EVRAZ plc

EVRAZ ANNOUNCES UNAUDITED INTERIM FINANCIAL RESULTS FOR H1 2017

10 August 2017 – EVRAZ plc ("EVRAZ" or "the Group"; LSE: EVR) today announces its unaudited interim results for the six months ended 30 June 2017 ("the Period").

H1 2017 HIGHLIGHTS

- Strong free cash flow of US$549 million (H1 2016: US$102 million).
- Continued reduction in net debt: US$4.3 billion (FY2016: US$4.8 billion).
- Cost saving of US$63 million due to ongoing productivity improvements and cost-cutting initiatives.
- Consolidated EBITDA of $1,152 million, up 99.7% from $577 million in H1 2016, driving the EBITDA margin from 16.3% to 22.6% due to higher coal and steel products prices, accompanied by the effects of cost-cutting initiatives.
- Net profit of US$86 million vs. US$7 million in H1 2016.
- Cash-cost of steel and raw materials in Russia increased mostly as a result of rouble appreciation:
    - cash cost of slabs increased to US$254/t from US$183/t in FY2016;
    - cash cost of washed coking coal increased to US$42/t from US$30/t in FY2016;
    - cash cost of iron ore products (58% Fe content) increased to US$32/t from US$26 in FY2016.
- An interim dividend of US$429.6 million (US$0.30 per share) has been declared, reflecting the Board's confidence in the Group's financial position and outlook.

FINANCIAL HIGHLIGHTS

(US$ million)	**H1 2017**	H1 2016	Change, %
Consolidated revenue	**5,106**	3,543	44.1%
Profit from operations	**831**	333	149.5%
Consolidated EBITDA[1]	**1,152**	577	99.7%
Net profit	**86**	7	n/a
Earnings per share, basic (US$)	**0.04**	(0.00)	n/a
Net cash flows from operating activities	**746**	533	39.9%
CAPEX[2]	**289**	200	44.5%
	30 June 2017	31 December 2016	
Net debt[3]	**4,284**	4,802	(10.8)%
Total assets	**9,704**	9,204	5.4%

[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:

“EVRAZ performed well during the first half of 2017, reflecting the anticipated positive momentum in the market and our continuous focus on efficiency improvements.

Coal and steel prices remained strong during the reporting period and account for much of the improvements in the results. However, there were other contributors, our disciplined cost-cutting program and our customer focus initiatives which together generated additional US$111 million of EBITDA. Consolidated EBITDA almost doubled year-on-year to US$1.15 billion in the first half of 2017. We will continue to focus on improvements well beyond this year.

As always, our top priority is safety. We remain committed to achieving our goal of zero incidents and are working with every employee to deliver this.

Debt reduction remains of paramount importance and we are now in a much stronger position than a year ago. At the end of the reporting period, net debt stood at US$4.28 billion and the net debt to EBITDA ratio at 2.0x. We generated solid free cash flow of US$549 million in the first half of 2017, and we would like our shareholders to see the benefits of our hard work.

On 9 August 2017, the EVRAZ’ Board of Directors recommended an interim dividend of US$0.30 per share, equalling an overall payout to shareholders of around US$429.6 million.

Looking ahead, we expect the results for the year to also reflect the positive trends on the global steel market, while we will remain focused on our strategic priorities: development of product portfolio and customer base, retention of low-cost position, prudent CAPEX strategy and debt reduction.”

CONFERENCE CALL

A conference call to discuss the results, hosted by **Alexander Frolov**, CEO, and **Nikolay Ivanov**, CFO, will be held on Thursday, 10 August 2017, at:

3 pm (London time)

5 pm (Moscow time)

10 am (New York time)

To join the call, please dial:

+44 1452 555566	UK
+7 499 677 1036	Russia
+1 631 510 7498	US

Conference ID: 55052117

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

The presentation for the call will be available on the Group's website, www.evraz.com, on Thursday, 10 August 2017, at the following link:

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

An MP3 recording will be available on Friday, 11 August 2017, at the following link:

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

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STRATEGIC GOALS IN 2017

EVRAZ remains committed to its strategy of maintaining leadership in infrastructure steel products globally and on the Russian coking coal market. The strategy focuses on five success factors: Health, Safety and Environment (HSE); Human Capital; Customer Focus; Asset Development; and the EVRAZ Business System.

HEALTH, SAFETY AND ENVIRONMENT

Employee safety is and always will be EVRAZ' foremost priority. The Group's strategic goal is to achieve and maintain a lost-time injury frequency ratio (LTIFR) of less than one. In this reporting period, HSE initiatives were focused on the safety conversations programme, as well as on developing standard operating procedures for the Top-10 key risk areas in each shop. The LTIFR was 1.98x in H1 2017, compared with 2.48x in H1 2016. Tragically, there were five 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 developing its people and continuously improving labour productivity. For the period, human capital efforts focused mainly on fully deploying the "From Foreman to Managing Director" programme throughout the Group, transforming the HR function in the Urals division, and improving employee engagement at the Group. Overall, the workforce decreased by 7.7%, from 77,842 people on 31 December 2016 to 71,876 on 30 June 2017, reflecting the disposal of several assets and ongoing efforts to streamline administrative functions.

CUSTOMER FOCUS

Customer-focused sales and product development policies are the key to sustaining market leadership in infrastructure steel products and expanding EVRAZ' international presence. In the local market, the Group is focused on increasing the demand for beams and structural products, providing additional services and building long-term relationships with clients.

The Russian steel market saw positive trends over the period, though competition in long products remains high. EVRAZ retained its strong domestic position with market shares of 32% in railway wheels, 72% in rails, 42% in structural products and 53% in beams. EVRAZ has signed a memorandum for a new long-term rails supply contract with Russian Railways. In H1 2017, EVRAZ supplied 107 thousand tonnes of 100-meter rails to Russian Railways, compared with 66 thousand tonnes in H1 2016.

In overseas sales development, EVRAZ has started production of wheels for Germany's Deutsche Bahn and certified its rebar to British standards, which are also widely accepted in South-East Asian countries. The Group has also reached an agreement with the Philippines' Steel Asia to supply 50 thousand tonnes of billet per month. The Group exported (excluding CIS) 27 thousand tonnes of railway products and 182 thousand tonnes of construction products during the period. Altogether, customer focus initiatives generated additional EBITDA of US$48 million during the period.

ASSET DEVELOPMENT

EVRAZ focuses on development of the asset base through selective investment, disciplined capital allocation and cost-improvement programmes. The efficiency programme generated

US$63 million of additional EBITDA during the period through yield improvements, supply chain management, general and administrative expense reductions and numerous projects to optimise operations.

During the period, the Group focused on the construction of blast furnace no. 7 at EVRAZ NTMK to maintain pig iron production volumes at the plant. The project is on track to be launched at the end of the year. The steelmaking upgrade and new LDP mill projects in Regina, Canada were ramping up during the period and clients are already benefiting from the increased capacity and improved product quality. EVRAZ has also started major construction works for the new ball mill project at EVRAZ NTMK. EVRAZ invested US$130 million in development CAPEX in H1 2017 and expects to spend another US$141 million in H2 2017.

EVRAZ BUSINESS SYSTEM

The EVRAZ Business System (EBS) is a combined approach to the Group's operations and incorporates target setting, people development, process improvements, management system support, culture principles and necessary implementation infrastructure. EVRAZ is implementing the system through EBS-transformation projects, which are currently taking place in the Siberia division. Rolling mill 450, BOF shop and shipping operations transformations are now in the support phase, as they were launched in 2016. During H1 2017, new transformations were launched at EVRAZ ZSMK's coke making and blast furnace operations. In the second half of the year, EVRAZ plans to launch six new projects at the plant.

MARKET OUTLOOK

GLOBAL MARKETS

The global steel industry has continued to improve, mainly due to the intensive capacity reduction campaign and strong property sector dynamics in China, combined with infrastructure investment stimulus. Steel prices, based on hot-rolled coil (HRC) FOB China contracts, increased by 35% to US$473 per tonne in H1 2017 from US$351 per tonne in H1 2016.

Chinese steel export volumes decreased by 26% to 42.3 million tonnes in H1 2017 from 57.3 million tonnes in H1 2016. This decline was the result of successful efforts to liquidate excess capacity and stable demand for steel products in China, as well as anti-dumping duties that countries from around the world imposed on Chinese products, including the United States, the European Union, India, Vietnam, Pakistan and Thailand, among others.

Iron ore prices averaged US$74 per tonne in H1 2017, up 45% from US$51 per tonne in H1 2016. Chinese iron ore imports rose by 8% to 533 million tonnes in H1 2017 from 494 million tonnes in H1 2016 due to positive steel production trends and domestic iron ore capacity closures. Seaborne iron ore projects in Australia and Brazil are ramping up and the market remains oversupplied, though the market for high-quality fines and pellets is more balanced.

The hard coking coal price (FOB Australia) averaged US$176 per tonne in H1 2017, compared with US$86 per tonne in H1 2016. Chinese coking coal imports surged by 42% to 38 million tonnes in the period due to domestic production optimisation in China. Cyclone Debbie in Australia caused floods and landslides and forced the closure of mining, rail and port operations, leading to the peak levels of US$227 per tonne in April. Many Asian consumers have also expanded alternative purchases of coking coal from Mozambique, Russia and North America in order to reduce dependence on supplies from Australia. In addition, some companies are inclined to move from concluding quarterly contracts to determining prices using spot indexes to gain additional flexibility in adjusting prices.

Global vanadium demand was estimated at around 42.8 kmtV in H1 2017, up 1.2% from 42.3 kmtV in H1 2016. Besides a moderate year-on-year demand increase from steel producers and some increase in the end consumption of vanadium in batteries, depleted oxide stocks and stricter ecological inspections in China have contributed to a global price recovery. The average LMB FeV price was US$26.15 per kgV in H1 2017, up 58% from US$16.54 per kgV in H1 2016.

RUSSIAN STEEL

Russian steel consumption increased by 5% to 18.0 million tonnes in H1 2017 due to improved economic conditions, mainly driven by growth in long products. Consumption of beams rose by 16%, structural products by 9%, and rebar by 4%. Meanwhile, rail consumption surged by 22% in H1 2017, driven by the expanded investment programme at Russian Railways. Demand for wheels improved by 129% in H1 2017 due to the new railcar production cycle and weak consumption over the last two years. Demand for flat products was strong, rising by 7% to 4.6 million tonnes in H1 2017.

Russian steel export volumes remained strong at 14.7 million tonnes in H1 2017, mostly unchanged from H1 2016. Domestic crude steel output was 36.0 million tonnes in H1 2017.

Russian steel prices were driven by positive trends on the global steel market and local demand improvements. The CPT Moscow rebar price averaged US$421 per tonne in H1 2017, up 17% from H1 2016. The price for channels increased by 54% to US$561 per tonne in H1 2017 from US$364 per tonne in H1 2016. Based on CPT Moscow, HRC averaged US$570 per tonne, up 52% from US$375 per tonne in H1 2016, and plates averaged US$544 per tonne, up 42% from US$383 per tonne in H1 2016.

UKRAINE

Steel consumption in Ukraine was relatively stable in H1 2017 compared with H1 2016, reaching the level of 1.9 million tonnes. Export volumes decreased by 14% to 7.8 million tonnes due to the temporary shutdowns of several steel plants. Ukrainian crude steel production fell by 20% to 10.0 million tonnes in H1 2017 from 12.4 million tonnes in H1 2016.

NORTH AMERICA

US steel product consumption increased by 8% to 52.9 million tonnes in H1 2017 from 48.9 million tonnes in H1 2016. Demand for long products increased by 2%, flat products by 1% and tubular products by 73%. Demand for OCTG pipes was fairly strong at 2 million tonnes in the US, up 190% from the previous year due to a boom in drilling activity and higher oil prices. Rail consumption improved compared to the H1 2016 figures. Demand for LDP in North America was supportive, as the approvals for several new pipelines were announced. Plate demand in US declined by 15%, while rod and bar demand rose by 4%.

US imports of steel products increased by 23% year-on-year to 16.6 million tonnes in H1 2017. Domestic steel production increased to 40.6 million tonnes in H1 2017.

Pricing trends on the US market were also positive. Compared with H1 2016, prices for plate increased by 27%, OCTG by 36%, and wire and rod by 15%.

COAL

Russian coking coal concentrate consumption rose slightly by 2% to 18.6 million tonnes in H1 2017 from 18.2 million tonnes in H1 2016. Exports strengthened by 19% to 11.9 million tonnes in H1 2017 from 10.0 million tonnes in H1 2016. Overall Russian coking coal mining volumes increased by 3% to 40.1 million tonnes.

In H1 2017, local coking coal prices rose, driven by global benchmark trends amid adverse weather conditions in Australia and improved demand from China. Premium coking coal prices (Zh grade) increased by 125% to US$166 per tonne FCA Kuzbass from US$74 per tonne in H1 2016. Semi-hard coking coal (GZh grade) averaged US$123 per tonne, up 113% year-on-year.

2017 YEAR-END OUTLOOK

EVRAZ expects its full-year results for 2017 to reflect the positive trends on the global steel market. In the second half of the year, Russian steel demand is forecast to rise compared with the first. Domestic prices are expected to follow international benchmarks. North American steel demand is projected to remain strong, especially given the recovery in oil and gas activity.

The Group continues to pursue its customer focus and cost-cutting initiatives, which are strengthening its leading positions in infrastructure steel products and coking coal and further exploiting the competitive advantages of its business model.

FINANCIAL REVIEW

STATEMENT OF OPERATIONS

EVRAZ' consolidated revenues increased by 44.1% to US$5,106 million in H1 2017, compared with US$3,543 million in H1 2016, primarily due to higher prices mainly for semi-finished and construction steel products.

EVRAZ' consolidated EBITDA amounted to US$1,152 million in H1 2017, compared with US$577 million in H1 2016. The increase is primarily attributable to higher coal and steel product prices, accompanied by the effects of cost-cutting initiatives implemented in H1 2017 as part of the ongoing productivity improvement program. This was partially offset by an increase in expenses in US dollar terms due to the effect of rouble strengthening on costs in H1 2017 versus H1 2016, as well as an increase in prices for raw materials (coal, iron ore, scrap and ferroalloys).

In H1 2017, the rise of revenues from the Steel segment was mainly attributable to higher revenues from sales of steel products, which rose by 52.0% year-on-year, largely due to an upturn in average sales prices (up 50.5%). Revenues from sales of steel products were also impacted by changes in the Group's sales volumes, which increased slightly from 6.2 million tonnes in H1 2016 to 6.3 million tonnes in H1 2017, mainly due to the improving conditions in the global steel industry.

Revenues from the Steel, North America segment rose by 5.6% year-on-year in H1 2017. Revenues from sales of steel products went up by 8.4%, driven by higher prices (up 9.1%), albeit partially offset by declining sales volumes (down 0.7%). The key drivers of these were, in turn, increased railway product sales driven by better demand as Class I railroads finalised destocking and higher revenues from flat-rolled products as a result of price increase, partially offset by a reduction in EVRAZ North America's sales of construction products due to strong import pressure.

Revenues from the Coal segment increased by 106.1%, mainly attributable to higher revenues from sales of coal products, which rose by 108.4% year-on-year, driven by an upturn in average sales prices (up 113.1%), which was partially offset by lower sales volumes (down 4.7%) primarily due to logistic constraints. Meanwhile, coal prices followed the positive trend in global benchmarks observed in H1 2017.

In H1 2017, the Steel segment's EBITDA rose due to an increase in steel prices and higher sales volumes of steel products, accompanied by the effects of cost-cutting initiatives implemented in H1 2017. This was partly offset by an increase in expenses in US dollar terms due to the effect of rouble strengthening on costs, as well as an increase in prices for raw materials (coal, iron ore, scrap and ferroalloys).

The Steel, North America segment's EBITDA was impacted by higher scrap prices, which were partially offset by increased revenues from railway products and flat-rolled products sales.

The Coal segment's EBITDA increased due to higher sales prices and the effects of cost-cutting initiatives, which were partially offset by an increase in expenses in US dollar terms due to the effect of rouble strengthening on costs in H1 2017 versus H1 2016 and decreased sales volumes.

Eliminations mostly reflect unrealised profits or losses that relate to the inventories produced by the Steel segment on the Steel, North America segment's balance sheet, and coal inventories produced by the Coal segment on the Steel segment's balance sheet.

Revenues
(US$ million)

Segment	**H1 2017**	**H1 2016**	**Change**	**Change, %**
Steel	3,645	2,399	1,246	51.9%
Steel, North America	879	832	47	5.6%
Coal	1,121	544	577	106.1%
Other operations	222	168	54	32.1%
Eliminations	(761)	(400)	(361)	90.3%
Total	**5,106**	**3,543**	**1,563**	**44.1%**

Revenues by region
(US$ million)

Region	**H1 2017**	**H1 2016**	**Change**	**Change, %**
Russia	2,054	1,363	691	50.7%
Americas	1,086	902	184	20.4%
Asia	985	610	375	61.5%
CIS (excl. Russia)	330	259	71	27.4%
Europe	533	291	242	83.2%
Africa and the rest of the world	118	118	0	0.0%
Total	**5,106**	**3,543**	**1,563**	**44.1%**

EBITDA* (US$ million)				
Segment	**H1 2017**	**H1 2016**	**Change**	**Change,%**
Steel	526	382	144	37.7%
Steel, North America	14	27	(13)	(48.1%)
Coal	659	216	443	205.1%
Other operations	10	8	2	25.0%
Unallocated	(63)	(53)	(10)	18.9%
Eliminations	6	(3)	9	n/a
Total	**1,152**	**577**	**575**	**99.7%**

** For the definition of EBITDA, please refer to Annex 1*

Effect of Group's cost-cutting initiatives in H1 2017 (US$ million)	
Improving yields and raw material costs, including	**36**
Improving yields and raw material costs of Urals and Siberia divisions	20
Various improvements at Coal beneficiating plants and mines	12
Improving yields and raw material costs of North American assets and Vanadium operations	4
Increasing productivity and cost effectiveness	**17**
Others, including	**10**
Reduction of general and administrative (G&A) costs and non-G&A headcount	7
Optimisation of asset portfolio	3
Total	**63**

Revenues, cost of sales and gross profit by segment (US$ million)			
	H1 2017	**H1 2016**	**Change, %**
Steel segment			
Revenues	3,645	2,399	51.9%
Cost of sales	(2,904)	(1,811)	60.4%
Gross profit	**741**	**588**	**26.0%**
Steel, North America segment			
Revenues	879	832	5.6%
Cost of sales	(772)	(703)	9.8%
Gross profit	**107**	**129**	**(17.1)%**
Coal segment			
Revenues	1,121	544	106.1%
Cost of sales	(460)	(344)	33.7%
Gross profit	**661**	**200**	**230.5%**
Other operations – *gross profit*	**49**	**40**	**22.5%**
Unallocated – *gross profit*	**(4)**	**(2)**	**100.0%**
Eliminations – *gross profit*	**(61)**	**(56)**	**8.9%**
Total gross profit	**1,493**	**899**	**66.1%**

Gross profit, expenses and results (US$ million)				
Item	**H1 2017**	**H1 2016**	**Change**	**Change, %**
Gross profit	**1,493**	**899**	**594**	**66.1%**
Selling and distribution costs	(335)	(308)	(27)	8.8%
General and administrative expenses	(264)	(220)	(44)	20.0%
Impairment of assets	(15)	(7)	(8)	114.3%
Foreign exchange gains/(losses), net	(7)	41	(48)	(117.1)%
Other operating income and expenses, net	(41)	(72)	31	(43.1)%
Profit from operations	**831**	**333**	**498**	**149.5%**
Interest expense, net	(222)	(236)	14	(5.9)%
Share of losses of joint ventures and associates	3	(22)	25	n/a
Loss on financial assets and liabilities, net	(51)	(10)	(41)	n/a
Loss on disposal groups classified as held for sale, net	(265)	-	(265)	n/a
Other non-operating losses, net	(2)	(17)	15	(88.2)%
Profit before tax	**294**	**48**	**246**	**n/a**
Income tax expense	(208)	(41)	(167)	n/a
Net profit	**86**	**7**	**79**	**n/a**

Selling and distribution expenses increased by 8.8% year-on-year in H1 2017, mostly due effect of rouble strengthening and higher third-party sales volumes.

General and administrative expenses rose by 20.0% in H1 2017. This was mainly due to the effect of rouble strengthening on costs.

Interest expenses incurred by the Group decreased, mainly due to a gradual reduction in total debt, as well as the Group's refinancing efforts in a favourable interest rate environment, which offset the effects from increases in base US$ rates. Interest expense for bank loans, bonds and notes amounted to US$210 million in H1 2017, compared with US$222 million in H1 2016.

Losses on financial assets and liabilities amounted to US$51 million and were mainly related to the premium on early repurchasing US dollar-denominated bonds.

Loss on disposal groups classified as held for sale, net of US$265 million was caused mostly by reclassification to the statement of operation of US$609 million of translation difference accumulated in the equity in relation to the disposed subsidiaries. Proceeds from sale of disposal groups classified as held for sale, net of transaction costs amounted to US$361 million in H1 2017, including US$332 million from EVRAZ Nakhodka Trade Sea Port ("NTSP") disposal, US$25 million from Sukha Balka disposal and US$3 million from Strategic Minerals Corporation (a holding company for Vametco vanadium operations located in the Republic of South Africa) disposal.

In the reporting period, the Group's income tax expense increased to US$208 million, compared with US$41 million in H1 2016, as a result of the higher operational results and income tax on the sale transaction of NTSP in the amount of US$61 million.

Cash flow
(US$ million)

Item	H1 2017	H1 2016	Change	Change, %
Cash flows from operating activities before changes in working capital	906	506	400	79.1%
Changes in working capital	(160)	27	(187)	n/a
Net cash flows from operating activities	**746**	**533**	**213**	**39.9%**
Short-term deposits at banks, including interest	3	2	1	50.0%
Purchases of property, plant and equipment and intangible assets	(284)	(185)	(99)	53.5%
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	361	–	361	100.0%
Other investing activities	(4)	8	(12)	n/a
Net cash flows used in investing activities	**76**	**(175)**	**251**	**n/a**
Net cash flows used in financing activities	**(695)**	**(877)**	**182**	**(20.8)%**
Effect of foreign-exchange rate changes on cash and cash equivalents	(1)	12	(13)	n/a
Net increase (decrease) in cash and cash equivalents	**126**	**(507)**	**633**	**n/a**

Disposal of Nakhodka Trade Sea Port – Related party transaction

On 15 June 2017, the Group sold its wholly-owned subsidiary NTSP to a wholly-owned subsidiary of Lanebrook Limited (the ultimate controlling shareholder of the Group) for a cash consideration of US$332 million.

In connection with the sale transaction the Group entered into an agreement with NTSP pursuant to which the latter will transship cargo of the Group's coal and metals in specified volumes for five years on terms specified in the agreement.

For more details see Note 4 of the financial statements.

Calculation of free cash flow*

(US$ million)

Item	**H1 2017**	**H1 2016**	**Change**	**Change, %**
EBITDA	1,152	577	575	99.7%
EBITDA excluding non-cash items	**1,177**	**585**	592	101.1%
Changes in working capital	(160)	27	(187)	n/a
Income tax accrued	(256)	(67)	(189)	n/a
Social and social infrastructure maintenance expenses	(15)	(12)	(3)	25.0%
Net cash flows from operating activities	**746**	**533**	213	39.9%
Interest, similar payments and premium for early extinguishment of debt	(265)	(239)	(26)	10.9%
Capital expenditures, including recorded in financing activities and non-cash transactions	(289)	(200)	(89)	44.5%
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	361	-	361	n/a
Other cash flows from investing activities	(4)	8	(12)	n/a
Free cash flow	**549**	**102**	**447**	**n/a**

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

Net cash flow from operating activities amounted to US$746 million in H1 2017, affected by cash outflow for working capital financing.

Changes in working capital are largely explained by an increase in inventories of finished goods and raw materials in the US and Canada, which was driven by greater output in response to positive market sentiment regarding OCTG and rails. In Russia, changes took place mainly amid higher raw material prices.

Free cash flow for the period was US$549 million (US$102 million in H1 2016).

CAPEX AND KEY PROJECTS

In H1 2017, EVRAZ' capital expenditures increased to US$289 million, compared with US$200 million in H1 2016, primarily due to the stronger rouble exchange rate against the dollar.

EVRAZ continued to implement the main project at EVRAZ NTMK: constructing blast furnace no. 7 (first iron is scheduled at the end of 2017).

EVRAZ NTMK also continued to implement the grinding ball mill construction project (in 2016, the engineering designs were finished).

The Group made good progress with two projects at EVRAZ Regina in Canada, which were ramping up during the period. The main effect is expected to materialise in H2 2017, when production will begin on a number of large orders.

The summary of our capital expenditures for the 6 months ended 30 June 2017 (in US$ million terms) is as follows:

Capital expenditure in H1 2017 (US$ million)		
Steel mill upgrade	37	Upgrading the EVRAZ Regina steel mill has been 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%
LDP mill construction	2	Construction of a new mill at EVRAZ Regina has been in progress since Q2 2015 and is due to be completed in Q3 2017. It is expected to add 150kt of tubular product capacity.
Blast Furnace 7	67	Construction of blast furnace no. 7 at EVRAZ NTMK has been in progress since Q3 2016.
Grinding ball mill construction	6	Construction of a new grinding ball mill at EVRAZ NTMK has been in progress since Q2 2015 and is due to be completed in Q3 2018. It is expected to increase ball production to 300kt by 2019.
Other development projects	18	
Maintenance	159	
Total	**289**	

FINANCING AND LIQUIDITY

At the beginning of 2017, EVRAZ' total debt stood at US$5,961 million. During H1 2017, the Group continued to focus its efforts on reducing debt and extending its maturity profile.

In January, EVRAZ prepaid tranches of its US$500 million syndicated pre-export financing facility due in 2017 in aggregate amount of US$110 million decreasing outstanding principal under this facility to US$270 million.

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

In May, EVRAZ' subsidiary, Evraz Inc NA Canada, called US$345 million of its 7.5% senior secured notes due in 2019. The total cash outflow, including premium paid over the nominal value, amounted to US$358 million.

In June, the Group made an early repayment of its loan to UniCredit Bank, reducing consolidated debt by an additional US$44 million.

These actions, as well as scheduled repayments of bank loans and capital markets instruments in H1 2017, reduced total debt by US$392 million to US$5,569 million as at 30 June 2017. Net debt decreased by US$518 million to US$4,284 million, compared with US$4,802 million as at 31 December 2016. Interest expense accrued in respect of loans, bonds and notes amounted to US$210 million in H1 2017, compared with US$222 million in H1 2016. The lower interest expense is mainly due to a gradual reduction in total debt, as well as the Group's refinancing efforts in a favourable interest rate environment, which offset the effects from increases in base US$ rates.

Due to EBITDA growth and continuous debt reduction, the Group improved its major leverage metric, the ratio of net debt to LTM EBITDA, which decreased significantly during H1 2017 to 2.0 times, compared with 3.1 times as at 31 December 2016.

As at 30 June 2017, debt with financial maintenance covenants comprised a syndicated pre-export financing facility and various bilateral facilities with a total outstanding principal of around US$1,698 million. Maintenance covenants under these facilities include two key ratios calculated using 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, the last of which is the current period ending 30 June 2017. The next testing of maintenance covenants will be based on the 2017 full-year results.

As at 30 June 2017, EVRAZ was in full compliance with its financial covenants.

As at 30 June 2017, cash amounted to US$1,285 million, while short-term loans and the current portion of long-term loans stood at US$464 million. Cash-on-hand and committed credit facilities are sufficient to cover all of EVRAZ' refinancing requirements for the remainder of 2017 and 2018.

KEY RECENT DEVELOPMENTS

In July, EVRAZ obtained two- and three-year tranches in total amount of US$150 million under its new credit facility with Sberbank.

EVRAZ also obtained a new six-year loan from Alfa Bank in total amount of US$200 million. Proceeds from these new borrowings were used to refinance the Group's existing indebtedness, mainly full prepayment of the remaining tranches of its US$500 million syndicated pre-export financing facility in aggregate amount of US$270 million and outstanding principal of the loan from Nordea Bank in aggregate amount of US$13 million.

REVIEW OF OPERATIONS BY SEGMENT

(US$ million)	Steel		Steel, NA		Coal		Other	
	H1 2017	H1 2016	**H1 2017**	H1 2016	**H1 2017**	H1 2016	**H1 2017**	H1 2016
Revenues	3,645	2,399	879	832	1,121	544	222	168
EBITDA	526	382	14	27	659	216	10	8
EBITDA margin	14.4%	15.9%	1.6%	3.2%	58.8%	39.7%	4.5%	4.8%
CAPEX	168	80	59	77	59	41	3	2

STEEL SEGMENT

Sales review

Steel segment revenues by product	**H1 2017**		**H1 2016**		
	US$ million	**% of total segment revenues**	**US$ million**	**% of total segment revenues**	**Change, %**
Steel products, external sales	**2,967**	**81.4%**	**1,968**	**82.0%**	**50.8%**
Semi-finished products[1]	1,211	33.2%	720	30.0%	68.2%
Construction products[2]	1,019	28.0%	819	34.1%	24.4%
Railway products[3]	431	11.8%	258	10.8%	67.1%
Flat-rolled products[4]	141	3.9%	59	2.5%	139.0%
Other steel products[5]	165	4.6%	112	4.7%	47.3%
Steel products, intersegment sales	**141**	**3.9%**	**77**	**3.2%**	**83.1%**
Including sales to Steel, North America	134	3.7%	75	3.1%	78.7%
Iron ore products	**94**	**2.6%**	**69**	**2.9%**	**36.2%**
Vanadium products	**223**	**6.1%**	**123**	**5.1%**	**81.3%**
Other revenues	**220**	**6.0%**	**162**	**6.8%**	**35.8%**
Total	**3,645**	**100.0%**	**2,399**	**100.0%**	**51.9%**

[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 2017**	**H1 2016**	**Change, %**
Steel products, external sales	**5,977**	**5,928**	**0.8%**
Semi-finished products	2,932	2,748	6.7%
Construction products	1,857	2,133	(12.9)%
Railway products	656	558	17.6%
Flat-rolled products	238	151	57.6%
Other steel products	294	338	(13.0)%
Steel products, intersegment sales	**303**	**259**	**17.0%**
Total steel products	**6,280**	**6,187**	**1.5%**
Vanadium products (tonnes of pure vanadium)	**10,728**	**8,409**	**27.6%**
Vanadium in slag	2,605	421	518.8%
Vanadium in alloys and chemicals	8,123	7,988	1.7%
Iron ore products	**1,416**	**2,105**	**(32.7)%**
Pellets	637	867	(26.5)%
Other iron ore products	779	1,238	(37.1)%

Geographic breakdown of external steel product sales	**US$ million**			**'000 tonnes**		
	H1 2017	**H1 2016**	**Change, %**	**H1 2017**	**H1 2016**	**Change, %**
Russia	1,429	990	44.3%	2,426	2,556	(5.1)%
Asia	689	467	47.5%	1,645	1,775	(7.3)%
Europe	361	205	76.1%	827	672	23.1%
CIS (excl. Russia)	224	166	34.9%	441	414	6.5%
Africa, America and the rest of the world	265	140	89.3%	638	511	24.9%
Total	**2,967**	**1,968**	**50.8%**	**5,977**	**5,928**	**0.8%**

The Steel segment's revenues, including intersegment sales increased, mainly due to higher revenues from sales of steel products. The main drivers were higher average prices (up 50.5%) and sales volumes (up 1.5%).

Revenues from external sales of semi-finished products rose by 68.2% due to higher average prices (up 61.5%) and sales volumes (up 6.7%). Export prices for slab and billet increased significantly as well as sales volumes, mainly in American, European and Asian markets.

Revenues from sales of construction products to third parties increased due to higher average prices (up 37.3%), partially offset by reduced volumes (down 12.9%). The increased revenues were supported by higher prices on the Russian market for beams and channels, as well as solid rebar sales in Asia.

Revenues from external sales of railway products increased due to higher average prices (up 49.5%) and higher sales volumes (up 17.6%). Sales volumes significantly increased in Russia, due to higher volumes at EVRAZ ZSMK amid more favourable demand for rails and wheels in H1 2017.

External revenues of flat-rolled products increased, supported by soaring average prices (up 81.4%) and sales volumes (up 57.6%) as a result of strengthening demand on the European market.

Revenues from external steel product sales in Russia increased by 44.3% year-on-year in H1 2017, mainly due to higher prices, while sales volumes dropped by 5.1%. However, the share of Russian sales in external steel product sales decreased from 50.3% in H1 2016 to 48.1% in H1 2017, mainly due to a shift from the domestic market to Europe and the Americas.

Steel segment revenues from sales of iron ore products, including intersegment sales, rose by 36.2% due to higher average iron ore prices (up 68.9%), in line with global benchmarks, albeit partially offset by lower sales volumes (down 32.7%). The main drop in sales volumes was on the CIS and Russian markets, primarily due to lower production volumes of lump ore at EVRAZ Sukha Balka amid a license suspension and deconsolidation in June, and the reduced output of pellets caused by the accidental outage of EVRAZ KGOK's indurating machine no. 2. Prices for pellet moved up in line with global benchmarks in H1 2017.

In the reporting period, around 66.7% of EVRAZ' iron ore consumed in steelmaking came from own operations, compared with 68.9% in H1 2016, predominantly due to a decrease in iron ore production.

Steel segment revenues from sales of vanadium products, including intersegment sales, increased by 81.3%, driven by higher average prices (up 53.7%) and greater sales volumes (up 27.6%).

Steel segment cost of revenues

Steel segment cost of revenues

	H1 2017		H1 2016		
	US$ million	**% of segment revenues**	**US$ million**	**% of segment revenues**	**Change, %**
Cost of revenues	**2,904**	**79.7%**	**1,811**	**75.5%**	**60.4%**
Raw materials	1,372	37.6%	718	29.9%	91.1%
Iron ore	239	6.6%	115	4.8%	107.8%
Coking coal	706	19.4%	332	13.8%	112.7%
Scrap	226	6.2%	119	5.0%	89.9%
Other raw materials	201	5.5%	152	6.3%	32.2%
Auxiliary materials	158	4.3%	132	5.5%	19.7%
Services	116	3.2%	92	3.8%	26.1%
Transportation	232	6.4%	164	6.8%	41.5%
Staff costs	258	7.1%	210	8.8%	22.9%
Depreciation	119	3.3%	98	4.1%	21.4%
Energy	229	6.3%	181	7.5%	26.5%
Other*	420	11.5%	216	9.1%	94.4%

**Includes primarily goods for resale, inter-segment unrealised profit and certain taxes, semi-finished products and allowances for inventories*

The Steel segment's cost of revenues increased by 60.4% year-on-year. The main reasons for the increase were as follows:

- The cost of raw materials rose by 91.1% due to an increase in iron ore, coking coal, scrap and ferroalloys prices, accompanied by the effect of rouble strengthening on costs. This was partially offset by the positive effect of cost-cutting initiatives, which resulted in lower consumption rates.
- Higher auxiliary material costs were driven by the effect of rouble strengthening on costs (up US$24 million).
- Service costs increased by 26.1% due to the effect of rouble strengthening on costs (up US$18 million) and higher sales volumes.
- Transportation costs increased due to the effect of rouble strengthening on costs (up US$37 million), accompanied by an increased export share in the sales mix, which drove transportation costs higher at trading companies.
- Staff costs increased by 22.9%, largely due to the effect of rouble strengthening on costs (up US$41 million), accompanied by wage inflation at Russian sites.
- Depreciation and depletion costs rose by 21.4%, primarily due to the effect of rouble strengthening on costs (up US$18 million).
- Higher energy costs were driven by the effect of rouble strengthening on costs (up US$35 million), accompanied by an increase in tariffs in local currencies, as well as higher energy consumption amid increased sales volumes and higher consumption of natural gas due to changes in EVRAZ ZSMK's blast furnace mix charge (lower consumption of PCI charge due to technical factors).
- Other costs increased primarily due to changes in goods for resale and increased allowances for inventories, which were partially offset by intra-segment URP.

Steel segment gross profit

The Steel segment's gross profit increased by 26.0% year-on-year in H1 2017, reflecting the 51.9% increase in segment revenues, while the cost of revenues increased by 60.4%.

Operational update

Russia: Urals

- EVRAZ NTMK has undertaken a project to increase wheels production by expanding the machining site. The project is aimed at boosting output of finished wheels by around 66,000 units.
- In an effort to increase production of grinding balls, a project has been approved and construction has begun on a new ball rolling mill that will boost future capacity by 134,000 tonnes per year (80-120 mm diameter).
- To date, EVRAZ NTMK's blast furnance No 7 project has had the design completed and approved by the government's expert review; the hot-blast stove casings have been installed; the axial flow cyclone, copper coolers, hoist incline steelwork, and gas cleaners have been manufactured; and the casthouse and blast furnance control building steelwork have been installed.
- Reconstruction and modernisation of the tailings facilities continues at ERVAZ KGOK. This project will allow to maintain current level of 11 million tonnes per year of in-house iron ore raw material supplies.
- To improve the logistical processes for supplies of iron ore from EVRAZ KGOK to EVRAZ NTMK, a contract has been signed to manufacture an in-house fleet of innovative hopper cars with improved design characteristics. The first 27 hoppers began operations in

June 2017. Another 133 remain to be delivered in several instalments before the end of this year.

- New products:

    - Eight new structural steel profiles: four profiles under the new Russian GOST standards and four under ASTM standards;
    - Five new transport profiles: type CR-100 and CR-80 crane rails, type R65MK-B0 and R65TP(PL) railroad flats, and type 13S1 railcar beams;
    - Deliveries began in May of cargo wheels with an axle load rating of 23.5 tonnes to Railways of the Federation of Bosnia and Herzegovina (Željeznice Federacije Bosne i Hercegovine, or ŽFBH);
    - Production began in May-June of three types of diesel locomotive wheels for General Electric to use on the US market;
    - Deliveries began in May of 430 mm diameter OS steel grade round bars for the production of railroad axles;
    - EVRAZ NTMK in June began production of the new type BA303 cargo wheel with an axle load rating of 22.5 tonnes to replace the outdated type BA004 wheels, which are the most widely used type in Europe's rail network;
    - EVRAZ NTMK in June began fulfilling a three-year contract to manufacture and supply type BA220 passenger wheels for Deutsche Bahn's double-decker Regio Dosto 2003 trains, which travel at speeds of up to 160 km/h.

Russia: Siberia

- EVRAZ ZSMK increased production and shipments of 100 m type DT350 rails to 23 thousand tonnes per month as a result of improved logistics, as well as automating the equipment operation and inspection, acceptance and finishing of 100 m rails.
- To increase the durability of its rails to 1.5 billion gross tonnes, EVRAZ ZSMK has begun using the Tescan Mira 3LMN electron microscope to examine the microstructure of the rail steel at the nano level with an aim to introduce changes in the rail manufacturing technology.
- Production of coal concentrate has begun at the wash plant at EVRAZ ZSMK's coke plant for external consumers. In June 2017, 18.8 thousand tonnes of concentrate were shipped to EVRAZ' Ukrainian assets.
- EVRAZ ZSMK conducted planned capital repairs of BOF converter no. 5 in April-June and blast furnace no. 2 in June.

- New products:

    - EVRAZ ZSMK in February-March delivered type 60E1 rails manufactured to meet the Indian IRST standard for the metro system in Nagpur, one of India's largest cities;
    - In June 2017, type 49E5 rails were developed to meet the EN 13674-1:2011 standard for sale to Germany's Deutsche Bahn;

- In H1 2017, the Group developed and certified rebar meeting Britain's new BS 4499 standard, Singapore's No.13 rebar standard, Poland's EN PL 10080 rebar standard for civil engineering and PN S 10042-1991 rebar standard for bridges, and the Netherlands' NEN 6008 and BRL 0501 rebar standards.

Ukraine

- In June 2017, EVRAZ DMZ implemented extensive capital repairs of its oxygen units and equipment at Mill no. 1.
- In H1 2017, EVRAZ DMZ launched commercial production of three new steel profiles.
- EVRAZ DMZ completed the reconstruction gas-purification units in the of the basic oxygen furnance shop, which allowed it to reduce the concentration of suspended solids in emissions.

Vanadium

- EVRAZ Vanady Tula increased oxide production by 9.0% year-on-year during H1 2017 after restoring the second thickener and due to higher vanadium content in the slag. Subsequently, FeV 80% output increased by 3.6%.
- During H1 2017, EVRAZ Vanady Tula continued progressing in its ecological program. It installed a new sewage water treatment system, started the first stage of upgrading its off-gas system, and entered the project design phase for its wastewater treatment system.
- EVRAZ Nikom slightly increased FeV 80% production by 0.6%. It also expanded its feedstock, resulting in greater flexibility and costs savings.
- EVRAZ Stratcor changed its production process in 2016 by idling its own oxide production. During H1 2017, a third-party contractor suspended VAL production for EVRAZ Stratcor.
- In April 2017, EVRAZ successfully closed the deal on the divestiture of EVRAZ Vametco in South Africa.

STEEL, NORTH AMERICA SEGMENT

Sales review

Steel, North America segment revenues by product

	H1 2017		H1 2016		
	US$ million	**% of total segment revenues**	**US$ million**	**% of total segment revenues**	**Change, %**
Steel products	**835**	**95.0%**	**770**	**92.5%**	**8.4%**
Semi-finished products[1]	4	0.5%	0	0.0%	100.0%
Construction products[2]	81	9.2%	89	10.7%	(9.0)%
Railway products[3]	167	19.0%	130	15.6%	28.5%
Flat-rolled products[4]	224	25.5%	197	23.7%	13.7%
Tubular products[5]	359	40.8%	354	42.5%	1.4%
Other revenues[6]	**44**	**5.0%**	**62**	**7.5%**	**(29.0)%**
Total	**879**	**100.0%**	**832**	**100.0%**	**5.6%**

[1] Includes slabs

[2] Includes beams, rebars

[3] Includes rails and wheels

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

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

[6] Includes scrap and services

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

	H1 2017	**H1 2016**	**Change, %**
Steel products			
Semi-finished products	7	0	100.0%
Construction products	126	160	(21.3)%
Railway products	206	184	12.0%
Flat-rolled products	271	295	(8.1)%
Tubular products	340	318	6.9%
Total	**950**	**957**	**(0.7)%**

The segment's revenues from steel product sales increased, driven by higher average sales prices (up 9.1%), albeit partly offset by lower sales volumes (down 0.7%).

Revenues from construction product sales dropped by 9.0%, primarily due to lower sales volumes (down 21.3%), which was partially offset by higher average prices (up 12.3%). The decrease was mainly due to lower beam sales volumes amid strong import pressure.

Railway product revenues increased by 28.5% due to an increase in average prices (up 16.5%) and strong sales volumes (up 12.0%), which was driven by marginally better demand as Class I railroads finalised destocking.

Flat-rolled product revenues rose, mainly due to higher average prices (up 21.8%), which was partially offset by lower sales volumes (down 8.1%) as a result of redirection from external sales to being used in OCTG production.

Steel, North America segment cost of revenues

Steel North America segment cost of revenues

	H1 2017		H1 2016		
	US$ million	**% of segment revenues**	**US$ million**	**% of segment revenues**	**Change, %**
Cost of revenues	**772**	**87.8%**	**703**	**84.5%**	**9.8%**
Raw materials	286	32.5%	207	24.9%	38.2%
Semi-finished products	133	15.1%	112	13.5%	18.8%
Auxiliary materials	57	6.5%	52	6.3%	9.6%
Services	53	6.0%	68	8.2%	(22.1)%
Staff costs	108	12.3%	110	13.2%	(1.8)%
Depreciation	47	5.3%	51	6.1%	(7.8)%
Energy	54	6.1%	41	4.9%	31.7%
Other*	34	3.9%	62	7.4%	(45.2)%

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

The Steel, North America segment's cost of revenues increased by 9.8% year-on-year in H1 2017. The main drivers were as follows:

- Raw material costs increased by 38.2%, primarily due to higher scrap prices, accompanied by an increase in other raw material consumption due to higher sales of OCTG products amid a market recovery in 2017.
- Semi-finished products increased by 18.8% mainly due to higher purchase prices for semi-finished products.
- Auxiliary materials rose by 9.6% due to changes in product mix.
- Service costs declined by 22.1% due to lower coating and slitting costs as Camrose and Portland Tubular have been idle since 2016.
- Energy costs rose by 31.7% amid higher rates and an increase in production of crude steel year-on-year in H1 2017.
- Other costs decreased primarily due to changes in allowances for inventories, accompanied by a reduction in goods for resale.

Steel, North America segment gross profit

The segment's gross profit decreased by 17.1% year-on-year in H1 2017, reflecting the 5.6% increase in segment revenues, while the cost of revenues increased by 9.8% primarily on the back of higher scrap prices.

Operational update

During the first half of 2017, demand and spreads continued to recover. Oil country tubular goods (OCTG) staged a particularly strong recovery driven by depleted or very limited availability of inventories in Canada and the US, coupled with significant increases in active rig counts. Rail demand improved in comparison to last year, driven by Class I railroads finalising destocking.

Plate demand in North America region showed a decrease on average however responded positively in second quarter to the increased activity in the energy sector, wind tower, and non-residential construction. Large-diameter pipe market continues to be impacted by uncertainty.

Shipments of steel products nevertheless remained approximately flat as the business built up working capital to sustain the ramp-up in OCTG production. Rail products volumes increased by 12% as Class-1 railroads orders in the second quarter of 2017 were comparatively stronger than in the same period in 2016. Tubular products volumes increased 7% year-on-year as OCTG volumes increases offset declines in line pipe volumes.

Volumes of flat-rolled products shipped declined 8% when compared to the same period last year as a result of steel from the Regina mill being used internally to produce OCTG instead of being sold to third parties.

Prices for most steel products increased during the first half of 2017 largely tracking scrap increases. During the period, the AMM Chicago shredded scrap index and the CRU Midwest plate index increased 30% and 27% respectively.

COAL SEGMENT

Sales review

Coal segment revenues by product

	H1 2017		H1 2016		
	US$ million	**% of total segment revenues**	**US$ million**	**% of total segment revenues**	**Change, %**
External sales					
Coal products	**607**	**54.1%**	**317**	**58.3%**	**91.5%**
Coking coal	79	7.0%	21	3.9%	276.2%
Coal concentrate	528	47.1%	296	54.4%	78.4%
Intersegment sales					
Coal products	**439**	**39.2%**	**185**	**34.0%**	**137.3%**
Coking coal	35	3.1%	20	3.7%	75.0%
Coal concentrate	404	36.0%	165	30.3%	144.8%
Other revenues	***75***	*6.7%*	***42***	***7.7%***	***78.6%***
Total	**1,121**	**100.0%**	**544**	**100.0%**	**106.1%**

Sales volumes of Coal segment
('000 tonnes)

	H1 2017	**H1 2016**	**Change, %**
External sales			
Coal products	**4,686**	**5,043**	**(7.1)%**
Coking coal	933	673	38.6%
Coal concentrate and other products	3,753	4,370	(14.1)%
Intersegment sales			
Coal products	**2,884**	**2,902**	**(0.6)%**
Coking coal	606	642	(5.6)%
Coal concentrate	2,278	2,260	0.8%
Total, coal products	**7,570**	**7,945**	**(4.7)%**

Overall revenues in the segment increased significantly in H1 2017, despite lower sales volumes, due to the recovery of global demand (especially on the Asian market), supported by the domestic market as well. Sales volumes decreased primarily due to logistic constraints.

Internal revenues of coal products increased due to higher average prices (up 137.9%).

External sales of coal products rose, mainly due to higher average prices (up 98.6%), albeit partly offset by lower sales volumes (down 7.1%).

In H1 2017, the Coal segment's sales to the Steel segment amounted to US$439 million, or 39.2% of sales, compared with US$185 million and 34.0% of sales in H1 2016.

During the reporting period, around 58.2% of the coking coal consumed by EVRAZ' steelmaking operations came from own operations, compared with 49.5% in H1 2016.

Coal segment cost of revenues

Coal segment cost of revenues

	H1 2017		H1 2016		
	US$ million	**% of segment revenues**	**US$ million**	**% of segment revenues**	**Change, %**
Cost of revenues	**460**	**41.0%**	**344**	**63.2%**	**33.7%**
Auxiliary materials	53	4.7%	46	8.5%	15.2%
Services	54	4.8%	38	7.0%	42.1%
Transportation	101	9.0%	66	12.1%	53.0%
Staff costs	95	8.5%	76	14.0%	25.0%
Depreciation	77	6.9%	70	12.9%	10.0%
Energy	26	2.3%	17	3.0%	52.9%
Other*	54	4.8%	31	5.7%	74.2%

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

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

- The cost of auxiliary materials increased by 15.2%, primarily due to the effect of rouble strengthening on costs (up US$10 million), which was partially offset by the effect of cost-cutting initiatives.
- Service costs increased year-on-year in H1 2017 in US dollar terms, mostly due to the effect of rouble strengthening on costs (up US$9 million), accompanied by an increase in service costs due to rescheduling of longwall repositioning from H2 2016 to H1 2017 at Yuzhkuzbassugol's mines and higher service costs for drilling of degassing holes.
- Transportation costs rose primarily due to the effect of rouble strengthening on costs (up US$18 million), accompanied by an increased export share in the sales mix, which drove transportation costs higher at trading companies.
- Staff costs increased primarily due to the effect of rouble strengthening on costs (up US$17 million), accompanied by wage inflation at Russian sites.
- Depreciation and depletion costs increased primarily due to the effect of rouble strengthening on costs, which was partially offset by the effect of asset optimisation initiatives.
- Energy costs increased in H1 2017 due to the effect of rouble strengthening on costs (up US$5 million), accompanied by higher electricity prices in local currencies.
- Other costs increased primarily due to the effect of rouble strengthening on costs, accompanied by changes in goods for resale and increase in taxes.

Coal segment gross profit

The Coal segment's gross profit amounted to US$661 million in H1 2017, up from US$200 million in H1 2016. The gross profit margin rose primarily due to an increase in sales prices.

Operational update

The Coal segment continues working to maintain its position as a low-cost producer and is implementing several programmes toward this aim:

- Reduce the downtime and increase the loads on longwalls.
- Optimise the time needed for longwall moves.
- Increase the rate of development work.
- Increase preliminary degassing efficiency.
- Improve washing efficiency (increase concentrate yields).
- Improve work safety.

In an effort to strengthen market position and expand the product portfolio, open pit mining operations were launched in 1H 2017 at the site of the Raspadskaya-Koksovaya mine to produce the deficit semi-hard OS grade. The first tonnes of this coal grade were shipped to the holding's metallurgical plants, where they received positive quality ratings. This site's development will be a key area for the division's work.

In H1 2017, EVRAZ's raw coking coal output totalled 11.7 million tonnes, up 0.6 million tonnes year-on-year.

Raspadskaya

In H1 2017, raw coking coal output from Raspadskaya amounted to 6.0 million tonnes (up 1.1 million tonnes year-on-year). The Raspadskaya mine produced 3.6 million tonnes (up 0.97 million tonnes year-on-year) due to stable work at three longwalls. The Raspadsky open pit mined 2.1 million tonnes in accordance with its current production capacity.

Output from the Raspadskaya-Koksovaya mine in H1 2017 increased to 0.3 million tonnes of K-grade raw coking coal. The mine continues to develop room-and-pillar operations.

Yuzhkuzbassugol

In H1 2017, Yuzhkuzbassugol mined 5.3 million tonnes of raw coking coal, down 0.6 million tonnes year-on-year predominantly due to the longwall move schedule at the Erunakovskaya mine, while production increased at the Esaulskaya and Uskovskaya mines.

Mezhegeyugol

In H1 2017, Mezhegeyugol continued to develop room-and-pillar mining operations. Raw coking coal output amounted to 0.4 million tonnes, compared with 0.2 million tonnes in H1 2016. The sieving technology was mastered, which brought down the cash cost of products shipped for export. Much attention is paid to the growth rate of development works. One of the brigades has already reached a speed of more than 1 km per month.

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 on pages 32-35 of the EVRAZ plc 2016 annual report, copies of which are available at www.evraz.com, remain relevant in 2017 and the mitigating actions described continue to be appropriate.

Risks:

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

The Group has also continued to monitor and assess risks and uncertainties not considered to be principal, including IT security, Cybersecurity and IT infrastructure failure risk.

On 27 June 2017, a computer virus attacked many major companies across the world including EVRAZ. All the EVRAZ IT systems and data affected by the virus attack have been recovered. No significant damage was caused by the cyber security incident so far however, management continues to implement additional measures to minimise similar risks.

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

DIVIDENDS

The Board of Directors has declared an interim dividend of US$0.30 per share, totalling US$429.6 million, to be paid on 8 September 2017 to shareholders on the register as of 18 August 2017. This marks a return to dividends after a payout was not made in 2016. The decision follows a comprehensive review of EVRAZ' financial situation, which indicates that the Group is well placed to meet its current and future financial requirements. Other factors considered included the solid results for the first half of 2017 and positive outlook for the year.

EVRAZ' dividend rule remains in place and takes into account that the major leverage metric, the ratio of net debt to LTM EBITDA, remains below 3.0, enabling the Board to consider dividends.

The interim dividend will be paid in US Dollars as the default, unless a shareholder elects to receive dividends in UK pounds sterling or Euros. All conversions will take place on or around 24 August 2017.

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

09 August 2017

APPENDICES

Appendix 1

<u>EBITDA</u>

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.

Appendix 2

<u>Free Cash Flow</u>

Free Cash Flow represents EBITDA, net of non-cash items, less changes in working capital, income tax paid, interest paid and covenant reset charges, conversion premiums, premiums on early repurchase 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' calculation of Free Cash Flow may be different from the calculation used by other companies and therefore comparability may be limited.

Appendix 3

<u>Cash and short-term bank deposits</u>

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' 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 2017	31 December 2016	Change	Change
		(US$ million)		%
Cash and cash equivalents	1,285	1,157	128	11.1%
Cash of disposal groups classified as held for sale	-	2	(2)	n/a
Cash and short-term bank deposits	**1,285**	**1,159**	**126**	**10.9%**

Appendix 4

Total debt

Total debt represents the nominal value of loans and borrowings plus unpaid interest, finance lease liabilities, loans of assets classified as held for sale, and the nominal effect of cross-currency swaps on principal of rouble-denominated notes. Total debt is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ' calculation of total 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.

Total debt has been calculated as follows:

	30 June 2017	31 December 2016	Change	Change
		(US$ million)		%
Long-term loans, net of current portion	5,050	5,502	(452)	(8.2)%
Short-term loans and current portion of long-term loans	464	392	72	18.4%
Add back: Unamortised debt issue costs and fair value adjustment to liabilities assumed in business combination	36	43	(7)	(16.3)%
Nominal effect of cross-currency swaps on principal of rouble-denominated notes	11	19	(8)	(42.1)%
Finance lease liabilities, including current portion	8	5	3	60.0%
Total debt	**5,569**	**5,961**	**(392)**	**(6.6)%**

Appendix 5

Net debt

Net debt represents total debt less cash and liquid short-term financial assets, including those related to disposals 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' 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 2017	31 December 2016	Change	Change
		(US$ million)		%
Total debt	**5,569**	**5,961**	**(392)**	**(6.6)%**
Cash and cash equivalents	(1,285)	(1,157)	(128)	11.1%
Cash of assets classified as held for sale	-	(2)	2	n/a
Net debt	**4,284**	**4,802**	**(518)**	**(10.8)%**

EVRAZ plc

Unaudited Interim Condensed
Consolidated Financial Statements

Six-month period ended 30 June 2017

EVRAZ plc

Unaudited Interim Condensed Consolidated Financial Statements

Six-month period ended 30 June 2017

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 2017 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 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 2017 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,

9 August 2017

Unaudited Interim Condensed Consolidated Statement of Operations

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

		Six-month period ended 30 June	
	Notes	**2017**	**2016***
Revenue			
Sale of goods		**$ 4,959**	$ 3,444
Rendering of services		**147**	99
		5,106	3,543
Cost of revenue		**(3,613)**	(2,644)
Gross profit		**1,493**	899
Selling and distribution costs		**(335)**	(308)
General and administrative expenses		**(264)**	(220)
Social and social infrastructure maintenance expenses		**(15)**	(12)
Loss on disposal of property, plant and equipment		**(6)**	(10)
Impairment of assets	**5**	**(15)**	(7)
Foreign exchange gains/(losses), net		**(7)**	41
Other operating income		**12**	7
Other operating expenses		**(32)**	(57)
Profit from operations		**831**	333
Interest income		**8**	5
Interest expense		**(230)**	(241)
Share of profits/(losses) of joint ventures and associates	**8**	**3**	(22)
Gain/(loss) on financial assets and liabilities, net		**(51)**	(10)
Gain/(loss) on disposal groups classified as held for sale, net	**4**	**(265)**	–
Other non-operating gains/(losses), net		**(2)**	(17)
Profit before tax		**294**	48
Income tax expense	**6**	**(208)**	(41)
Net profit		**$ 86**	$ 7
Attributable to:			
Equity holders of the parent entity		**$ 53**	$ (4)
Non-controlling interests		**33**	11
		$ 86	$ 7
Earnings/(losses) per share:			
for profit/(loss) attributable to equity holders of the parent entity, basic, US dollars	**11**	**$ 0.04**	$ (0.00)
for profit/(loss) attributable to equity holders of the parent entity, diluted, US dollars	**11**	**$ 0.04**	$ (0.00)

***** The amounts shown here do not correspond to the financial statements for the six-month period ended 30 June 2016 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 2017	2016
Net profit		**$ 86**	$ 7
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		**106**	369
Recycling of exchange difference to profit or loss on disposal of subsidiaries	**4**	**609**	–
Net gains/(losses) on available-for-sale financial assets		**15**	–
Net gains/(losses) on cash flow hedges		**5**	–
		735	369
Effect of translation to presentation currency of the Group's joint ventures and associates	**8**	**2**	9
Share of other comprehensive income of joint ventures and associates accounted for using the equity method		**2**	9
Items not to be reclassified to profit or loss in subsequent periods			
Gains/(losses) on re-measurement of net defined benefit liability		**22**	–
Income tax effect		**(5)**	–
		17	–
Total other comprehensive income		**754**	378
Total comprehensive income, net of tax		**$ 840**	$ 385
Attributable to:			
Equity holders of the parent entity		**$ 807**	$ 366
Non-controlling interests		**33**	19
		$ 840	$ 385

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 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	7	**$ 4,715**	$ 4,652
Intangible assets other than goodwill		**283**	297
Goodwill		**895**	880
Investments in joint ventures and associates	8	**68**	64
Deferred income tax assets		**134**	156
Other non-current financial assets		**105**	91
Other non-current assets		**38**	45
		6,238	6,185
Current assets			
Inventories		**1,161**	984
Trade and other receivables		**620**	502
Prepayments		**75**	60
Loans receivable		**11**	13
Receivables from related parties	9	**11**	8
Income tax receivable		**43**	43
Other taxes recoverable		**199**	192
Other current financial assets		**34**	33
Cash and cash equivalents	10	**1,285**	1,157
		3,439	2,992
Assets of disposal groups classified as held for sale		**27**	27
		3,466	3,019
Total assets		**$ 9,704**	$ 9,204
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Issued capital	11	**$ 1,507**	$ 1,507
Treasury shares	11	**(231)**	(270)
Additional paid-in capital		**2,525**	2,517
Revaluation surplus		**111**	112
Unrealised gains and losses		**20**	–
Accumulated profits		**391**	415
Translation difference		**(3,073)**	(3,790)
		1,250	491
Non-controlling interests		**212**	186
		1,462	677
Non-current liabilities			
Long-term loans	12	**5,050**	5,502
Deferred income tax liabilities		**309**	348
Employee benefits		**289**	317
Provisions		**233**	205
Liabilities under put options for shares of subsidiaries		**60**	–
Other long-term liabilities		**68**	94
		6,009	6,466
Current liabilities			
Trade and other payables		**917**	935
Advances from customers		**217**	266
Short-term loans and current portion of long-term loans	12	**464**	392
Payables to related parties	9	**300**	226
Income tax payable		**102**	39
Other taxes payable		**185**	169
Provisions		**39**	26
		2,224	2,053
Liabilities directly associated with disposal groups classified as held for sale		**9**	8
		2,233	2,061
Total equity and liabilities		**$ 9,704**	$ 9,204

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 2017	2016
Cash flows from operating activities		
Net profit	**$ 86**	$ 7
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:		
Deferred income tax (benefit)/expense	**(48)**	(26)
Depreciation, depletion and amortisation	**278**	256
Loss on disposal of property, plant and equipment	**6**	10
Impairment of assets	**15**	7
Foreign exchange (gains)/losses, net	**7**	(41)
Interest income	**(8)**	(5)
Interest expense	**230**	241
Share of (profits)/losses of associates and joint ventures	**(3)**	22
(Gain)/loss on financial assets and liabilities, net	**51**	10
(Gain)/loss on disposal groups classified as held for sale, net	**265**	–
Other non-operating (gains)/losses, net	**2**	17
Bad debt expense	**7**	(1)
Changes in provisions, employee benefits and other long-term assets and liabilities	**10**	–
Expense arising from equity-settled awards	**8**	10
Other	**–**	(1)
	906	506
Changes in working capital:		
Inventories	**(177)**	54
Trade and other receivables	**(37)**	(99)
Prepayments	**(14)**	4
Receivables from/payables to related parties	**65**	46
Taxes recoverable	**(10)**	27
Other assets	**(1)**	(2)
Trade and other payables	**(16)**	(36)
Advances from customers	**(44)**	13
Taxes payable	**79**	18
Other liabilities	**(5)**	2
Net cash flows from operating activities	**746**	533
Cash flows from investing activities		
Purchases of subsidiaries in business combinations	**(5)**	–
Issuance of loans receivable to related parties	**(1)**	(1)
Restricted deposits at banks in respect of investing activities	**(1)**	–
Short-term deposits at banks, including interest	**3**	2
Purchases of property, plant and equipment and intangible assets	**(284)**	(185)
Proceeds from disposal of property, plant and equipment	**1**	4
Proceeds from sale of disposal groups classified as held for sale, net of cash disposed and transaction costs *(Note 4)*	**361**	–
Dividends received	**1**	1
Other investing activities, net	**1**	4
Net cash flows from/(used in) investing activities	**76**	(175)

Continued on the next page

EVRAZ plc

Unaudited Interim Condensed Consolidated Statement of Cash Flows (continued)

(In millions of US dollars)

	Six-month period ended 30 June	
	2017	**2016**
Cash flows from financing activities		
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary	**$ 2**	$ 7
Proceeds from bank loans and notes	**1,224**	989
Repayment of bank loans and notes, including interest	**(1,782)**	(1,615)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**(135)**	(1)
Payments for purchase of property, plant and equipment on deferred terms	**–**	(1)
Gain/(loss) on derivatives not designated as hedging instruments	**1**	(244)
Gain/(loss) on hedging instruments	**7**	–
Payments under covenants reset	**–**	(3)
Payments under finance leases, including interest	**(1)**	(1)
Other financing activities	**(11)**	(8)
Net cash flows used in financing activities	**(695)**	(877)
Effect of foreign exchange rate changes on cash and cash equivalents	**(1)**	12
Net increase/(decrease) in cash and cash equivalents	**126**	(507)
Cash and cash equivalents at beginning of year	**1,157**	1,375
Decrease/(increase) in cash of disposal groups classified as assets held for sale	**2**	–
Cash and cash equivalents at end of period	**$ 1,285**	$ 868
Supplementary cash flow information:		
Cash flows during the period:		
Interest paid	**$ (216)**	$ (200)
Interest received	**3**	2
Income taxes paid	**(194)**	(37)

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	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total Equity
At 31 December 2016	**$ 1,507**	**$ (270)**	**$ 2,517**	**$ 112**	**$ –**	**$ 415**	**$ (3,790)**	**$ 491**	**$ 186**	**$ 677**
Net profit/(loss)	–	–	–	–	–	53	–	53	33	86
Other comprehensive income/(loss)	–	–	–	–	20	17	717	754	–	754
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(1)	–	1	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	–	(1)	20	71	717	807	33	840
Derecognition of non-controlling interests on sale of subsidiaries (Note 4)	–	–	–	–	–	–	–	–	(5)	(5)
Derecognition of non-controlling interests under put options (Note 4)	–	–	–	–	–	(56)	–	(56)	(4)	(60)
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary	–	–	–	–	–	–	–	–	2	2
Transfer of treasury shares to participants of the Incentive Plans	–	39	–	–	–	(39)	–	–	–	–
Share-based payments	–	–	8	–	–	–	–	8	–	8
At 30 June 2017	**$ 1,507**	**$ (231)**	**$ 2,525**	**$ 111**	**$ 20**	**$ 391**	**$ (3,073)**	**$ 1,250**	**$ 212**	**$ 1,462**

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**	**Unrealised gains and losses**	**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.

1. Corporate Information

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors of EVRAZ plc on 9 August 2017.

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 2016, 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 2016. Statutory accounts for the year ended 31 December 2016 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 2017 are not necessarily indicative of the results that may be expected for the year ending 31 December 2017.

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 13). In response, the Group implemented a number of cost cutting initiatives, 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 the annual consolidated financial statements for 2016, the Group reclassified staff costs of certain categories of personnel and the related expenses from cost of revenues and selling expenses to general and administrative expenses and from selling expenses to cost of revenues. 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 amounts reported in the interim financial statements for the six-month period ended 30 June 2016 were restated accordingly.

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

	Six-month period ended 30 June 2016			
	As previously reported	**Staff costs**	**Other expenses**	**Restated**
Statement of Operations				
Cost of revenue	$ (2,638)	$ (3)	$ (3)	$ (2,644)
Gross profit	905	(3)	(3)	899
Selling and distribution costs	(334)	19	7	(308)
General and administrative expenses	(200)	(16)	(4)	(220)

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 2016. In the six-month-period ended 30 June 2017 no new standards, interpretations or amendments were adopted by the Group.

3. Segment Information

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

Six-month period ended 30 June 2017

US$ million	**Steel**	**Steel, North America**	**Coal**	**Other operations**	**Eliminations**	**Total**
Revenue						
Sales to external customers	**$ 3,805**	**$ 888**	**$ 420**	**$ 40**	**$ –**	**$ 5,153**
Inter-segment sales	**143**	**–**	**595**	**143**	**(881)**	**–**
Total revenue	**3,948**	**888**	**1,015**	**183**	**(881)**	**5,153**
Segment result – EBITDA	**$ 562**	**$ 29**	**$ 647**	**$ 10**	**$ (57)**	**$ 1,191**

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

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 2017

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	**$ 3,948**	**$ 888**	**$ 1,015**	**$ 183**	**$ (881)**	**$ 5,153**
Reclassifications and other adjustments	**(303)**	**(9)**	**106**	**39**	**120**	**(47)**
Revenue per IFRS financial statements	**$ 3,645**	**$ 879**	**$ 1,121**	**$ 222**	**$ (761)**	**$ 5,106**
EBITDA	**$ 562**	**$ 29**	**$ 647**	**$ 10**	**$ (57)**	**$ 1,191**
Unrealised profits adjustment	**(32)**	**–**	**1**	**–**	**63**	**32**
Reclassifications and other adjustments	**(4)**	**(15)**	**11**	**–**	**–**	**(8)**
	(36)	**(15)**	**12**	**–**	**63**	**24**
EBITDA based on IFRS financial statements	**$ 526**	**$ 14**	**$ 659**	**$ 10**	**$ 6**	**$ 1,215**
Unallocated subsidiaries						**(63)**
						$ 1,152
Social and social infrastructure maintenance expenses	**(14)**	**–**	**(1)**	**–**	**–**	**(15)**
Depreciation, depletion and amortisation expense	**(128)**	**(65)**	**(81)**	**(2)**	**–**	**(276)**
Impairment of assets	**(12)**	**(4)**	**1**	**–**	**–**	**(15)**
Loss on disposal of property, plant and equipment and intangible assets	**(2)**	**–**	**(4)**	**–**	**–**	**(6)**
Foreign exchange gains/(losses), net	**(5)**	**9**	**22**			**26**
	365	**(46)**	**596**	**8**	**6**	**866**
Unallocated income/(expenses), net						**(35)**
Profit/(loss) from operations						**$ 831**
Interest income/(expense), net						**(222)**
Share of profits/(losses) of joint ventures and associates						**3**
Gain/(loss) on financial assets and liabilities						**(51)**
Gain/(loss) on disposal groups classified as held for sale, net						**(265)**
Other non-operating gains/(losses), net						**(2)**
Profit/(loss) before tax						**$ 294**

3. Segment Information (continued)

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

In the six-month period ended 30 June 2017, the Group recognised an allowance for net realisable value of inventory in the amount of $1 million.

The material changes in property, plant and equipment during the six-month period ended 30 June 2017 other than those disclosed above are presented below:

US$ million	Steel	Steel, North America	Coal	Other operations	Total
Additions	**$ 166**	**$ 51**	**$ 69**	**$ 1**	**$ 287**

4. Changes in Composition of the Group

Sale of Subsidiaries

Nakhodka Trade Sea Port

On 15 June 2017, the Group sold its wholly-owned subsidiary EVRAZ Nakhodka Trade Sea Port (“NMTP”) to a wholly-owned subsidiary of Lanebrook Limited (the ultimate controlling shareholder of the Group) for a cash consideration of $332 million.

In connection with the sale transaction the Group entered into an agreement with NMTP pursuant to which the latter will transship cargo of the Group’s coal and metals in specified volumes for 5 years on terms specified in the agreement. The Group received a consideration of $8 million in respect of the transshipment agreement, which was recognised as deferred income with a 5-year period of amortisation.

Prior to disposal the subsidiary was included in the coal segment. The Group recognised a $289 million gain on sale of the subsidiary, including $(20) million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations. The result was included in the Gain on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to $Nil. In addition, the Group recognised income tax on the sale transaction in the amount of $61 million, which was unpaid at 30 June 2017.

Sukha Balka

On 1 June 2017, the Group sold a Ukrainian iron ore mine Sukha Balka, in which it had a 99.42% ownership interest, to a third party for a cash consideration of $108 million. The consideration is payable in several instalments: $25 million were paid upon signing of the transaction documents and the rest will be paid by 31 December 2017.

Prior to disposal the subsidiary was included in the steel segment. The Group recognised a $(556) million loss on sale of the subsidiary, including $(586) million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations. The result was included in the Gain on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to $Nil.

Strategic Minerals Corporation

Following the sale agreement signed in 2016, on 6 April 2017, the Group sold Strategic Mineral Corporation (USA), in which it had a 78.76% ownership interest, to a third party for a cash consideration of $16 million. Strategic Minerals Corporation owns a 75% share in the Vametco vanadium mine and plant located in the Republic of South Africa. Prior to disposal both subsidiaries were included in the steel segment.

The Group recognised a $2 million gain on sale of the subsidiary, including $(3) million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations. The result was included in the Gain on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to $12 million.

The amounts of consideration for the sold subsidiaries were determined based on a debt free and normalised working capital basis and are subject to insignificant changes in the course of the finalisation of the settlements with the buyers.

Business Combinations

In June 2017, the Group purchased the business of Western Canada Machining Inc. (Alberta, Canada), which produces couplings for use in the oil and gas industry. The consideration amounted to $5 million in cash and $4 million of liabilities under finance lease.

4. Changes in Composition of the Group (continued)

Purchase of Non-controlling Interests

Mezhegeyugol

14 March 2017, the Group signed an option agreement with a non-controlling shareholder in respect of shares of Mezhegeyugol, a coal mining subsidiary of the Group. Under the agreement, the non-controlling shareholder has the right to sell to the Group (the put option) all its shares in Mezhegeyugol (39.9841%) and to settle the loan payable to the Group ($25 million) for a total consideration of $39 million. As a result, the Group would hold 100% ownership interest in the subsidiary. The option can be exercised from 1 December 2019 to 1 December 2020.

The Group determined that the terms of the option agreement give the Group the rights to the beneficial interests in Mezgegeyugol and derecognised the non-controlling interests and recognised a liability under the put option. The difference between the discounted value of the liability under the put option ($60 million) and the carrying value of non-controlling interest in the amount of $56 million was charged to the accumulated profits of the Group.

5. Impairment of Non-current Assets

For the purpose of the impairment testing as of 30 June 2017 the Group assessed the recoverable amount of each cash-generating unit (“CGU”) where indicators of impairment were identified. As a result of impairment testing, no impairment loss was recognised or reversed. However, the Group impaired certain functionally obsolete items of property, plant and equipment ($18 million).

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 2017**	**Average price of commodity per tonne in 2018**	**Recoverable amount of CGU, US$ million**	**Carrying amount of CGU, US$ million**
Steel North America							
Large diameter pipes	5	10.23	steel products	$904	$954	1,500	884

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 2017**	**Average price of commodity per tonne in 2018**
EVRAZ Palini e Bertoli	8	14.70	steel plates	€534	€528
EVRAZ Dneprovsk Iron and Steel Works	5	21.07	steel products	$353	$348
EVRAZ Consolidated West-Siberian Metallurgical Plant	5	15.02	steel products	$372	$391
EVRAZ Caspian Steel	5	10.89	steel products	$388	$376

5. Impairment of Non-current Assets (continued)

The estimations of value in use are most sensitive to the following assumptions:

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 Caspian Steel and EVRAZ Palini e Bertoli cash-generating units. If the discount rates were 10% higher, this would lead to an impairment of $6 million.

Sales Prices

The price assumptions of the products sold by the Group were estimated using industry research using analysts' views published by Citigroup, CRU, Credit Suisse, Deutsche Bank, Goldman Sachs, JP Morgan, Morgan Stanley, RBC, Renaissance Capital, Otkritie and VTB during the period from February to June 2017. The Group expects that the nominal prices will grow with a compound annual growth rate of (7.2)%-2.9% in 2017 – 2021 and 2.5% in 2022 and thereafter. Reasonably possible changes in sales prices in the 2nd half of 2017 and 2018 could lead to an impairment at EVRAZ Palini e Bertoli. If the prices assumed for the 2nd half of 2017 and 2018 were 10% lower, this would lead to an impairment of $1 million.

Sales Volumes

Management assumed that the sales volumes of steel products would increase by 8.0% 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 2017 and 2018 could lead to an impairment at EVRAZ Palini e Bertoli. If the sales volumes were 10% lower than those assumed for the 2nd half of 2017 and 2018, this would lead to an impairment of $1 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 Caspian Steel, EVRAZ Dneprovsk Iron and Steel Works and EVRAZ Palini e Bertoli cash-generating units. If the actual costs were 10% higher than those assumed for the 2nd half of 2017 and 2018, this would lead to an impairment of $44 million.

For the cash-generating units, which were not impaired in the reporting period and for which reasonably possible changes could lead to impairment, the recoverable amounts would become equal to their carrying amounts if the assumptions used to measure the recoverable amounts changed by the following percentages:

	Discount rates	Sales prices	Sales volumes	Cost control measures
EVRAZ Dneprovsk Iron and Steel Works	–	–	–	3.6%
EVRAZ Palini e Bertoli	0.3%	(1.4)%	(1.1)%	0.1%
EVRAZ Caspian Steel	7.2%	–	–	7.1%

6. Income Taxes

Major components of income tax expense were as follows:

US$ million	Six-month period ended 30 June 2017		Six-month period ended 30 June 2016	
Current income tax expense	**$**	**(254)**	$	(66)
Adjustment in respect of income tax of previous years		**(2)**		(1)
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences		**48**		26
Income tax expense reported in the consolidated statement of operations	**$**	**(208)**	$	(41)

7. Property, Plant and Equipment

The movement in property, plant and equipment for the six-month period ended 30 June 2017 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 2016, cost, net of accumulated depreciation	**$ 100**	**$ 883**	**$ 1,809**	**$ 79**	**$ 1,347**	**$ 10**	**$ 424**	**$ 4,652**
Assets acquired in business combinations	**3**	**1**	**3**	**–**	**–**	**–**	**–**	**7**
Additions	**–**	**–**	**–**	**–**	**–**	**–**	**287**	**287**
Assets put into operation	**–**	**23**	**120**	**18**	**25**	**1**	**(187)**	**–**
Disposals		**(2)**	**(6)**	**–**	**(3)**	**–**	**–**	**(11)**
Depreciation and depletion charge	**–**	**(42)**	**(162)**	**(12)**	**(42)**	**(2)**	**–**	**(260)**
Impairment losses recognised in statement of operations	**–**	**(1)**	**(3)**	**–**	**(11)**	**–**	**(3)**	**(18)**
Impairment losses reversed through statement of operations	**–**	**–**	**1**	**–**	**2**	**–**	**1**	**4**
Transfer to assets held for sale	**–**	**(7)**	**(11)**	**(1)**	**(76)**	**–**	**(10)**	**(105)**
Change in site restoration and decommissioning provision	**–**	**6**	**–**	**–**	**32**	**–**	**–**	**38**
Translation difference	**1**	**27**	**46**	**2**	**38**	**–**	**7**	**121**
At 30 June 2017, cost, net of accumulated depreciation	**$ 104**	**$ 888**	**$ 1,797**	**$ 86**	**$ 1,312**	**$ 9**	**$ 519**	**$ 4,715**

8. Investments in Joint Ventures and Associates

The movement in investments in joint ventures and associates during the six-month period ended 30 June 2017 was as follows:

US$ million	Timir	Streamcore	Other associates	Total
At 31 December 2016	**$ 19**	**$ 37**	**$ 8**	**$ 64**
Share of profit/(loss)	–	2	1	3
Dividends	–	–	(1)	(1)
Translation difference	–	1	1	2
At 30 June 2017	**$ 19**	**$ 40**	**$ 9**	**$ 68**

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 2017**	**31 December 2016**	**30 June 2017**	**31 December 2016**
Loans				
Timir	**$ 7**	$ 7	**$ –**	$ –
Trade balances				
Nakhodka Trade Sea Port	**3**	–	**–**	–
Vtorresource-Pererabotka	**–**	1	**45**	39
Yuzhny GOK	**–**	–	**253**	185
Other entities	**1**	–	**2**	2
	11	8	**300**	226
Less: allowance for doubtful accounts	**–**	–	**–**	–
	$ 11	$ 8	**$ 300**	$ 226

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	**2017**	**2016**	**2017**	**2016**
Genalta Recycling Inc.	**$ –**	$ –	**$ 7**	$ 4
Interlock Security Services	**–**	–	**9**	9
Vtorresource-Pererabotka	**4**	3	**202**	99
Yuzhny GOK	**20**	11	**60**	31
Other entities	**1**	–	**1**	7
	$ 25	$ 14	**$ 279**	$ 150

Compensation to Key Management Personnel

In the six-month periods ended 30 June 2017 and 2016, key management personnel totalled 30 and 34 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	**2017**	**2016**
Salary	**$ 8**	**$ 6**
Performance bonuses	**9**	**5**
Social security taxes	**3**	**2**
Share-based payments	**4**	**5**
	$ 24	**$ 18**

In addition to the disclosures presented in this note, the sale of Nakhodka Trade Sea Port to a related party is disclosed in Note 4.

10. Cash and Cash Equivalents

Cash and cash equivalents were denominated in the following currencies:

US$ million	30 June 2017	31 December 2016
US dollar	**$ 1,085**	$ 1,058
Russian rouble	**159**	71
Others	**41**	28
	$ 1,285	$ 1,157

The above cash and cash equivalents mainly consist of cash at banks. At 30 June 2017 and 31 December 2016, the assets of disposal groups classified as held for sale included cash amounting to $Nil and $2 million, respectively.

11. Equity

Share Capital

Number of shares	30 June 2017	31 December 2016
Issued and fully paid		
Ordinary shares of $1 each	**1,506,527,294**	1,506,527,294

Treasury Shares

Number of shares	30 June 2017	31 December 2016
Number of treasury shares	**74,474,663**	87,015,878

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	
	2017	2016
Weighted average number of ordinary shares outstanding during the period	**1,423,045,129**	1,410,286,193
Effect of dilution: share options	**30,251,983**	–
Weighted average number of ordinary shares adjusted for the effect of dilution	**1,453,297,112**	1,410,286,193
Profit/(loss) for the period attributable to equity holders of the parent entity, US$ million	**$ 53**	$ (4)
Basic earnings/(losses) per share	**$ 0.04**	$ (0.00)
Diluted earnings/(losses) per share	**$ 0.04**	$ (0.00)

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.

12. Loans and Borrowings

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

US$ million	**30 June 2017**	**31 December 2016**
Bank loans	**$ 1,975**	$ 2,067
US dollar-denominated		
7.75% bonds due 2017	**–**	26
9.5% notes due 2018	**75**	125
6.75% notes due 2018	**196**	528
7.5% senior secured notes due 2019	**5**	350
6.50% notes due 2020	**700**	1,000
8.25% notes due 2021	**750**	750
6.75% notes due 2022	**500**	500
5.375% notes due 2023	**750**	–
Rouble-denominated		
12.95% rouble bonds due 2019	**254**	247
12.60% rouble bonds due 2021	**254**	247
Fair value adjustment to liabilities assumed in business combination	**–**	1
Unamortised debt issue costs	**(36)**	(44)
Interest payable	**91**	97
	$ 5,514	$ 5,894

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 2017, a 100% ownership interest in EVRAZ Inc NA and 51% in EVRAZ Inc NA Canada were pledged against the liability under 7.5% senior secured notes due 2019. The subsidiaries represent approximately 29.2% of the consolidated assets at 30 June 2017 and generated almost 17.2% of the consolidated revenues in the six-month period ended 30 June 2017. In addition, property, plant and equipment and inventory of these subsidiaries amounting to $1,039 million and $414 million, respectively, at 30 June 2017 were pledged as collateral under the notes. In 2017, these notes were mostly repaid (*Repurchase of Notes and Bonds*).

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

US$ million	**30 June 2017**	**31 December 2016**
Property, plant and equipment	**$ 1,039**	$ 1,013
Inventory	**414**	315

12. Loans and Borrowings (continued)

Issue of Notes and Bonds

In March 2017, the Group issued 5.375% notes due 2023 in the amount of $750 million. The proceeds from the issue of the notes were used to finance the purchase of 9.50% notes due 2018, 6.75% notes due 2018 and 6.50% bonds due 2020 at the tender offers settled in March 2017 and to refinance other current indebtedness of the Group.

Repurchase of Notes and Bonds

In the first half of 2017, the Group partially repurchased 9.50% notes due 2018 ($50 million), 6.75% notes due 2018 ($332 million) and 6.50% bonds due 2020 ($300 million). The premium over the carrying value on the repurchase and other costs relating to the transaction in the total amount of $5 million, $18 million and $23 million, respectively, were charged to the Gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations.

The Group also settled $345 million out of $350 million under 7.5% senior secured notes due 2019. Loss on this transaction amounted to $17 million, including $13 million of premium.

In addition, the Group fully settled its 7.75% bonds due 2017 ($26 million), there was no gain or loss on this transaction.

Unutilised Borrowing Facilities

As of 30 June 2017, the Group had unutilised bank loans in the amount of $1,584 million, including $130 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 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 political crisis over Ukraine led to 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 in 2014-2015, economic slowdown, deterioration of liquidity in the banking sector, and tighter credit conditions within Russia and Ukraine. In addition, a significant drop in crude oil prices in 2015 continues to have a negative impact on the Russian economy. The combination of the above resulted in reduced access to capital, a higher cost of capital, 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.

13. 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 $28 million.

Contractual Commitments

At 30 June 2017, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $147 million.

In 2010, the Group concluded a contract with PraxAir 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 (extended to 25 years in 2015). 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, effective from 2015 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 2017, the Group has committed expenditure of $601 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 $40 million under these programmes in the second half of 2017.

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 2017 amounted to $18 million. Preliminary estimates of the incremental costs indicate that such costs could be up to $263 million. The Group has insurance agreements, which would be expected to provide reimbursement of any such costs 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 2017 to 2022, under which it will perform works aimed at reductions in environmental pollution and contamination. As of 30 June 2017, the costs of implementing these programmes are estimated at $102 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. At 30 June 2017, possible liabilities were estimated at $2 million.

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 2017			31 December 2016		
US$ million	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value						
Available-for-sale financial assets	**18**	**–**	**–**	3	–	–
Derivatives not designated as hedging instruments	**–**	**2**	**–**	–	–	–
Liabilities measured at fair value						
Hedging instruments	**–**	**12**	**–**	–	22	–

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

US$ million	30 June 2017		31 December 2016	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
USD-denominated				
7.75% bonds due 2017	**$ –**	**$ –**	$ 27	$ 26
9.50% notes due 2018	**76**	**81**	126	137
6.75% notes due 2018	**198**	**205**	533	554
7.50% bonds due 2019	**5**	**5**	349	359
6.50% notes due 2020	**707**	**751**	1,010	1,066
8.25% notes due 2021	**773**	**864**	772	856
6.75% notes due 2022	**511**	**551**	515	544
5.375% notes due 2023	**756**	**765**	–	–
Rouble-denominated				
12.95% rouble bonds due 2019	**254**	**270**	247	260
12.60% rouble bonds due 2021	**262**	**289**	255	269
	$ 3,542	**$ 3,781**	$ 3,834	$ 4,071

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

15. Subsequent Events

Interim Dividends

On 9 August 2017, the Board of directors of EVRAZ plc decided to declare interim dividends for 2017 in the amount of $429.6 million, which represents $0.3 per share.

Borrowings

Until the date of issue of these consolidated financial statements, the Group entered into new long-term financing agreements with certain banks, obtaining in total $350 million.

In addition, the Group early repaid certain bank loans in the total amount of $283 million.