and other adjustments	42	(19)	(37)	(11)	–	(25)
	44	15	(34)	(7)	102	120
EBITDA based on IFRS financial statements	$ 706	$ 419	$ 4	$ 94	$ 50	$ 1,273
Unallocated subsidiaries						(89)
						$ 1,184
Depreciation, depletion and amortisation expense	(257)	(364)	(23)	(21)	–	(665)
Impairment of assets	(64)	(15)	–	(1)	–	(80)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	(17)	(8)	–	–	–	(25)
Foreign exchange gains/(losses), net	25	42	–	(1)	–	66
	393	74	(19)	71	50	480
Unallocated income/(expenses), net						(41)
Profit/(loss) from operations						$ 439
Interest income/(expense), net						(314)
Share of profits/(losses) of joint ventures and associates						6
Gain/(loss) on financial assets and liabilities						(26)
Gain/(loss) on disposal groups classified as held for sale						(2)
Other non-operating gains/(losses), net						(13)
Profit/(loss) before tax						$ 90

In the six-month period ended 30 June 2013, the Group made a reversal of the allowance for net realisable value in the amount of $16 million.

The material changes in property, plant and equipment during the six-month period ended 30 June 2013 other than those disclosed above are presented below:

US$ million	Steel	Mining	Vanadium	Other	Total
Additions	**$ 224**	**$ 205**	**$ 14**	**$ 18**	**$ 461**
Acquired in business combination	–	**2,628**	–	–	**2,628**

4. Purchases/Sales of Ownership Interests in Subsidiaries

Acquisition of Controlling Interest in Corber

In October 2012, EVRAZ plc concluded a preliminary agreement with Adroliv Investments Limited for an acquisition of a 50% ownership interest in Corber subject to the receipt of regulatory approvals and fulfillment of certain other conditions. On 16 January 2013, all the conditions were met and the Group obtained control over the entity. As a result, Corber became a wholly owned subsidiary of the Group on 16 January 2013.

Management believes that this acquisition will increase the Group's coking coal self-coverage and generate substantial operational synergies to the Group, including the optimal use of various coal grades.

The purchase consideration includes 132,653,006 shares of EVRAZ plc issued on 16 January 2013, warrants to subscribe for an additional 33,944,928 EVRAZ plc shares exercisable at zero price in the period from 17 January to 17 April 2014 and a cash consideration of $202 million to be paid in equal quarterly installments to 15 January 2014. Fair value of the consideration transferred totalled to $964 million, including $611 million relating to the shares issued, $156 million representing the fair value of the warrants and $197 million of present value of the cash component of the purchase consideration. The fair value of shares and warrants was determined by reference to the market value of EVRAZ plc shares at the date of acquisition.

In accordance with IFRS 3 "Business Combinations" in a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss in the income statement. The fair value of the equity interest previously held by an acquirer is further added to the purchase consideration in the purchase price calculation. The fair value of the equity interest previously held by the Group was $658 million. The fair value of the investment in Corber was determined using the market price of shares of Raspadskaya at the date of acquisition of an additional 50% share in Corber.

The Group recorded a $94 million gain on derecognition of the equity interest in Corber held before the business combination. This gain was determined as follows:

US$ million		**16 January 2013**
Fair value of shares held before the business combination	$	658
Less: carrying value of the investment in the joint venture at the date of business combination based on equity method of accounting (Note 8)		(496)
Less: accumulated foreign exchange losses of the acquiree attributed to the Group's share in the joint venture		(68)
Gain on derecognition of equity investment	**$**	**94**

4. Purchases/Sales of Ownership Interests in Subsidiaries (continued)

Acquisition of a Controlling Interest in Corber (continued)

The acquisition of a controlling interest in Corber was accounted for based on provisional values as the Group, as of the date of authorisation of issue of these financial statements, has not completed a purchase price allocation in accordance with IFRS 3 “Business Combinations”.

The table below sets forth the provisional fair values of Corber’s consolidated identifiable assets, liabilities and contingent liabilities at the date of acquisition:

US$ million		**16 January 2013**
Mineral reserves and property, plant and equipment	$	2,628
Other non-current assets		71
Inventories		102
Accounts and notes receivable		134
Cash		144
Total assets		**3,079**
Deferred income tax liabilities		363
Non-current liabilities		614
Current liabilities		123
Total liabilities		**1,100**
Non-controlling interests		**357**
Net assets	**$**	**1,622**
Purchase consideration	**$**	**1,622**

Cash flow on acquisition for the six-month period ended 30 June 2013 was as follows:

US$ million		
Net cash acquired with the subsidiary	$	144
Cash paid		(51)
Net cash inflow	**$**	**93**

As of 30 June 2013, the unpaid purchase consideration was $151 million.

For the period from 16 January 2013 to 30 June 2013, Corber reported a net loss amounting to $82 million.

Acquisition of a Controlling Interest in MediaHolding Provincia

In the six-month period ended 30 June 2013, the Group acquired an additional 45.5% ownership interest in MediaHolding Provincia for a cash consideration of $11 million. The fair value of the equity interest previously held by the Group (30%) was $4 million. The Group recorded a $5 million loss on derecognition of the equity interest in MediaHolding Provincia held before the business combination. The Group recognised $3 million of goodwill on the transaction. Subsequently, the Group acquired all non-controlling interests settled by the transfer of property and recognised the excess of the carrying value of the acquired non-controlling interests over the amount of consideration amounting to $1 million in additional paid-in capital.

Disclosure of Other Information in Respect of Business Combinations

If this business combination had occurred as of the beginning of 2013, the revenue and net profit/(loss) of the combined entity would have been $7,388 million and $(129) million, respectively.

5. Impairment of Non-current Assets

For the purpose of the impairment testing as of 30 June 2013 the Group assessed the recoverable amount of each cash-generating unit ("CGU") where indicators of impairment were identified.

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 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 are presented in the table below.

	Period of forecast, years	**Pre-tax discount rate, %**	**Commodity**	**Average price of commodity per tonne in 2013**	**Average price of commodity per tonne in 2014**	**Recoverable amount of CGU, US$ million**	**Carrying amount of CGU, US$ million**
EVRAZ Palini e Bertoli	5	13.82	steel plates	€487	€504	267	189
EVRAZ Vanady-Tula	5	12.99	vanadium products	$21,598	22,720	229	110
Vametco	5	13.87	ferrovanadium products	$27,077	$30,827	256	39
EVRAZ Nikom, a.s.	5	12.17	ferrovanadium products	$23,303	$24,538	48	40
EVRAZ Inc. NA Canada – Calgary unit	5	11.72	steel products	$1,290	$1,341	456	378
EVRAZ Inc. NA cash-generating units:							
EVRAZ Claymont Steel	5	12.92	steel products	$788	$832	341	299
EVRAZ Pueblo	5	11.20	steel products	$1,258	$1,322	167	129
EVRAZ Camrose	5	11.72	steel products	$1,169	$1,244	309	187

5. Impairment of Non-current Assets (continued)

In addition, the Group determined that there were indicators of impairment in 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 2013	Average price of commodity per tonne in 2014
EVRAZ Dnepropetrovsk Iron and Steel Works	5	12.98	steel products	$579	$647
EVRAZ Nizhny Tagil Iron & Steel Plant	5	12.99	steel products	$664	$688
EVRAZ United West-Siberian Iron & Steel Plant	5	13.26	steel products	$525	$577
EVRAZ Caspian Steel	5	12.00	steel mill under construction	$509	$557
EVRAZ Yuzhny Stan	5	12.00	steel mill under construction	$553	$604
EVRAZ Bagleykoks	5	15.11	coke	$225	$246
Strategic Minerals Corporation	5	12.92	ferrovanadium products	$38,560	$42,995
Yuzhkuzbassugol	18	13.14	coal	$82	$93
Mezhegeyugol	30	14.00	undeveloped coal field	$121	$128
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	8	14.59	ore	$77	$82
EVRAZ Sukha Balka	20	15.39	ore	$64	$66
EVRAZ Vysokogorsky Mining-and-Processing Integrated Works	1	11.67	ore	$93	–
Evrazruda	21	14.59 -15.61	ore	$81	$93
EVRAZ Nakhodka Trade Seaport	5	12.99	port services	$11	$11
Raspadskaya	23	12.65	coal	$75	$74

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 additional impairment at EVRAZ United West-Siberian Iron & Steel Plant, EVRAZ Yuzhkuzbassugol, Raspadskaya, EVRAZ Dnepropetrovsk Iron and Steel Works and EVRAZ Claymont cash-generating units. If the discount rates were 10% higher, this would lead to an additional impairment of $479 million.

5. Impairment of Non-current Assets (continued)

Sales Prices

The prices of the products sold by the Group were estimated using industry research. The Group expects that the nominal prices will grow with a compound annual growth rate of 0.9%-5.9% in 2013 – 2017 and 3.0% in 2018 and thereafter. Reasonably possible changes in sales prices could lead to an additional impairment at EVRAZ United West-Siberian Iron & Steel Plant, EVRAZ Dnepropetrovsk Iron and Steel Works and EVRAZ Nikom cash-generating units. If the prices assumed for the 2nd half of 2013 and 2014 were 10% lower, this would lead to an additional impairment of $392 million.

Sales Volumes

Management assumed that the sales volumes of steel products would increase by 2.6% in 2014 and would grow evenly during the following four years to reach normal asset capacity utilisation thereafter. Reasonably possible changes in sales volumes could lead to an additional impairment at EVRAZ United West-Siberian Iron & Steel Plant and EVRAZ Dnepropetrovsk Iron and Steel Works cash-generating units. If the sales volumes were 10% lower than those assumed for the 2nd half of 2013 and 2014, this would lead to an additional impairment of $210 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 additional impairment at EVRAZ United West-Siberian Iron & Steel Plant, EVRAZ Dnepropetrovsk Iron and Steel Works, EVRAZ Bagleykoks and EVRAZ Nikom cash-generating units. If the actual costs were 10% higher than those assumed for the 2nd half of 2013 and 2014, this would lead to an additional impairment of $669 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 United West-Siberian Iron & Steel Plant	0.28%	(0.14)%	(0.31)%	0.09%
EVRAZ Yuzhkuzbassugol	5.60%	–	–	–
Raspadskaya	4.90 %	–	–	–
EVRAZ Nikom	–	(8.65)%	–	4.77%
EVRAZ Dnepropetrovsk Iron and Steel Works	11.07%	(9.48)%	(11.61)%	5.02%
EVRAZ Bagleykoks	–	–	–	9.20%
EVRAZ Claymont Steel	8.35%	–	–	–

5. Impairment of Non-current Assets (continued)

The summary of impairment losses recognition and reversals is presented below.

Six-month period ended 30 June 2013

US$ million	Goodwill and intangible assets	Property, plant and equipment	Total
Kazankovskaya	$ (14)	$ –	$ (14)
Yuzhkuzbassugol	–	(54)	(54)
Evrazruda	–	31	31
EVRAZ Dnepropetrovsk Iron and Steel Works	–	38	38
Others, net	–	(13)	(13)
	$ (14)	$ 2	$ (12)

The major drivers that led to the reversal of impairment were the changes in the costs forecasts and weighted average cost of capital.

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

6. Income Taxes

Major components of income tax expense were as follows:

US$ million	Six-month period ended 30 June 2013	2012
Current income tax expense	**$ (149)**	$ (206)
Adjustment in respect of income tax of previous years	**2**	40
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	**131**	30
Income tax expense reported in the consolidated statement of operations	**$ (16)**	$ (136)

7. Property, Plant and Equipment

The movement in property, plant and equipment for the six-month period ended 30 June 2013 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 2012, cost, net of accumulated depreciation	**$ 181**	**$ 1,607**	**$ 3,188**	**$ 177**	**$ 1,446**	**$ 16**	**$ 1,177**	**$ 7,792**
Assets acquired in business combinations	**–**	**119**	**241**	**45**	**1,976**	**5**	**249**	**2,635**
Additions	**3**	**1**	**2**	**2**	**18**	**–**	**439**	**465**
Assets put into operation	**–**	**59**	**513**	**16**	**76**	**2**	**(666)**	**–**
Disposals	**–**	**(4)**	**(10)**	**(1)**	**–**	**–**	**(1)**	**(16)**
Depreciation and depletion charge	**–**	**(76)**	**(273)**	**(21)**	**(124)**	**(3)**	**–**	**(497)**
Impairment losses recognised in statement of operations	**(1)**	**(6)**	**(10)**	**(1)**	**(39)**	**–**	**(29)**	**(86)**
Impairment losses reversed through statement of operations	**–**	**14**	**26**	**–**	**52**	**–**	**1**	**93**
Impairment losses recognised in other comprehensive income	**–**	**(1)**	**–**	**–**	**(2)**	**–**	**(2)**	**(5)**
Change in site restoration and decommissioning provision	**–**	**1**	**–**	**–**	**9**	**–**	**–**	**10**
Translation difference	**(7)**	**(99)**	**(191)**	**(15)**	**(231)**	**(1)**	**(74)**	**(618)**
At 30 June 2013, cost, net of accumulated depreciation	**$ 176**	**$ 1,615**	**$ 3,486**	**$ 202**	**$ 3,181**	**$ 19**	**$ 1,094**	**$ 9,773**

7. Property, Plant and Equipment (continued)

On 1 January 2013, the Group changed its estimation of useful lives of property, plant and equipment, which resulted in a $28 million decrease in depreciation expense as compared to the amounts that would have been charged had no change in estimate occurred. In addition, the Group updated its mining plans relating mostly to the extraction of coking coal reserves. Consequently, the depletion charge in the six-month period ended 30 June 2013 is lower by $75 million compared to the amount that would have been charged in accordance with the previous mining plans.

8. Investments in Joint Ventures and Associates

The movement in investments in joint ventures and associates during the six-month period ended 30 June 2013 was as follows:

US$ million	Corber	Timir	Streamcore	Other associates	Total
At 31 December 2012 (restated)	**$ 497**	**$ –**	**$ 36**	**$ 18**	**$ 551**
Additional investments	–	149	–	–	149
Share of profit/(loss)	–	–	3	–	3
Dividends paid	–	–	–	(1)	(1)
Acquisition of controlling interests (Note 4)	(496)	–	–	(9)	(505)
Translation difference	(1)	(8)	(2)	1	(10)
At 30 June 2013	**$ –**	**$ 141**	**$ 37**	**$ 9**	**$ 187**

Timir Iron Ore Project

On 3 April 2013, the Group acquired a 51% ownership interest in the joint venture with Alrosa for the development of 4 iron ore deposits in the southern part of the Yakutia region in Russia. The Group's consideration for this stake amounts to 4,950 million roubles (approximately $160 million) payable in installments to 15 July 2014. Total investments in the first phase of the Timir project are estimated at $1.8 billion during the period from 2013 to 2018, with major investments starting from 2017. The Group and Alrosa are expected to finance the Timir project on a pro rata basis.

The acquisition of an interest in Timir was accounted for based on provisional values as the Group, as of the date of authorisation of issue of these financial statements, has not completed purchase price allocation. The Group accounted for its interest in Timir under the equity method.

The table below sets forth the provisional fair values of Timir's consolidated identifiable assets, liabilities and contingent liabilities at the date of acquisition:

US$ million	3 April 2013
Mineral reserves and property, plant and equipment	$ 336
Accounts and notes receivable	2
Cash	2
Total assets	**340**
Deferred income tax liabilities	27
Non-current liabilities	7
Current liabilities	25
Total liabilities	**59**
Net assets	**281**
Net assets attributable to 51% ownership interest	**143**
Purchase consideration	**$ 149**
Goodwill	**$ 6**

9. 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 2013**	**31 December 2012**	**30 June 2013**	**31 December 2012**
Kazankovskaya	**$ –**	$ 23	**$ –**	$ –
Raspadsky Ugol	**–**	2	**–**	42
Vtorresource-Pererabotka	**2**	3	**45**	45
Yuzhny GOK	**9**	4	**248**	163
Liability to management of Raspadskaya for the acquisition of Corber (Note 4)	**–**	–	**150**	–
Other entities	**14**	14	**8**	7
	25	46	**451**	257
Less: allowance for doubtful accounts	**(11)**	(34)	**–**	–
	$ 14	$ 12	**$ 451**	$ 257

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	**2013**	**2012**	**2013**	**2012**
Interlock Security Services	**$ –**	$ –	**$ 27**	$ 24
Raspadsky Ugol	**–**	5	**5**	61
Vtorresource-Pererabotka	**7**	6	**205**	226
Yuzhny GOK	**34**	33	**71**	67
Other entities	**5**	3	**20**	16
	$ 46	$ 47	**$ 328**	$ 394

In the six-month period ended 30 June 2013, Kazankovskaya and Raspadsky Ugol, a subsidiary of Raspadskaya, ceased to be related parties as the Group obtained control over these entities (Note 4).

Compensation to Key Management Personnel

In the six-month periods ended 30 June 2013 and 2012, key management personnel totalled 57 and 54 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	**2013**	**2012**
Salary	**$ 13**	$ 11
Performance bonuses	**–**	10
Social security taxes	**2**	3
Share-based payments	**5**	4
	$ 20	$ 28

10. Cash and Cash Equivalents

Cash and cash equivalents were denominated in the following currencies:

US$ million	30 June 2013	31 December 2012
US dollar	**$ 1,068**	$ 855
Russian rouble	**325**	347
Ukrainian hryvnia	**42**	9
Euro	**22**	17
South African rand	**9**	10
Canadian dollar	**3**	80
Other	**2**	2
	$ 1,471	$ 1,320

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

At 30 June 2013 and 31 December 2012, the assets of disposal groups classified as held for sale included cash amounting to $66 million and $70 million, respectively.

11. Equity

Share Capital

Number of shares	30 June 2013	31 December 2012
Issued and fully paid		
Ordinary shares of $1 each	**1,472,582,366**	1,339,929,360

Share Issue

On 16 January 2013, EVRAZ plc issued 132,653,006 shares in connection with the acquisition a controlling interest in Corber (Note 4).

These shares were valued at their market quotation at the date of acquisition of Corber. The excess of the market value of shares issued over their nominal value in the amount of $478 million was recognised in a merger reserve under section 612 of the Companies Act 2006 as all of the criteria for merger relief have been satisfied.

The purchase consideration for Corber includes warrants to subscribe for an additional 33,944,928 EVRAZ plc shares exercisable at zero price in the period from 17 January to 17 April 2014. The number of the shares to be issued under these warrants is adjustable for dividends that could be paid during the period from the date of issue of the warrants until the date of their exercise. The fair value of warrants issued amounting to $156 million was credited to a separate reserve within equity.

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.

11. Equity (continued)

Earnings per Share (continued)

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

	Six-month period ended 30 June	
	2013	**2012**
Weighted average number of ordinary shares outstanding during the period	**1,492,577,321**	1,337,900,998
Profit/(loss) for the period attributable to equity holders of the parent entity, US$ million	**$ (111)**	$ (34)
Earnings/(losses) per share, basic and diluted	**$ (0.07)**	$ (0.03)

The warrants issued in connection with the acquisition of a controlling interest in Corber (Note 4) are included in the calculation of basic earnings per share starting from the date of their issue.

As the Group reported net losses in the six-month periods ended 30 June 2013 and 2012, the share-based awards were antidilutive.

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

Dividends

The Board of directors decided not to declare a final dividend for 2012 and this decision was approved by the Annual General Meeting of shareholders of EVRAZ plc in June 2013.

12. Loans and Borrowings

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

US$ million	**30 June 2013**	**31 December 2012**
Bank loans	**$ 2,203**	$ 2,562
European commercial papers	**247**	242
8.875 per cent notes due 2013	**–**	534
8.25 per cent notes due 2015	**577**	577
7.40 per cent notes due 2017	**600**	600
9.5 per cent notes due 2018	**509**	509
6.75 per cent notes due 2018	**850**	850
6.50 per cent notes due 2020	**1,000**	–
13.5 per cent bonds due 2014	**611**	658
9.25 per cent bonds due 2013	**–**	494
8.75 per cent bonds due 2015	**119**	–
9.95 per cent bonds due 2015	**459**	494
8.40 per cent bonds due 2016	**611**	658
Liabilities under 7.75 per cent bonds due 2017 assumed in business combination	**400**	–
Other liabilities	**9**	1
Unamortised debt issue costs	**(78)**	(116)
Interest payable	**86**	93
	$ 8,203	$ 8,156

12. Loans and Borrowings (continued)

At 30 June 2013 and 31 December 2012, the liabilities of disposal groups classified as held for sale included bank loans amounting to $120 million and $79 million, respectively.

Some of the loan agreements and terms and conditions of notes provide for certain covenants in respect of Evraz Group S.A. 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 some 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 2013 and 31 December 2012, the Group had inventory with a carrying value of $205 million and $319 million, respectively, pledged as collateral under the loan agreements.

Extension of the 9.25% Notes Due 2013

In March 2013, the holders of 9.25% rouble-denominated notes received an option to accept a new coupon of 8.75% per annum till 20 March 2015 or put the notes back to the Group at a nominal value. By 26 March 2013, the date of the expiration of the option, the Group re-purchased back notes totalling 12,265 million roubles ($399 million at the exchange rate as of the date of the transaction). The remaining notes with the aggregate principal amount of 2,735 million roubles ($84 million at the exchange rate as of 30 June 2013) continue to be traded on the Moscow Exchange.

The Group has a right to resell the repurchased notes on the market at any time and at its own discretion. In April and May 2013, the Group resold part of the notes for 100 roubles each and received 1,150 million roubles ($35 million at the exchange rate as of 30 June 2013).

Issue of Notes and Bonds

In April 2013, the Group issued notes for the amount of $1,000 million due in 2020. The notes bear semi-annual coupon at the annual rate of 6.50% and must be redeemed at their principal amount on 22 April 2020. The proceeds from the issue of the notes were used for the repayment of the 8.875% notes maturing on 24 April 2013, as well as certain bank loans.

Compliance with Financial Covenants

At 30 June 2013, the Group had $404 million liabilities under loan agreements which contained financial restrictions which could have been breached upon the issue of the interim consolidated financial statements. The Group repaid these liabilities in full and terminated the loan agreements in July 2013.

Unutilised Borrowing Facilities

As of 30 June 2013, the Group had unutilised bank loans in the amount of $863 million, including $358 million of committed facilities.

13. 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 European Union, the USA, Canada and the Republic of South Africa. Russia, Ukraine and the Republic of South Africa 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. 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.

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 $74 million.

Contractual Commitments

At 30 June 2013, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $474 million.

In 2010, the Group concluded an agreement for the supply of oxygen, nitrogen and argon by a third party for a period of 20 years. The contractual price comprises a fixed component and a variable component. The total amount of the fixed component approximates 252 million euro. The agreement is within the scope of IFRIC 4 "Determining whether an Arrangement Contains a Lease". At 30 June 2013, the lease had not commenced.

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 $108 million under these programmes in the second half of 2013.

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. Management believes that 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 2013 to 2022, under which the Group will perform works aimed at reductions in environmental pollution and contamination. As of 30 June 2013, the costs of implementing these programmes are estimated at $293 million.

13. Commitments and Contingencies (continued)

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.

14. 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 2013			31 December 2012		
US$ million	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value						
Available-for-sale financial assets	**25**	**–**	**–**	21	–	–
Derivatives not designated as hedging instruments	**–**	**–**	**–**	–	2	–
Liabilities measured at fair value						
Derivatives not designated as hedging instruments	**–**	**220**	**–**	–	115	–
Deferred consideration payable for the acquisition of Inprom	**–**	**–**	**–**	10	–	–
Contingent consideration payable for the acquisition of Stratcor	**–**	**–**	**12**	–	–	12

The following table shows fair values of the Group's bonds and notes at 30 June 2013.

US$ million	**Carrying amount**	**Fair value**
European commercial papers	**$ 247**	**$ 247**
8.25 per cent notes due 2015	**566**	**618**
7.40 per cent notes due 2017	**605**	**612**
9.5 per cent notes due 2018	**503**	**550**
6.75 per cent notes due 2018	**854**	**828**
6.50 per cent notes due 2020	**1,007**	**916**
13.5 per cent bonds due 2014	**627**	**663**
8.75 per cent bonds due 2015	**122**	**122**
9.95 per cent bonds due 2015	**465**	**472**
8.40 per cent bonds due 2016	**614**	**603**
Liabilities under 7.75 per cent bonds due 2017 assumed in business combination	**403**	**407**
	$ 6,013	**$ 6,038**

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

15. Subsequent Events

There are no events subsequent to the reporting period which require disclosure in these interim condensed financial statements.