EVRAZ plc

EVRAZ ANNOUNCES UNAUDITED INTERIM FINANCIAL RESULTS FOR H1 2015

27 August 2015 – EVRAZ plc (“EVRAZ” or “the Company”) (LSE: EVR) today announces its unaudited interim results for the six months ended 30 June 2015 (“the Period”).

H1 2015 HIGHLIGHTS

- Strong free cash flow of US$372 million (H1 2014: US$444 million)
- Consistent reduction in net debt: US$5.7 billion (FY 2014: US$5.8 billion), with net debt to EBITDA of 2.6 times
- Cost saving of US$149 million* due to ongoing productivity improvements and cost-cutting initiatives
- Consolidated EBITDA of US$922 million (H1 2014: US$1,080 million)
- EBITDA margin of 18.8% (FY 2014: 17.8%; H1 2014: 15.9%)
- EBITDA margin in the Coal segment of 31.7% (FY 2014: 28.3%; H1 2014: 21.9%) due to the following:
    - shutdown of unprofitable mines
    - disposal or shutdown of non-core steam coal operations
    - a greater share of premium coal grades in the product mix
- Secure position as one of the lowest-cost producers of steel and raw materials in Russia:
    - cash cost of slabs decreased to US$196/t from US$292/t in H1 2014
    - cash costs of coking coal concentrate of US$32/t (H1 2014: US$55/t)
    - cash costs of iron ore products (58% Fe content) of US$31/t (H1 2014: US$48/t)
- US$336 million returned to shareholders in April 2015 via the tender offer to purchase the Company’s ordinary shares, announced following the 2014 results

** See Financial review for details*

FINANCIAL HIGHLIGHTS

(US$ million)	**H1 2015**	H1 2014	Change
Consolidated revenue	**4,894**	6,805	(28.1)%
Profit from operations	**479**	297	61.3%
Consolidated EBITDA[1]	**922**	1,080	(14.6)%
Net profit	**19**	15	26.7%
Earnings per share, basic (US$)	**0.01**	0.03	(66.7)%
Net cash flows from operating activities	**804**	844	(4.7)%
CAPEX[2]	**251**	365	(31.2)%

	30 June 2015	31 December 2014	
Net debt[3]	**5,680**	5,814	(2.3)%
Total assets	**10,878**	11,630	(6.5)%

[1] See Annex 1 for the definition of EBITDA
[2] Including payments on deferred terms recognised in financing activities
[3] See Annex 5 for the calculation of net debt

Commenting on the financial results for H1 2015, EVRAZ CEO Alexander Frolov said, "In the first half of 2015, sales volumes in our core Russian and North American markets contracted significantly, compounded by continued pressure on global steel prices.

On the positive side, we have managed to maintain our market share and reallocated part of our Russian sales to export markets in response to changing demand for steel products.

Thanks to our continued client focus and successful implementation of cost-cutting initiatives, we generated strong cash flows and continued to reduce our debt.

We continue to execute our strategy, which focuses on low-cost production, customer care, cost-cutting and targeted, performance-enhancing capital expenditures."

CONFERENCE CALL AND WEBCAST

A webcast/conference call to discuss the results hosted by Alexander Frolov, CEO, and Pavel Tatyanin, CFO, will commence on Thursday, 27 August 2015, at:

3 pm (London Time)
5 pm (Moscow Time)
10 am (New York Time)

To join the webcast please register on-line at
http://www.evraz.com/investors/financial_results/

or dial:

0 800 694 0257	in the UK (toll-free)
8 10 800 2097 2044 or 8 800 775 6818	in Russia (toll-free)
1 866 966 9439	in the USA (toll-free)
+44 (0) 1452 555 566	International Dial-in

Conference ID 6006581

To avoid any technical inconveniences it is recommended that participants dial in 10 minutes before the event start time.

The playback will be available until 3 September 2015. Participants requesting the playback should dial:

0 800 953 1533	in the UK (toll-free)
1 866 247 4222	in the USA
+44 (0) 1452 55 00 00	International Dial-in

and enter the Code 6006581 followed by the # sign.

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TABLE OF CONTENTS

STRATEGIC GOALS IN 2015

EVRAZ's strategy is to produce steel efficiently from its own low-cost raw materials for use in infrastructure worldwide. The Company implements its strategy through five development principles: Health, Safety and the Environment; Human Capital; Customer Focus; EVRAZ Business System; Growth.

Throughout its work, EVRAZ places great effort into establishing a safe work environment for its employees. In H1 2015, initiatives focused on safety training and an equipment electricity isolation programme. Despite the Company's efforts, there were seven fatalities (six employees and one contractor) at its sites in the Period, while the lost-time injury frequency rate (LTIFR) reached 1.93, compared with 1.62 in H1 2014. EVRAZ remains committed to its long-term goal of reaching zero fatalities at its sites and will continue efforts to improve reporting transparency.

EVRAZ is committed to developing employees through educational programmes and providing internal career opportunities. Since the Company started the EVRAZ New Leaders programme in partnership with the Moscow School of Management SKOLKOVO in 2009, more than 250 people have completed the one-year executive education course. Of those, 53% were promoted to management positions after graduation. In 2015, 50 participants are due to join the programme. The total workforce decreased from 94,823 on 31 December 2014 to 88,731 on 30 June 2015, down by 6,092, due to productivity improvements and asset optimisation.

EVRAZ is expanding its product portfolio and sales geography to better serve current and future customers. In H1 2015, it broadened its export base to the markets of Brazil, Cuba, Malaysia and Turkey with railway products from the EVRAZ ZSMK and EVRAZ NTMK. In Russia, the Company sold 100-metre rails to the Moscow Metro and new grades to Russian High-speed Railways. In North America, it is working on thicker-wall large-diameter pipes (LDP) for natural gas transmission and continues to focus on maximising the market share of its premium rails. From these initiatives, EVRAZ is targeting an additional EBITDA of US$75 million in 2015, of which it already achieved US$38 million in H1 2015.

A fundamental part of the EVRAZ strategy is to remain a low-cost producer with simple and efficient operational processes. EVRAZ has targeted US$280 million of cost savings in 2015, based on management accounts adjusted to eliminate macroeconomic affects (such as exchange-rate fluctuations and inflation) and once-off expenditures (such as employee severance payments and other discontinuation costs). On this basis, the Company saved US$149 million in H1 2015, the main contributors being improvements in raw material consumption yields and in productivity, the energy efficiency programme, maintenance procedures, general and administrative expenses, and asset optimisation.

The investment programme for 2015 is based on selective projects aimed at either expanding the product mix or improving the cost base. EVRAZ is implementing six capital initiatives with an average internal rate of return (IRR) of over 30%. Through the Regina steelmaking and LDP mill upgrade projects, the Company aims to match the increasing demand and quality requirements from North American gas transmission clients. EVRAZ NTMK's new grinding ball mill will help to deliver the most complex grades of that product, which are currently not manufactured domestically, to serve the Company's Russian customers. The Company expects the upgraded billet caster at EVRAZ ZSMK to be commissioned in autumn 2015, which will decrease conversion costs. The expansion of the Sheregesh iron ore mine in Siberia will support the low-cost resource base, while the projects to develop the Mezhegey coal deposit in Tyva, Russia will provide high-quality grades to clients. EVRAZ invested US$114 million in development CAPEX in H1 2015 and expects to spend another US$95 million in H2 2015.

MARKET OUTLOOK

GLOBAL MARKETS

The environment in the global steel industry remains challenging due to excess capacities and slowing consumption growth in China. Volatile domestic demand caused seaborne steel exports from China to rise by 27% in H1 2015, from 41.3 million tonnes in H1 2014 to 52.4 million tonnes, creating pressure on global steel prices. In the Period, global prices for steel products decreased by an average of 17% compared with H1 2014 (Platts World Steel Price Index). We do not envisage any significant changes in H2 2015, although the situation will depend on the pace of capacity cuts and fixed investment stimulus in China.

Iron ore majors are building up new capacities and are expected to supply an additional 150 million tonnes to the market in 2015. Together with the slowdown in Chinese steel output, this led to prices of the raw material plummeting by 45% in H1 2015, from US$110 per tonne in H1 2014 to US$60 per tonne (CFR China). High-cost producers appear reluctant to reduce capacities, leave the market permanently and take losses, so an oversupply of iron ore is expected for at least two to three years.

Coking coal markets were also affected by the dynamics of China's steel market. Chinese coking coal imports declined by 30% in H1 2015, from 31.0 million tonnes in H1 2014 to 21.6 million tonnes. Meanwhile, seaborne market prices were supported by cuts in North American shipments and improvements in consumption in India. Hard coking coal prices fell by 16% in H1 2015, from US$117 per tonne in H1 2014 to US$98 per tonne (FOB Australia). While numerous coking coal projects are in the pipeline, they are based on reasonable volume expectations and are unlikely to lead to oversupply. We expect the coking coal market to stabilise in the next six to 12 months and global prices to rise.

STEEL

As Russia remains the core market for EVRAZ, the current economic slowdown has created some turbulence.

Russian demand for steel products declined by 8% in H1 2015, from 21.4 million tonnes in H1 2014 to 19.7 million tonnes. In particular, consumption of rebars and construction profiles fell by 15% and 27%, respectively. Consumption of rails decreased by just 2% due to advance purchases from Russian Railways in the Period.

Russian steel production was stable in H1 2015, as new EAF steelmaking facilities increased output and export volumes of steel products rose (by 12%, from 12.8 million tonnes in H1 2014 to 14.3 million tonnes) due to the rouble devaluation, which gave Russian producers a cost advantage over global peers.

Russian steel prices came under pressure from the dynamics of the global steel market, slowing domestic consumption and currency fluctuations. In H1 2015, construction and railway product prices decreased by 30% in US dollar terms compared with H1 2014.

In H1 2015, EVRAZ demonstrated great flexibility in reallocating volumes from the Russian to export markets, maintaining production levels and helping to increase profitability margins. Export shipments increased to 54% in the Period, from 42% in H1 2014. Despite the rise in export volumes, the Company's market share in Russia remained at 23% in H1 2015, unchanged from H1 2014.

In H2 2015, EVRAZ expects Russian steel demand to increase due to improved credit conditions, state mortgage support programmes and ongoing work on several large infrastructure projects (the South Stream and Siberian Power pipelines and World Cup 2018).

Russian iron ore production was stable in H1 2015. Output of saleable iron ore concentrate totalled 26 million tonnes, while that of pellets rose by 3% to 16.2 million tonnes.

EVRAZ consumed 90% of its Russian iron ore products internally in H1 2015, so only 10% was exposed to market fluctuations. While domestic iron ore prices denominated in roubles remained stable due to the currency's devaluation, prices in US dollars declined by 40%. Despite that decline, EVRAZ's iron ore business remains free-cash-flow positive due to its beneficial cost position.

Instability in Ukraine led to decreasing local demand in that market. Internal consumption declined by 33% in H1 2015, from 2.1 million tonnes in H1 2014 to 1.4 million tonnes. In addition, overall crude steel production fell by 27%, from 15.5 million tonnes in H1 2014 to 11.3 million tonnes in 15. However, the Company maintained production volumes at the EVRAZ DMZ Petrovskogo steel plant in H1 2015 at 0.4 million tonnes by successfully increasing steel product exports. The Ukrainian hryvnia devaluation significantly improved the profitability of EVRAZ' Ukrainian export shipments, and the Company expects its volumes and margins to remain at current levels in H2 2015.

The challenging conditions in the steel industry and an increased vanadium supply led to an 18% decline in ferrovanadium (FeV) prices in H1 2015, from US$26.1K/kg in H1 2014 to US$21.5K/kg (Metal Bulletin Index). As one of the lowest-cost producers and the largest player outside China, EVRAZ remains competitive in the international marketplace.

STEEL, NORTH AMERICA

The US dollar appreciation and local price premium caused the US steel industry to come under significant pressure from imports in the Period. Finished steel imports increased by 14% from 14 million tonnes in H1 2014 to 16 million tonnes in H1 2015, causing the local capacity utilisation rate to decline by 5 percentage points, from 77% to 72%.

As a result of the increase in imports, price spreads are narrowing below the level that encourages additional imports, which should improve domestic prices and margins in H2 2015. In addition, with the exception of the energy sector, demand across the economy remains strong, particularly in the automotive and non-residential construction industries.

EVRAZ remains the leading producer of LDP and rails in North America, with a market share of 50% and 40%, respectively. Over the next three to five years, it expects the LDP market to expand from the current 0.8 mtpa to 1.7 mtpa due to the upcoming pipeline of major gas exploration projects in Western Canada. In addition, the rails market should be supported by the ambitious Class-I railway corporate investment project plans.

COAL

Russian coking coal concentrate production declined by 7% to 23.7 million tonnes in H1 2015, from 25.6 million tonnes in H1 2014. Domestic consumption remained stable at 19.7 million tonnes in the Period. Export shipments dropped by 23%, from 10.8 million tonnes in H1 2014 to 8.3 million tonnes in H1 2015, due to weakening demand from China, Ukraine and the EU.

Despite being affected by global benchmark trends, local prices were supported by the Russian rouble devaluation and stable consumption in Russia. In H1 2015, while US dollar-denominated prices declined by 18% compared with H1 2014, rouble-denominated prices increased by 40%.

EVRAZ' coking coal concentrate production volumes remained flat at 6.5 million tonnes in H1 2015. EVRAZ coking coal consumption declined due to further successful implementation of the pulverised coal injection (PCI) technology. Overall Russian shipments dropped 13% as surplus volumes were reallocated to other Russian clients and to the premium markets of Southeast Asia (Japan and Korea), driving up non-CIS export sales by 38%.

We maintain our positive outlook for the domestic coking coal market and expect demand for premium coal grades to remain strong.

2015 YEAR-END OULOOK

In H2 2015, EVRAZ expects its results to continue to be affected by the weak steel and raw material markets and currency volatility.

The Company forecasts a moderate decline in demand for its steel products due to instability on the Russian market, driven by a decrease in investment activity, which will constrain performance in priority market segments. The outlook for North America remains stable, the key products being LDP and rails.

If current market conditions persist into H2 2015, steel prices will continue to decline, as input costs slide and key currencies decline against US dollar.

In contrast, the Russian rouble devaluation will have a positive effect on operating expenses, helping EVRAZ to maintain healthy profitability.

Importantly, EVRAZ continues to expect positive free cash flow and progress towards reducing net debt in absolute terms, while optimising working capital with a particular focus on quality of receivables.

Commitment to customers and cost-cutting initiatives remain the Company's top priorities.

FINANCIAL REVIEW

Statement of operations

Revenues

(US$ million)

Segment	H1 2015	H1 2014	Change	Relative change
Steel	3,413	5,035	(1,622)	(32.2)%
Steel, North America	1,249	1,578	(329)	(20.8)%
Coal	540	708	(168)	(23.7)%
Other operations	234	330	(96)	(29.1)%
Eliminations	(542)	(846)	304	(35.9)%
Total	**4,894**	**6,805**	**(1,911)**	**(28.1)%**

Steel segment revenue (including intersegment), which amounted to 69.7% of the Company's overall revenue, decreased in H1 2015, largely due to lower revenue from steel product sales, which declined by 31.9%. This was mainly due to a fall in prices (-23.8%), which was in line with the general negative trend in steel prices. Revenues from sales of steel products were also impacted by changes in the Company's sales volume (-4.8%) and product mix (-3.3%). Sales volumes of steel products declined from 6.9 million tonnes in H1 2014 to 6.6 million tonnes in H1 2015. The shift in the sales mix reflected higher sales of semi-finished products and lower sales of finished goods. Since production volumes of flat-rolled and railway products declined, EVRAZ switched some of the semi-finished goods produced from internal consumption to external sales.

Revenues from the Steel, North America segment fell by 20.8%, including 21.7% decrease of revenue from sales of steel products. It was driven by a decline in prices (-9.6%), sales volumes (-8.4%) and changes in product mix (-3.7%). Notably, sales of tubular goods declined as a slowdown in drilling activity impacted demand for oil country tubular goods (OCTG).

Coal segment revenues fell due to lower sales prices and volumes. In H1 2015, the Company decreased its production amid several scheduled longwall moves and adjustments to production plans in response to weak market conditions.

Revenue by region

(US$ million)

Region	H1 2015	H1 2014	Change	Relative change
Russia	1,643	2,792	(1,149)	(41.2)%
Americas	1,402	1,751	(349)	(19.9)%
Asia	797	1,052	(255)	(24.2)%
CIS (excl. Russia)	356	488	(132)	(27.0)%
Europe	520	510	10	2.0%
Africa	174	207	(33)	(15.9)%
Rest of the world	2	5	(3)	(60.0)%
Total	**4,894**	**6,805**	**(1,911)**	**(28.1)%**

EBITDA (US$ million)				
Segment	**H1 2015**	**H1 2014**	**Change**	**Relative change**
Steel	731	913	(182)	(19.9)%
Steel, North America	37	135	(98)	(72.6)%
Coal	171	155	16	10.3%
Other operations	8	20	(12)	(60.0)%
Unallocated	(70)	(115)	45	(39.1)%
Eliminations	45	(28)	73	(260.7)%
Total	**922**	**1,080**	**(158)**	**(14.6)%**

In H1 2015, Steel segment EBITDA decreased compared with H1 2014 as a result of lower sales prices for steel products on export markets and in Russia and Ukraine, partly offset by a fall in expenses at Russian and Ukrainian subsidiaries in US dollar terms due to the depreciation of the local currencies. Lower prices for iron ore, coking coal and scrap, the deconsolidation of EVRAZ Highveld Steel and Vanadium and the disposal of EVRAZ Vitkovice Steel all had a positive effect on the segment's results.

EBITDA from the Steel, North America segment was impacted by a fall in sales volumes and lower prices, driven by the downturn in the OCTG and flat-rolled product markets.

Coal segment EBITDA rose, reflecting the positive effects of the Russian rouble's devaluation on costs, the implementation of the efficiency improvement programme and asset optimisation at Yuzhkuzbassugol and the Raspadskaya coal company, which compensated the decline in coal product sales prices.

Eliminations mostly reflect unrealised profits or losses of the Steel segment in transactions with the Steel, North America segment.

Actual cost savings in H1 2015 are based on management accounts adjusted to eliminate macroeconomic affects (such as exchange-rate fluctuations and inflation) and once-off expenditures (such as employee severance payments and other discontinuation costs).

The following table details the estimated savings from the H1 2015 cost-cutting improvements:

Cost-cutting improvements (US$ million)	
Cost-cutting initiatives and productivity improvements, including	73
Improving yields and raw material costs in steel mills	46
Productivity improvement at Evrazruda (US$5 million) and Yuzhkuzbassugol (US$2 million)	7
Energy effectiveness and optimistaion of maintenance costs	9
Other cost optimisations	11
Optimisation of asset portfolio	27
EVRAZ North America: shutdown of Claymont	15
EVRAZ ZSMK portfolio asset optimisation: shutdown of coke battery #2 and disposal of non-core assets	7
Production suspension and disposal of high cost and inefficient assets at the Raspadskaya coal company and Evrazruda	5
Reduction of general and administrative (G&A) costs and non-G&A headcount	49
Total	**149**

Cost of revenues, expenses and results

(US$ million)

Item	H1 2015	H1 2014	Change	Relative change
Cost of revenue	**(3,570)**	**(5,192)**	**1,622**	**(31.2%)**
Gross profit	**1,324**	**1,613**	**(289)**	**(17.9%)**
Selling and distribution costs	(425)	(543)	118	(21.7%)
General and administrative expenses	(252)	(390)	138	(35.4%)
Impairment of assets	(20)	(147)	127	(86.4%)
Foreign-exchange gains/(losses), net	(99)	(180)	81	(45.0%)
Other operating income and expenses, net	(49)	(56)	7	(12.5%)
Profit from operations	**479**	**297**	**182**	**61.3%**
Interest expense, net	(224)	(287)	63	(22.0%)
Gain/(loss) on financial assets and liabilities, net	48	(43)	91	n/a
Gain on disposal group classified as held for sale, net	20	127	(107)	(84.3%)
Loss of control over a subsidiary	(167)	-	(167)	n/a
Other non-operating gains/(losses), net	(36)	5	(41)	n/a
Profit before tax	**120**	**99**	**21**	**21.2%**
Income tax benefit/(expense)	(101)	(84)	(17)	20.2%
Net profit	**19**	**15**	**4**	**26.7%**

The foreign exchange loss, which relates mostly to intercompany loans between subsidiaries with different functional currencies, was US$(99) million in H1 2015, 45% lower than in H1 2014 due to lower loan balances subject to such exchange rates fluctuations.

Gain on financial assets and liabilities of US$48 million (loss of US$43 million in H1 2014) relates mostly to the unrealised gain (H1 2014: loss) on foreign currency swaps caused by movements in the relevant forward exchange rates in the respective periods. The H1 2015 gain is a result of the Russian rouble revaluation during the respective Period.

Following the placement of EVRAZ Highveld under the business rescue procedures, the Company ceased to consolidate EVRAZ Highveld starting 14 April 2015 and recognised a loss on disposal of a subsidiary in the amount of US$167 million, including US$142 million of translation loss recycled to statement of operations.

The Group’s cost of revenue decreased by 31.2% in H1 2015 compared with H1 2014.

A detailed breakdown of the cost of revenue is as follows:

(US$ million)	H1 2015	% of revenue	H1 2014	% of revenue	Change	Relative change
Revenue	**4,894**		**6,805**			
Cost of revenue	**3,570**	**73.0%**	**5,192**	**76.3%**	**(1,622)**	**(31.2%)**
Raw materials, incl.	1,136	23.2%	1,649	24.2%	(513)	(31.1)%
Iron ore	173	3.5%	401	5.9%	(228)	(56.9)%
Coking coal and coke	190	3.9%	231	3.4%	(41)	(17.8)%
Scrap	469	9.6%	638	9.4%	(169)	(26.5)%
Other raw materials	304	6.2%	379	5.5%	(75)	(19.8)%
Semi-finished products	110	2.2%	32	0.5%	78	243.8%
Auxiliary materials	295	6.0%	444	6.5%	(149)	(33.6)%
Services	265	5.4%	382	5.6%	(117)	(30.7)%
Goods for resale	204	4.2%	337	5.0%	(133)	(39.5)%
Transportation	292	6.0%	345	5.1%	(53)	(15.4)%
Staff costs	588	12.0%	855	12.5%	(267)	(31.3)%
Depreciation	256	5.2%	380	5.6%	(124)	(32.7)%
Electricity	179	3.7%	283	4.2%	(104)	(36.8)%
Natural gas	91	1.9%	176	2.6%	(85)	(48.3)%
Other costs	154	3.2%	309	4.5%	(155)	(50.2)%

The lower iron ore costs were largely attributable to lower purchase prices of iron ore (-US$141 million), accompanied by a decline in volumes of iron ore purchased from third parties due to an increase in own production. The share of internally purchased iron ore in consumption rose from 53% in H1 2014 to 64% in H1 2015 (-US$87 million).

Scrap costs decreased primarily due to lower prices of scrap purchased in Russia (-US$48 million) and a decline in consumption at EVRAZ ZSMK (-US$18 million) amid a 6% decrease in steel production compared with H1 2014. This was accompanied by a decrease in scrap costs at EVRAZ North America (-US$81 million) due to lower prices and production volumes of crude steel amid a market downturn. The deconsolidation of EVRAZ Highveld Steel and Vanadium and the disposal of EVRAZ Vitkovice Steel contributed to the decline in scrap costs (-US$28 million), which was partly offset by an increase in consumption of scrap at EVRAZ NTMK (+US$6 million) due to greater steel production.

The decrease in other raw material costs was due to the deconsolidation of EVRAZ Highveld Steel and Vanadium and the disposal of EVRAZ Vitkovice Steel (-US$30 million), as well as a fall in prices in Russia (-US$68 million) and the decline in production volumes at EVRAZ North America (-US$15 million), partially offset by the decrease in consumption of PCI coal (+US$26 million) and other raw materials (+US$17 million).

Other factors influencing the decrease in raw material consumption included the implementation of operational improvement plans, which helped to optimise yields.

The costs of semi-finished products increased by US$78 million, primarily due to lower consumption of slab purchased from EVRAZ NTMK by EVRAZ North America, which was substituted by shipments from third parties (+US$120 million). This was partly offset by a decline in slab prices (-US$29 million) and a decline in semi-finished costs due to the disposal of EVRAZ Vitkovice Steel (-US$8 million).

Auxiliary material costs decreased by US$149 million. This included the effect of cost optimisation programmes (-US$16 million), deconsolidation of EVRAZ Highveld Steel and

Vanadium (-US$20 million) and effect of the Russian rouble and Ukrainian hryvnia weakening (-US$140 million), which was partly offset by higher prices in local currencies (+US$25 million).

The fall in goods for resale stemmed primarily from a decline in goods for resale at EVRAZ Metall Inprom, predominantly due to lower steel prices compared with H1 2014.

The cost of transportation services decreased by US$53 million due to the Russian rouble weakening.

Staff costs decreased by US$267 million, reflecting the effect of the disposal and optimisation of assets (-US$25 million), personnel optimisation programmes (-US$28 million) and the impact on costs of the Russian rouble and Ukrainian hryvnia weakening (-US$249 million), which was partly offset by wage inflation at the Company's Russian and Ukrainian assets.

Total depreciation, depletion and amortisation in the cost of goods sold fell by US$124 million compared with H1 2014, the main reason being a decrease in depreciation in US dollar terms at Russian and Ukrainian assets due to the weakening of the local currencies (-US$123 million).

Electricity costs declined by US$104 million due to lower consumption volumes, primarily due to asset optimisation and disposals (-US$34 million), ongoing operational improvements, and the Russian rouble and Ukrainian hryvnia weakening (-US$82 million), which was partly offset by a rise in tariffs in local currencies (+US$13 million).

Natural gas costs fell by US$85 million due to a decrease in consumption (-US$43 million) as a result of operational improvements at EVRAZ DMZ, the introduction of PCI technology at EVRAZ ZSMK, the disposal of EVRAZ Vitkovice Steel. The positive effect of the Russian rouble and Ukrainian hryvnia weakening (-US$53 million) was partly offset by an increase in tariffs in local currencies (+US$12 million).

The US$155 million decrease in other costs stemmed mainly from the change in unrealised profit as at 30 June 2015 (-US$122 million) and disposal of EVRAZ Vitkovice Steel (-US$33 million). The unrealised profit adjustment eliminates profit/loss reported on intragroup sales and is attributable to inventories not sold outside the Company. EVRAZ reported an unrealised loss of US$36 million in H1 2014, and an unrealised profit of US$86 million in H1 2015, which was driven by lower slab stock at East Metals and a decrease in EVRAZ NTMK's products margin.

Selling and distribution expenses declined by 21.8% in H1 2015 due to the Russian rouble weakening and lower external sales volumes.

General and administrative expenses declined by 35.4% in H1 2015, driven by the Russian rouble and Ukrainian hryvnia weakening and lower staff costs, which resulted mainly from headcount optimisation at EVRAZ North America and the Company's Russian steel and coal plants.

Cash flow

(US$ million)				
Item	**H1 2015**	**H1 2014**	**Change**	**Relative change**
Cash flows from operating activities before change in working capital	864	970	(106)	(11.0)%
Changes in working capital	(60)	(126)	66	(52.4)%
Net cash flows from operating activities	**804**	**844**	**(40)**	**(4.8)%**
Purchases of property, plant and equipment and intangible assets	(248)	(339)	91	(26.9)%
Purchase of subsidiaries, net of cash acquired	–	(102)	102	(100.0)%
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	40	296	(256)	(86.5)%
Other investing activities	2	22	(20)	(90.9)%
Net cash flows from / (used in) investing activities	**(206)**	**(123)**	**(83)**	**(67.5)%**
Net cash flows from financing activities	**(758)**	**(960)**	**202**	**(21.1)%**
Effect of foreign exchange rate changes on cash and cash equivalents	70	(20)	90	n/a
Net increase/(decrease) in cash and cash equivalents	**(90)**	**(259)**	**169**	**(65.3)%**

Net cash flows from operating activities decreased by 4.8% compared with H1 2014, reflecting the decline in the financial results. Free cash flow for the period was US$372 million.

Calculation of free cash flow

(US$ million)	
Item	**H1 2015**
EBITDA	922
EBITDA excluding non-cash items	**938**
Changes in working capital	(60)
Income tax accrued	(74)
Net cash flows from operating activities	**804**
Interest and similar payments	(219)
Capital expenditures, including recorded in financing activities	(251)
Purchases of subsidiaries (net of cash acquired) and interests in associates/joint ventures	-
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	40
Other cash flows from investing activities	1
Equity transactions	(3)
Free cash flow	**372**

CAPEX and key projects

In H1 2015, EVRAZ continued to reduce its total capital expenditure (US$251 million, compared with US$365 million in H1 2014) due to currency fluctuations and the completion of capital-intensive projects. During H1 2015, the Company made good progress with the Mezhegey coal project (launch of the longwall is scheduled for the end of 2015 – beginning of 2016). The new mining technology implemented at the Sheregesh mine reached the planned production capacity. The continuous casting machine at EVRAZ ZSMK was halted for the final phase of reconstruction, and the re-launch is scheduled for the third quarter of 2015. EVRAZ NTMK has started a project to build a new grinding ball mill to make sophisticated grades of that product, which are currently not manufactured domestically. Two projects of approximately US$200 million investment in the next two years were launched at EVRAZ Regina, aimed at improving the quality and volume of tubular products.

Capital expenditure (including that recognised in financing activities) for H1 2015 in millions of US dollars can be summarised as follows:

Construction of an LDP mill	37	Construction of a new mill at EVRAZ Regina is in progress since Q2 2015, to be completed in Q2 2016. Expected to add 160kt of tubular product capacity.
Continuous casting machine reconstruction (CCM)	23	Reconstruction of CCM at EVRAZ ZSMK, in progress since Q2 2014, launch date Q3 2015. Capacity to increase to 2.2 mtpa.
Coal deposit development	17	Mezhegey (phase 1). Ramp-up to be completed by 2016. Capacity of 1.5 mtpa.
Iron ore capacity expansion	6	The Sheregesh mine's output is due to reach 4.8 mtpa of raw ore.
Steel mill upgrade	3	Upgrade of EVRAZ Regina steel mill. In progress since Q2 2015, to be completed in Q4 2016. 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%
Grinding ball mill construction	0.02	Construction of a new grinding ball mill at EVRAZ NTMK is in progress since Q2 2015, to be completed in Q2 2018. Expected to increase ball production to 300kt by 2018.
Other development projects	28	
Maintenance	137	
Total	**251**	

Financing and liquidity

At the beginning of 2015, total debt was US$6,907 million. In March 2015, EVRAZ settled the 8.75% rouble notes due in 2015 in full and the related liabilities under swap contracts. The total cash outflow amounted to US$123 million. In April 2015, EVRAZ partially repurchased below par 9.95% notes due in October 2015 with a principal of RUB4,150 million and terminated the respective swap contracts; the total cash outflow amounted to US$141 million.

In April 2015, the Company completed a share buyback via a tender offer of 108,458,508 ordinary shares for US$3.10 per share. The total cash used amounted to US$339 million.

In May 2015, the Company signed a new €475 million loan agreement with Gazprombank and simultaneously repaid an existing US$500 million loan due to mature in December 2016 from the same bank. The new loan is repayable in two instalments: 30% of the principal in June 2018 and 70% in June 2019.

As a result of these actions, as well as scheduled drawings and repayments of bank loans, total debt decreased by US$228 million to US$6,679 million as at 30 June 2015, while net debt decreased by US$134 million to US$5,680 million, compared with US$5,814 million as at 31 December 2014. Due to the lower total debt and refinancing initiatives in H2 2014 and H1 2015, interest expenses accrued in respect of loans, bonds and notes were US$209 million in H1 2015, compared with US$263 million in H1 2014. Net debt to EBITDA stood at 2.6 times, compared with 2.5 times as at 31 December 2014.

As at 30 June 2015, debt with maintenance financial covenants comprised a US$500 million syndicated facility and various bilateral facilities totalling around US$687 million. The maintenance covenants under these facilities include only two key ratios calculated on the basis of EVRAZ plc's consolidated financials: a maximum net leverage and a minimum EBITDA interest cover. The ratios are tested two times a year on a 12-month basis and the strictest levels are 4.0x and 2.5x, respectively.

As at 30 June 2015, facilities totalling US$149 million contained maintenance financial covenants tested on the financial statements of Evraz Group S.A. The maintenance covenants under these facilities include similar ratios as mentioned above. The strictest levels are 4.5x and 2.5x, respectively.

As at 30 June 2015, EVRAZ was in full compliance with its financial covenants.

As at 30 June 2015, cash amounted to US$996 million and short-term loans and the current portion of long-term loans stood at US$1,457 million. They are mainly represented by capital market instruments, particularly rouble-denominated notes adjusted for respective hedging exposure.

Cash-on-hand and committed credit facilities are sufficient to cover all of our refinancing needs for the remainder of 2015.

KEY RECENT DEVELOPMENTS

- In July 2015, the Company entered into a US$200 million term loan agreement with Alfa Bank. The loan was drawn in full and is repayable in one instalment in July 2019.
- In July 2015, as part of refinancing efforts, EVRAZ issued new 12.95% rouble notes due in 2019 with a principal amount of RUB15 billion and hedged its FX exposure by entering into a series of cross currency swaps with a total nominal of US$265 million. Proceeds from the notes were partly used to repurchase in a public tender offer below par 8.40% notes due in 2016 with a total principal of RUB4,792 million and to terminate the respective cross-currency swaps. Total cash used to repurchase and terminate the swaps amounted to US$173 million.
- In August 2015, the Company signed a US$100 million 5-year loan agreement with Nordea Bank and a US$125 million 5-year loan agreement with JSC Unicredit Bank. Both loans will be drawn in September 2015 and are repayable in equal quarterly instalments from the third quarter of 2017.

REVIEW OF OPERATIONS BY SEGMENT

US$ million	Steel		Steel, NA		Coal		Other	
	H1 2015	H1 2014	**H1 2015**	H1 2014	**H1 2015**	H1 2014	**H1 2015**	H1 2014
Revenues	**3,413**	5,035	**1,249**	1,578	**540**	708	**234**	330
EBITDA	**731**	913	**37**	135	**171**	155	**8**	20
EBITDA margin	**21.4%**	18.1%	**3.0%**	8.6%	**31.7%**	21.9%	**3.4%**	6.1%
CAPEX	**118**	181	**83**	25	**62**	158	**1**	2

STEEL

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

Sales review

Steel segment revenues by products

	H1 2015		H1 2014		
	US$ million	**% of total segment revenues**	**US$ million**	**% of total segment revenues**	**Relative change**
Steel products, external sales	**2,750**	**80.6%**	**3,949**	**78.4%**	**(30.4)%**
Semi-finished products[1]	1,136	33.3%	1,177	23.4%	(3.5)%
Construction products[2]	1,068	31.3%	1,648	32.7%	(35.2)%
Railway products[3]	297	8.7%	639	12.7%	(53.5)%
Flat-rolled products[4]	108	3.2%	301	6.0%	(64.1)%
Other steel products[5]	141	4.1%	184	3.7%	(23.4)%
Steel products, intersegment sales	**149**	**4.4%**	**307**	**6.1%**	**(51.5)%**
Including sales to Steel, North America	145	4.2%	301	6.0%	(51.8)%
Iron ore products	**85**	**2.5%**	**167**	**3.3%**	**(49.1)%**
Vanadium products	**183**	**5.4%**	**242**	**4.8%**	**(24.4)%**
Other revenues	**246**	**7.2%**	**370**	**7.3%**	**(33.5)%**
Total	**3,413**	**100%**	**5,035**	**100%**	**(32.2)%**

[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 2015**	**H1 2014**	**Change**
Steel products, external sales	**6,260**	**6,353**	**(1.5)%**
Semi-finished products	2,973	2,314	28.5%
Construction products	2,256	2,517	(10.4)%
Railway products	533	771	(30.9)%
Flat-rolled products	208	467	(55.5)%
Other steel products	290	284	2.1%
Steel products, intersegment sales	**306**	**543**	**(43.6)%**
Total steel products	**6,566**	**6,896**	**(4.8)%**
Vanadium products (tonnes of pure vanadium)	**8,132**	**9,011**	**(9.8)%**
Vanadium in slag	135	204	(33.8)%
Vanadium in alloys and chemicals	7,997	8,807	(9.2)%
Iron ore products	**2070**	**2,394**	**(13.5)%**
Pellets	657	610	7.7%
Other iron ore products	1413	1,784	(20.8)%

Geographic breakdown of external steel product sales

	US$ million			**'000 t**		
	H1 2015	**H1 2014**	**Change, %**	**H1 2015**	**H1 2014**	**Change, %**
Russia	1,230	2,150	(42.8)%	2,563	3,231	(20.7)%
Asia	635	889	(28.6)%	1,630	1,715	(4.9)%
Europe	374	282	32.6%	971	477	103.6%
CIS	248	353	(29.7)%	528	487	8.4%
Africa, America and RoW	263	275	(4.4)%	568	443	28.2%
Total	**2,750**	**3,949**	**(30.4)%**	**6,260**	**6,353**	**(1.5)%**

The Steel segment's revenues decreased mainly due to lower revenues from sales of steel products. The main drivers were lower prices (-23.8%) and a negative impact from changes in sales volumes (-4.8%) and the product mix (-3.3%): higher share of sales of semi-finished products and a lower share of final products.

Revenues from external sales of semi-finished products fell by 3.5% due to lower average prices (-32.0%), which were partly offset by an increase in sales volumes (+28.5%). External sales of billets and slabs increased compared with H1 2014, mainly due to reduced internal consumption related to the disposal of EVRAZ Vitkovice Steel and a fall in the production of railway products.

Revenues from sales of construction products to third parties dropped, mostly due to reduced volumes (-10.4%), lower average prices (-24.8%) and weaker demand in Russia. As a result of the latter, prices did not increase following the steep Russian rouble devaluation versus the US dollar in late 2014.

Revenues from railway products decreased due to lower sales volumes (-30.9%) and average prices (-22.6%). Volumes fell as consumption of rails in the CIS countries declined, caused by a decrease in new construction and the overhaul of railway infrastructure as well as significantly lower demand from railcar producers and railcar repair shops.

External revenues of flat-rolled products dropped. This was mostly due to lower sales volumes (-55.5%) and a reduction in average prices (-8.6%) following the deconsolidation of EVRAZ Vitkovice Steel and EVRAZ Highveld Steel and Vanadium, as well as lower sales of third-party producers' flat-rolled goods by EVRAZ Metall Inprom amid reduced demand.

Revenues from external steel product sales in Russia decreased by 42.8% compared with H1 2014, mainly due to lower prices, while sales volumes fell by 20.7%. The share of Russian sales in external steel product sales also declined from 54.4% in H1 2014 to 44.7% in H1 2015, as shifting sales from the domestic to export markets helped to stabilise production volumes and increased profitability amid the weaker Russian rouble.

Steel segment revenues from sales of iron ore products fell by 49.1% due to lower iron ore prices (-38.6%) and sales volumes (-13.5%) resulting from the deconsolidation of EVRAZ Highveld Steel and Vanadium and partly offset by a better product mix (+3.0%). Prices for iron ore products declined in H1 2015 in line with global benchmarks. In the Period, around 64% of EVRAZ's iron ore consumption in steelmaking came from the Company's own operations, compared with 53% in H1 2014, predominantly due to a 14% increase in iron ore production.

Steel segment revenues from sales of vanadium products declined by 24.4% due to a decrease in prices (-14.9%) and sales volumes (-9.8%), partly offset by a better product mix (+0.3%). This resulted from the deconsolidation in 2015 of EVRAZ Highveld Steel and Vanadium and Hochvanadium, while average selling prices mirrored downward trends in the global steel market.

Steel segment cost of revenues

	H1 2015		H1 2014		
	US$ million	**% of segment revenues**	**US$ million**	**% of segment revenues**	**% change**
Cost of revenues	**2,466**	**72.3%**	**3,755**	**74.6%**	**(34.3)%**
Raw materials	955	28.0%	1,438	28.6%	(33.6)%
Iron ore	172	5.0%	401	8.0%	(57.1)%
Coking coal	373	10.9%	479	9.5%	(22.1)%
Scrap	177	5.2%	266	5.3%	(33.5)%
Other raw materials	233	6.8%	292	5.8%	(20.2)%
Semi-finished products	8	0.2%	19	0.4%	(57.9)%
Auxiliary materials	172	5.0%	253	5.0%	(32.0)%
Services	160	4.7%	245	4.9%	(34.7)%
Transportation	203	5.9%	236	4.7%	(14.0)%
Staff costs	323	9.5%	518	10.3%	(37.6)%
Depreciation	116	3.4%	185	3.7%	(37.3)%
Energy	248	7.3%	452	9.0%	(45.1)%
Other*	281	8.2%	409	8.1%	(31.3)%

** Includes goods for resale, taxes in cost of revenues and effect of changes in work in progress and inventories of finished goods.*

The principal factors affecting the change in the Steel segment's cost of revenues in absolute terms were:

- A fall in the cost of raw materials due to the following changes:
  - A decrease in iron ore costs, primarily due to a decline in prices for iron ore in Russia and Ukraine (-US$141 million) and a decrease in volumes of iron ore purchased from third parties, as own production volumes increased (-US$86 million).
  - A decrease in coking coal costs, following the decline in prices in Russia (-US$92 million) and partly offset by higher prices of coal in Ukraine (+US$6 million). The change in prices was accompanied by a decrease in consumption at EVRAZ ZSMK due to the shutdown of two coke batteries and lower coal consumption at EVRAZ ZSMK's pulverised coal injection (PCI) plant, commissioned in Q2 2014 (-US$27 million).
  - A decrease in the cost of scrap, due to lower sales prices in Russia (-US$48 million) and a decline in volumes of scrap consumed by EVRAZ ZSMK (-US$17 million) amid reduced steel production and the disposal of EVRAZ Vitkovice Steel and deconsolidation of EVRAZ Highveld Steel and Vanadium (-US$28 million).
  - The cost of other raw materials fell, mostly due to the weakening of the Russian rouble, which was partly compensated by price inflation (-US$43 million) and the disposal of EVRAZ Vitkovice Steel and deconsolidation of EVRAZ Highveld Steel and Vanadium (-US$30 million). The decrease in costs was partly offset by higher consumption of coal dust and other raw materials at EVRAZ ZSMK's PCI plant (+US$13 million).
  - The implementation of cost-cutting initiatives resulted in lower consumption rates, which also had a positive effect on raw material costs.
- Auxiliary material costs decreased by 32.0%. This was primarily due to the Russian rouble and Ukrainian hryvnia weakening (-US$110 million) and the deconsolidation of EVRAZ Highveld Steel and Vanadium (-US$19 million), partly offset by an increase in prices in local currencies (+US$25 million) and in the consumption of refractories for current repairs at EVRAZ NTMK (+US$17 million).
- The lower cost of services was driven by the Russian rouble and Ukrainian hryvnia weakening (-US$57 million), the deconsolidation of EVRAZ Highveld Steel and Vanadium (-US$31 million) and the disposal of EVRAZ Vitkovice Steel (-US$6 million), partly offset by the higher cost of current repairs at EVRAZ NTMK (+US$5 million).
- Transportation costs decreased, primarily due to the weakening of the Russian rouble (-US$25 million).
- The decrease in staff costs was largely attributable to the Russian rouble and Ukrainian hryvnia weakening (-US$186 million), headcount optimisation (-US$18 million), the deconsolidation of EVRAZ Highveld Steel and Vanadium and the disposal of EVRAZ Vitkovice Steel (-US$25 million), partly offset by wage inflation in Russia and Ukraine.
- Depreciation and depletion costs fell, mostly due to local currencies weakening (-US$66 million) and the deconsolidation of EVRAZ Highveld Steel and Vanadium (-US$7 million), partly offset by an increase in equipment purchases (+US$9 million).
- Lower energy costs were driven by the following:
  - the Russian rouble and Ukrainian hryvnia weakening (-US$124 million), partly offset by an increase in tariffs in local currencies (+US$28 million)
  - the disposal of EVRAZ Vitkovice Steel and deconsolidation of EVRAZ Highveld Steel and Vanadium (-US$44 million)

- lower consumption of electricity and natural gas (-US$56 million), primarily at EVRAZ ZSMK and EVRAZ NTMK, due to the shutdown of Rolling Mill 450 at EVRAZ ZSMK following the implementation of PCI, the outsourcing of the scrap recycling department at EVRAZ NTMK and increased internal supply by the ZapSib Heat and Power plant.

- Other costs decreased, primarily due to changes in the cost of goods for resale (-US$116 million), partly offset by changes in finished goods (+US$24 million) and other changes.

Steel segment gross profit

Gross profit in the Steel segment decreased by 26.0% compared with H1 2014, reflecting the 32.2% decline in segment revenues, while the cost of revenues decreased by 34.3%.

Operational update

Steel: Russia

EVRAZ ZSMK:

- In April 2015, a billet caster was halted for reconstruction (with estimated loss in production of approximately 140,000 tonnes of billets in H1 2015), which will last until the fourth quarter of 2015. The work aims to increase the caster's annual production capacity to 2.2 million tonnes and decrease the billet cash cost due to serial production and lower crude steel to billet rate.
- Following the launch of a converter slag processing complex at EVRAZ ZSMK at the end of 2014, costs of third-party purchases of iron ore decreased by around US$5 million due to the use of 75,000 iron containing stock received from processing of reclaimed iron-bearing waste.
- EVRAZ began to sell special-purpose R65 rails (types DT370IK, DT350NN and DT350SS) to Russian Railways, delivering 43,000 tonnes overall.
- In April 2015, field tests of 60E2 rails began at Deutsche Bahn's testing ground in Germany for certification.

EVRAZ NTMK:

- Praxair's two air separation facilities were commissioned, which will supply nitrogen, oxygen and argon to NTMK's blast furnace and converter shops. The new air separation units are 35% more energy-efficient compared with the previous models resulting in lower cost of purchased gasses for EVRAZ NTMK. The facilities also feature an oxygen enrichment system, the first of its kind in Russia that will eliminate oxygen loss in the blast furnaces.
- The facility increased the number of sizes of wide range beams produced monthly from 35 to 40. As a result, beams for Russia and for export can now be produced simultaneously, including beams in accordance with the ASTM standard.
- The facility sold over 45,000 tonnes of slabs of complex API grades to OMK, one of Russia's largest producer of pipes, for LDP production. In the second half of 2015, deliveries of the slabs will continue.
- NTMK began commercial production of two new wheel types (BA002, BA004) for sale in Europe and Turkey. Nine more types are expected to be developed in the second half of 2015.

EVRAZ Caspian Steel:

- The facility reached the nominal production capacity of over 400,000 tonnes per year and now produces the whole range of steel profiles.

Steel: Ukraine
EVRAZ DMZ:

- The facility successfully completed numerous initiatives that will reduce pig iron consumption in the production of converter steel by pouring molten iron directly (without mixers).
- The facility continued to implement an energy efficiency programme aimed at reducing natural gas consumption. The converter shop began to use compressed air instead of steam and coke gas instead of blast furnace gas. The project is expected to be completed in the second half of 2015.
- Commercial production of three new steel profiles has been launched.
- In H1 2015, the facility sold 462,000 tonnes of steel products (53% billets, 47% construction and structural steel), compared with 447,000 tonnes in H1 2014. Lower domestic demand and a drop in construction steel sales to the CIS were partly offset by an increase in sales of construction products to the EU and MENA by 30% thanks to a greater focus on customers.

Steel: South Africa
In mid-April 2015, a business rescue plan was launched at EVRAZ Highveld and Vanadium and has been managed by independent rescue practitioners since then. As of April 2015, the results of EVRAZ Highveld and Vanadium are not consolidated.

Iron ore
During the Period, the iron ore division continued to focus on operational improvement programmes and cost reductions.

Operations at the core iron ore business in Russia, EVRAZ KGOK, were stable. In H1 2015, the facility mined 29.2 million tonnes of iron ore (+468 kt compared with H1 2014) and produced 5.0 million tonnes of saleable iron ore products (+93 kt), including 1.8 million tonnes of sinter and 3.3 million tonnes of pellets.

At Russia's Evrazruda, the project to reconstruct the Sheregesh iron ore mine has progressed and is expected to finish in the second half of 2015.

In H1 2015, EVRAZ Sukha Balka in Ukraine produced 1.4 million tonnes of lumpy ore, selling 56% domestically and 44% abroad. Work was conducted on the dry magnetic separation facilities to improve iron ore quality.

Vanadium
The installation of new pulp filtration equipment at EVRAZ Vanady Tula was finished in H1 2015, and the new filtration area is now ready to fully substitute the old one. This will result in cost savings and secure better yields at the mill.

EVRAZ Stratcor is maximising the use of vanadium sourced within the Company. It account for around 65% of the total feed in H1 2015. A further increase is expected in the second half of the year.

Chemical shipments rose by 18% compared with H1 2014 and those of Vanadium Aluminum Master Alloy by 7%, due to efforts to increase the share of higher value-added products in EVRAZ' vanadium sales portfolio. Greater spending by existing customers and an increase in the client base both contributed to this. Several product development opportunities were recently identified and are expected to further expand EVRAZ' market share in high value-added niche product groups.

STEEL, NORTH AMERICA

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

Steel, North America segment revenues by products

	H1 2015		H1 2014		
	US$ million	% of total segment revenues	US$ million	% of total segment revenues	Relative change
Steel products	**1,159**	**92.8%**	**1,481**	**93.9%**	**(21.7)%**
Construction products[1]	145	11.6%	163	10.3%	(11.0)%
Railway products[2]	240	19.2%	271	17.2%	(11.4)%
Flat-rolled products[3]	235	18.8%	304	19.3%	(22.7)%
Tubular products[4]	539	43.2%	743	47%	(27.5)%
Other revenues[5]	**90**	**7.2%**	**97**	**6.1%**	**(7.2)%**
Total	**1,249**	**100%**	**1,578**	**100%**	**(20.8)%**

[1] Includes beams, rebars and structural tubing

[2]Includes rails

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

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

[5]Includes scrap and services

Sales volumes of Steel, North America segm

('000 tonnes)

	H1 2015	H1 2014	Relative change
Steel products			
Construction products	195	199	**(2.0%)**
Railway products	280	275	**1.8%**
Flat-rolled products	308	304	**1.3%**
Tubular products	409	521	**(21.5%)**
Other steel products	0	2	**(100.0%)**
Total	**1,192**	**1,301**	**(8.4%)**

Revenues from steel product sales of the segment decreased due to lower sales prices (-9.6%) and a negative impact from changes in sales volumes (-8.4%) and the product mix (-3.7%). Revenues from sales of construction products fell due to lower sales volumes (-2.0%) and prices and changes in the product mix (-9.0%). The decrease in sales volumes resulted from the disposal of the structural tubing facility in Portland in March 2015, while prices were under pressure from high imports.

Railway product revenues declined by 11.4%, driven by a 13.2% decline in average prices, in line with the general price trend in the US steel market. Revenues increased by 1.8% amid continuing demand from Class 1 railroads.

Lower flat-rolled product revenues were mainly due to lower prices (-24.0%), although sales volumes increased (+1.3%). A record level of imports in the fourth quarter of 2014 and early 2015 impacted sales revenues.

Revenues from tubular product sales decreased by 27.5%, primarily due to lower sales volumes (-21.5%) and prices and changes in the product mix (-6.0%). The decrease in sales volumes was driven by weaker demand for oil country tubular goods (OCTG), caused by a slowdown in drilling activities due to the falling oil price.

Steel, North America segment cost of revenues

	H1 2015		H1 2014		2015 v 2014
	US$ million	% of segment revenues	US$ million	% of segment revenues	Change
Cost of revenues	**1,091**	**87.3%**	**1,317**	**83.5%**	**(17.2)%**
Raw materials	373	29.9%	478	30.3%	(22.0)%
Semi-finished products	199	15.9%	285	18.1%	(30.2)%
Auxiliary materials	68	5.4%	107	6.8%	(36.4)%
Services	79	6.3%	91	5.8%	(13.2)%
Transportation	7	0.6%	7	0.4%	0.0%
Staff costs	146	11.7%	144	9.1%	1.4%
Depreciation	56	4.5%	56	3.5%	0.0%
Energy	55	4.4%	79	5.0%	(30.4)%
Other*	108	8.6%	70	4.5%	54.3%

** Includes primarily changes in finished goods, certain taxes and allowances for inventories.*

The main drivers of the lower cost of revenues in the segment were as follows:

- Raw material costs decreased, mostly due to lower raw material consumption (scrap, coke, ferroalloys and other) as a result of lower output both of crude steel and finished products, such as OCTG, flat-rolled products and wire rod. Cost-cutting initiatives resulted in lower consumption rates, while a decline in raw material prices also contributed to the decrease.
- The cost of semi-finished products declined due to lower production volumes of tubular products and prices of purchased slab.
- The cost of auxiliary materials fell due to the implementation of a cost-cutting plan in H1 2015 and a decrease in production volumes of crude steel and finished products compared with H1 2014.
- Costs of services decreased due to lower production volumes compared with H1 2014.
- Energy costs declined, driven by lower production, which resulted in reduced energy consumption (-US$12 million), alongside a decrease in tariffs for energy and natural gas (-US$8 million).
- Other costs rose, primarily due to an increase of allowances for inventories caused by higher inventory write-offs and slow-moving adjustments as a result of the market downturn.

Steel, North America gross profit

The segment's gross profit decreased to US$158 million in H1 2015, compared with US$262 million in H1 2014, due to a decrease of sales volumes amid a downturn in the OCTG and flat product markets.

Operational update

Steel, North America

A strengthening US dollar and tepid demand for steel products outside North America resulted in record inflows of imports into the North American market and price pressure. During H1 2015, output of crude steel and finished saleable steel products at EVRAZ' North American operations declined by 7% and 8% respectively compared with H1 2014. The decline in crude steel production was due to planned outages at the Regina and Pueblo steelmaking facilities, while the decrease in finished steel products was the result of weak demand for OCTG, flat products and wire rod, partly offset by increased volumes of LDP.

In H1 2015, EVRAZ North America's flat product group was impacted by rapidly declining plate prices amid record levels of imports in the fourth quarter of 2014 and early months of 2015. In response, the Company has:

- reduced output and aggressively decreased costs as the market continues to work through the de-stocking cycle;
- reduced overall slab and work in-process inventories;
- increased efforts to sell value-added solutions and continued to upgrade the mix in favour of products where imports cannot compete. For example, in Q2 2015, sales volumes of armour plate doubled.

As regards tubular products, the performance of the LDP and OCTG segments diverged significantly. For LDP, in the first half of the year, volumes strengthened as mid-stream infrastructure companies initiated new projects to satisfy demand from energy producers seeking low-cost access to markets. In H1 2015, EVRAZ announced the acquisition of pipe-making equipment from United Spiral Pipe to supplement its LDP production capabilities and increase overall output of LDP by around 100,000 tonnes per year. Together with this acquisition, the Company announced an investment in the Regina Saskatchewan operations to install equipment acquired and upgrade the steelmaking and rolling facilities. Through these two projects, EVRAZ North America will strengthen its position as the leader in terms of quality and cost on a delivered basis in the Western North America LDP market.

As for OCTG, the rapid decline in drilling activity stemming from lower oil prices and high inventories at distributors forced EVRAZ to curtail its OCTG operations. At the EVRAZ Pueblo seamless mill, production was scaled down during Q1 2015, while at the EVRAZ Calgary and Red Deer facilities, production curtailments occurred in Q2 2015. The teams have aggressively managed their cost structures to minimise the cash cost of carrying these facilities while idle.

As regards long products, the EVRAZ Pueblo rail mill operated at full capacity during the first half of the year. Record CAPEX spending by Class-1 railroads is expected to translate into robust demand throughout the year, and the strengthening US economy recovery should underpin continued investment by Class-1 railroads. Utilisation at the wire rod mill in Pueblo was scaled down, as high levels of imports depressed market prices, despite strong underlying demand from the construction and industrial sectors in the US.

In the second half of the year, EVRAZ North America will continue focusing on enhancing financial performance through aggressive cost structure management and inventory optimisation.

COAL

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

Sales review

Coal segment revenues by product

	H1 2015		H1 2014		
	US$ million	**% of total segment revenues**	**US$ million**	**% of total segment revenues**	**Relative change**
External sales					
Coal products	**307**	**56.9%**	**390**	**55.1%**	**(21.3)%**
Coking coal	25	4.6%	39	5.5%	(35.9)%
Coal concentrate	282	52.2%	297	41.9%	(5.1)%
Steam coal	-	0.0%	54	7.6%	(100.0)%
Intersegment sales					
Coal products	**194**	**35.9%**	**266**	**37.6%**	**(27.1)%**
Coking coal	24	4.4%	58	8.2%	(58.6)%
Coal concentrate	170	31.5%	208	29.4%	(18.3)%
Other revenues	***39***	***7.2%***	***52***	***7.3%***	***(25.0)%***
Total	**540**	**100%**	**708**	**100%**	**(23.7)%**

Sales volumes of Coal segment
('000 tonnes)

	H1 2015	**H1 2014**	**Relative change**
External sales			
Coal products	**4,382**	**5,279**	**(17.0)%**
Coking coal	735	792	(7.2)%
Coal concentrate and other products	3,647	3,375	8.1%
Steam coal	-	1,112	(100.0)%
Intersegment sales			
Coal products	**2,910**	**3,271**	**(11.0)%**
Coking coal	593	1,094	(45.8)%
Coal concentrate	2,317	2,177	6.4%
Total, coal products	**7,292**	**8,550**	**(14.7)%**

Overall revenues in the segment decreased amid a reduction in sales prices, due to sluggish demand and lower coal prices globally as well as higher output in other coal-exporting countries. Sales volumes also decreased, as the Company mined less raw coal due to scheduled longwall moves in H1 2015. Another driver of the lower production was the deteriorating market environment and the Russian rouble appreciation in Q2 2015, which made some export sales unprofitable.

Internal sales of coal products decreased due to lower prices (-22.3%) and sales volumes (-11.0%), offset by a better product mix (+6.2%). The decrease in coal consumption compared with H1 2014 resulted from reduced coal consumption at EVRAZ ZSMK after the shutdown of two coke batteries and launch of the PCI plant.

External sales of coal products decreased, mainly due to lower prices (-12.8%) and sales volumes (-17.0%), offset by a better product mix (+8.5%). While steam coal mines have been closed, sales volumes of coking coal concentrate increased by 5.5%.

In H1 2015, the Coal segment's sales to the Steel segment amounted to US$210 million or 38.8% of sales, compared with US$280 million or 39.5% of sales in H1 2014.

During the Period, around 78% of the coking coal consumed by EVRAZ' steelmaking operations came from its own operations, compared with 73% in H1 2014.

Coal segment cost of revenues

Coal segment cost of revenues

	H1 2015		H1 2014		2015 vs 2014
	US$ million	% of segment revenues	US$ million	% of segment revenues	Change
Cost of revenues	**387**	**71.7%**	**591**	**83.5%**	**(34.5)%**
Auxiliary materials	58	10.7%	89	12.6%	(34.8)%
Services	32	5.9%	56	7.9%	(42.9)%
Transportation	71	13.1%	87	12.3%	(18.4)%
Staff costs	111	20.6%	181	25.6%	(38.7)%
Depreciation	83	15.4%	137	19.4%	(39.4)%
Energy	20	3.7%	28	4.0%	(28.6)%
Other*	12	2.2%	13	1.7%	(7.7)%

** Includes primarily changes in finished goods and certain taxes, allowance for inventory and raw materials*

The main factors affecting the decrease in the segment's cost of revenues compared with H1 2015 were as follows:

- The cost of auxiliary materials and services decreased during the Period, primarily due to the rouble weakening (-US$37 million and -US$29 million, respectively), as well as the effect of asset optimisations and cost-cutting initiatives. This was partly offset by an increase in costs at Raspadskaya due to higher production volumes compared with H1 2014.
- Transportation costs declined due to lower sales volumes (-7%) and transportation costs from Russian entities as a result of the Russian rouble devaluation.
- Staff costs decreased due to headcount optimisation and the closure of the Yuzhkuzbassugol mines (Kusheyakovskaya) (-US$9 million) and the Russian rouble weakening (-US$63 million).
- Depreciation and depletion costs decreased, mostly due to lower depreciation and depletion expenses at Yuzhkuzbassugol caused by the revision and detailing of future mining plans and lower depletion of mineral deposits (-US$4 million). This was also accompanied by a fall in depreciation in US dollar terms due to the weakening of the Russian rouble (-US$51 million).
- Energy costs fell due the effect of currency movements (-US$10 million), partly offset by higher electricity prices in local currencies (+US$3 million).
- Other costs decreased by 33.3% primarily due to changes in work in progress and stocks of finished goods and the impact of the Russian rouble weakening.

Coal segment gross profit

The segment's gross profit increased to US$153 million in H1 2015, from US$117 million in H1 2014. The increase in the gross profit margin was primarily attributable to the effect of the Russian rouble weakening on costs, lower depreciation and depletion, cost-cutting initiatives and the mine restructuring at Yuzhkuzbassugol.

Operational performance

The segment continued to implement its production efficiency improvement programme, which included the following initiatives:

- improving performance of mining and washing plants;
- increasing efficiency of logistics;
- improving energy efficiency;
- optimising headcount;
- reducing general and administrative expenses (including combining management functions by creating a united Raspadskaya management company).

In H1 2015, EVRAZ's raw coking coal output totalled 9.2 million tonnes, down 0.5 million tonnes compared with H1 2014. The primary drivers were:

- A decrease in production due to several longwall moves
- The optimisation of the production programme in Q2 2015 to meet market demand and decrease unprofitable export sales

For more details, please refer to the Q2 2015 production report dated 17 July 2015.

Raspadskaya
In H1 2015, raw coking coal output from the Raspadskaya company's mines amounted to 5.1 million tonnes, including 2.8 million tonnes of raw coal from the Raspadskaya mine.

The decline in world commodity prices and exchange-rate volatility brought about adjustments to the 2015 coal production programme. Unprofitable export sales to China were reduced by scaling down production at the Raspadsky Razrez open pit and MUK-96 underground mine.

In H1 2015, the investment project at the Raspadskaya-Koksovaya mine's field 2 was completed and bord and pillar mining of "K" grade coking coal began.

Yuzhkuzbassugol
In H1 2015, Yuzhkuzbassugol mined 4.2 million tonnes of raw coking coal.

The decommissioning of the Abashevskaya and Kusheyakovskaya mines was completed as part of the asset portfolio optimisation. The implementation of a cost reduction programme at Yuzhkuzbassugol, including headcount optimisation, resulted in cost savings of over US$7 million in H1 2015, and another US$8 million is expected in the second half.

Mezhegeyugol
Construction of the Mezhegey mine continued in H1 2015. Complicated hydrogeological conditions slowed the development work. A programme of de-watering from the surface was conducted, although the launch of the mine was postponed from September to December 2015.

KEY RISKS AND UNCERTAINTIES

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

Despite the ongoing market volatility described in the Market Outlook section, the Directors consider that the principal risks and uncertainties as summarised below and detailed in the EVRAZ plc 2014 Annual Report on pages 19 to 21, copies of which are available at www.evraz.com, remain relevant in 2015 and the mitigating actions described continue to be appropriate.

Risks:

- Global economic factors, industry conditions and cost effectiveness
- Health, safety and environment (HSE) issues
- Potential actions by governments
- Treasury
- Functional currency devaluation
- Business interruption
- Human resources (HR)

EVRAZ continues to monitor these risks and actively pursues strategies to mitigate them on an ongoing basis.

DIRECTOR'S RESPONSIBILITY STATEMENT

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

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

By order of the Board

Signature

Alexander Frolov
Chief Executive Officer
EVRAZ plc

26 August 2015

Appendix 1

Definition of EBITDA

EBITDA represents profit from operations plus depreciation, depletion and amortisation, impairment of assets, loss (gain) on disposal of property, plant and equipment, and foreign exchange loss (gain). EVRAZ presents an EBITDA because it considers EBITDA to be an important supplemental measure of its operating performance and believes that EBITDA is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the same industry. EBITDA is not a measure of financial performance under IFRS and it should not be considered as an alternative to net profit as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. EVRAZ' calculation of EBITDA may be different from the calculation used by other companies and therefore comparability may be limited. EBITDA has limitations as an analytical tool and potential investors should not consider it in isolation, or as a substitute for an analysis of our operating results as reported under IFRS. Some of these limitations include:

- EBITDA does not reflect the impact of financing or financing costs on EVRAZ' operating performance, which can be significant and could further increase if EVRAZ were to incur more debt.
- EBITDA does not reflect the impact of income taxes on EVRAZ' operating performance.
- EBITDA does not reflect the impact of depreciation and amortisation on EVRAZ' operating performance. The assets of EVRAZ' businesses that are being depreciated and/or amortised will have to be replaced in the future, and such depreciation and amortisation expense may approximate the cost of replacement of these assets in the future. EBITDA, due to the exclusion of these costs, does not reflect EVRAZ' future cash requirements for these replacements. EBITDA also does not reflect the impact of a loss on disposal of property, plant and equipment.

Appendix 2

Definition of free cash flow

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 disposal groups 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

Cash and short-term bank deposits

Cash and short-term bank deposits is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ' 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 2015	31 December 2014
	(US$ million)	
Cash and cash equivalents	996	1,086
Cash of disposal groups classified as held for sale	-	-
Collateral under swaps	3	7
Cash and short-term bank deposits	**999**	**1,093**

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, 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 2015	31 December 2014
	(US$ million)	
Long-term loans, net of current portion	5,182	5,470
Short-term loans and current portion of long-term loans	947	761
Add back: Unamortised debt issue costs and fair value adjustment to liabilities assumed in business combination	36	37
Nominal effect of cross-currency swaps on principal of rouble-denominated notes	511	635
Finance lease liabilities, including current portion	3	4
Total debt	**6,679**	**6,907**

Appendix 5

Net debt

Net debt represents total debt less cash and liquid short-term financial assets, including those related to disposal groups classified as held for sale. Net debt is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ' 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 2015	31 December 2014
	(US$ million)	
Total debt	**6,679**	**6,907**
Short-term bank deposits	-	-
Cash and cash equivalents	(996)	(1,086)
Cash of assets classified as held for sale	-	-
Collateral under swaps	(3)	(7)
Net debt	**5,680**	**5,814**

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

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 2015 which comprises the Interim Condensed Consolidated Statement of Operations, Interim Condensed Consolidated Statement of Comprehensive Income, Interim Condensed Consolidated Statement of Financial Position, Interim Condensed Consolidated Statement of Cash Flows, Interim Condensed Consolidated Statement of Changes in Equity and related notes 1 to 15. We have read the other information contained in the Interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 30 June 2015 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.

The maintenance and integrity of the EVRAZ plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since it was initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Ernst & Young LLP
London
26 August 2015

Unaudited Interim Condensed Consolidated Statement of Operations

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

	Notes	Six-month period ended 30 June 2015	Six-month period ended 30 June 2014*
Revenue			
Sale of goods		**$ 4,786**	$ 6,628
Rendering of services		**108**	177
		4,894	6,805
Cost of revenue		**(3,570)**	(5,192)
Gross profit		**1,324**	1,613
Selling and distribution costs		**(425)**	(543)
General and administrative expenses		**(252)**	(390)
Social and social infrastructure maintenance expenses		**(10)**	(13)
Loss on disposal of property, plant and equipment		**(17)**	(21)
Impairment of assets	**5**	**(20)**	(147)
Foreign exchange gains/(losses), net		**(99)**	(180)
Other operating income		**10**	18
Other operating expenses		**(32)**	(40)
Profit from operations		**479**	297
Interest income		**5**	9
Interest expense		**(229)**	(296)
Share of profits/(losses) of joint ventures and associates	**8**	**(28)**	5
Gain/(loss) on financial assets and liabilities, net		**48**	(43)
Gain/(loss) on disposal groups classified as held for sale, net	**4**	**20**	127
Loss of control over a subsidiary	**4**	**(167)**	–
Other non-operating gains/(losses), net		**(8)**	–
Profit before tax		**120**	99
Income tax expense	**6**	**(101)**	(84)
Net profit		**$ 19**	$ 15
Attributable to:			
Equity holders of the parent entity		**$ 19**	$ 52
Non-controlling interests		**–**	(37)
		$ 19	$ 15
Earnings per share:			
basic, for profit attributable to equity holders of the parent entity, US dollars	**11**	**$ 0.01**	$ 0.03
diluted, for profit attributable to equity holders of the parent entity, US dollars	**11**	**$ 0.01**	$ 0.03

* The amounts shown here do not correspond to the financial statements for the six-month period ended 30 June 2014 and reflect adjustments made in connection with the cessation of classification of a subsidiary as held for sale (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 2015	Six-month period ended 30 June 2014*
Net profit		**$ 19**	$ 15
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		**(5)**	(197)
Recycling of exchange difference to profit or loss	**4**	**142**	(65)
Net gains/(losses) on available-for-sale financial assets		**–**	(9)
		137	(271)
Effect of translation to presentation currency of the Group's joint ventures and associates	**8**	**1**	(5)
Share of other comprehensive income of joint ventures and associates accounted for using the equity method		**1**	(5)
Items not to be reclassified to profit or loss in subsequent periods			
Gains/(losses) on re-measurement of net defined benefit liability		**(5)**	(29)
Income tax effect		**2**	9
		(3)	(20)
Total other comprehensive income/(loss)		**135**	(296)
Total comprehensive income/(loss), net of tax		**$ 154**	$ (281)
Attributable to:			
Equity holders of the parent entity		**$ 151**	$ (234)
Non-controlling interests		**3**	(47)
		$ 154	$ (281)

***** The amounts shown here do not correspond to the financial statements for the six-month period ended 30 June 2014 and reflect adjustments made in connection with the cessation of classification of a subsidiary as held for sale (Note 2).

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

Unaudited Interim Condensed Consolidated Statement of Financial Position

(In millions of US dollars)

	Notes	30 June 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	**7**	**$ 5,605**	$ 5,796
Intangible assets other than goodwill		**373**	441
Goodwill		**1,495**	1,541
Investments in joint ventures and associates	**8**	**94**	121
Deferred income tax assets		**84**	97
Other non-current financial assets		**89**	98
Other non-current assets		**41**	40
		7,781	8,134
Current assets			
Inventories		**1,170**	1,372
Trade and other receivables		**574**	654
Prepayments		**50**	82
Loans receivable		**12**	24
Receivables from related parties	**9**	**15**	53
Income tax receivable		**43**	23
Other taxes recoverable		**198**	158
Other current financial assets		**37**	40
Cash and cash equivalents	**10**	**996**	1,086
		3,095	3,492
Assets of disposal groups classified as held for sale		**2**	4
		3,097	3,496
Total assets		**$ 10,878**	$ 11,630
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Issued capital	**11**	**$ 1,507**	$ 1,507
Treasury shares	**11**	**(305)**	–
Additional paid-in capital	**11**	**2,493**	2,481
Revaluation surplus		**124**	155
Accumulated profits		**1,309**	1,299
Translation difference		**(3,509)**	(3,644)
		1,619	1,798
Non-controlling interests		**219**	218
		1,838	2,016
Non-current liabilities			
Long-term loans	**12**	**5,182**	5,470
Deferred income tax liabilities		**478**	471
Employee benefits		**357**	364
Provisions		**154**	173
Other long-term liabilities		**56**	442
		6,227	6,920
Current liabilities			
Trade and other payables		**1,355**	1,379
Advances from customers		**157**	155
Short-term loans and current portion of long-term loans	**12**	**947**	761
Payables to related parties	**9**	**142**	108
Income tax payable		**29**	86
Other taxes payable		**154**	151
Provisions		**29**	41
		2,813	2,681
Liabilities directly associated with disposal groups classified as held for sale		**–**	13
		2,813	2,694
Total equity and liabilities		**$ 10,878**	$ 11,630

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

Unaudited Interim Condensed Consolidated Statement of Cash Flows

(In millions of US dollars)

	Six-month period ended 30 June 2015	2014*
Cash flows from operating activities		
Net profit	**$ 19**	$ 15
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:		
Deferred income tax (benefit)/expense	**27**	(59)
Depreciation, depletion and amortisation	**307**	435
Loss on disposal of property, plant and equipment	**17**	21
Impairment of assets	**20**	147
Foreign exchange (gains)/losses, net	**99**	180
Interest income	**(5)**	(9)
Interest expense	**229**	296
Share of (profits)/losses of associates and joint ventures	**28**	(5)
(Gain)/loss on financial assets and liabilities, net	**(48)**	43
(Gain)/loss on disposal groups classified as held for sale, net	**(20)**	(127)
Loss of control over a subsidiary	**167**	–
Other non-operating (gains)/losses, net	**8**	–
Bad debt expense	**9**	21
Changes in provisions, employee benefits and other long-term assets and liabilities	**(3)**	(2)
Expense arising from the equity-settled awards	**12**	15
Other	**(2)**	(1)
	864	970
Changes in working capital:		
Inventories	**78**	(35)
Trade and other receivables	**20**	(74)
Prepayments	**28**	29
Receivables from/payables to related parties	**11**	(186)
Taxes recoverable	**(70)**	(1)
Other assets	**–**	10
Trade and other payables	**(81)**	118
Advances from customers	**2**	(46)
Taxes payable	**(49)**	66
Other liabilities	**1**	(7)
Net cash flows from operating activities	**804**	844
Cash flows from investing activities		
Issuance of loans receivable to related parties	**(1)**	(1)
Proceeds from repayment of loans receivable, including interest	**2**	1
Purchases of subsidiaries, net of cash acquired	**–**	(102)
Restricted deposits at banks in respect of investing activities	**(2)**	2
Short-term deposits at banks, including interest	**1**	3
Purchases of property, plant and equipment and intangible assets	**(248)**	(339)
Proceeds from disposal of property, plant and equipment	**2**	4
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	**40**	296
Other investing activities, net	**–**	13
Net cash flows used in investing activities	**(206)**	(123)

* The amounts shown here do not correspond to the financial statements for the six-month period ended 30 June 2014 and reflect adjustments made in connection with the cessation of classification of a subsidiary as held for sale (Note 2).

Unaudited Interim Condensed Consolidated Statement of Cash Flows (continued)

(In millions of US dollars)

	Six-month period ended 30 June 2015	2014*
Cash flows from financing activities		
Purchase of treasury shares, including transaction costs *(Note 11)*	**$ (339)**	$ (13)
Sale of non-controlling interests	**1**	–
Proceeds from loans provided by related parties *(Note 9)*	**–**	267
Repayment of loans provided by related parties *(Note 9)*	**–**	(251)
Proceeds from bank loans and notes	**1,463**	1,052
Repayment of bank loans and notes, including interest	**(1,756)**	(1,286)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**(4)**	(712)
Payments for purchase of property, plant and equipment on deferred terms	**(3)**	(26)
Gain/(loss) on derivatives not designated as hedging instruments	**(123)**	25
Collateral under swap contracts	**4**	(10)
Payments under finance leases, including interest	**(1)**	(1)
Other financing activities	**–**	(5)
Net cash flows used in financing activities	**(758)**	(960)
Effect of foreign exchange rate changes on cash and cash equivalents	**70**	(20)
Net increase/(decrease) in cash and cash equivalents	**(90)**	(259)
Cash and cash equivalents at beginning of year	**1,086**	1,604
Add back: decrease in cash of disposal groups classified as assets held for sale	**–**	8
Cash and cash equivalents at end of period	**$ 996**	$ 1,353
Supplementary cash flow information:		
Cash flows during the period:		
Interest paid	**$ (213)**	$ (264)
Interest received	**2**	10
Income taxes paid	**(147)**	(94)

* The amounts shown here do not correspond to the financial statements for the six-month period ended 30 June 2014 and reflect adjustments made in connection with the cessation of classification of a subsidiary as held for sale (Note 2).

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	Other reserves	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total Equity
At 31 December 2014	**$ 1,507**	**$ –**	**$ 2,481**	**$ 155**	**$ –**	**$ –**	**$ 1,299**	**$ (3,644)**	**$ 1,798**	**$ 218**	**$ 2,016**
Net profit/(loss)	**–**	**–**	**–**	**–**	**–**	**–**	**19**	**–**	**19**	**–**	**19**
Other comprehensive income/(loss)	**–**	**–**	**–**	**–**	**–**	**–**	**(3)**	**135**	**132**	**3**	**135**
Reclassification of revaluation surplus to accumulated profits in respect of the disposed subsidiaries *(Note 4)*	**–**	**–**	**–**	**(28)**	**–**	**–**	**28**	**–**	**–**	**–**	**–**
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	**–**	**–**	**–**	**(3)**	**–**	**–**	**3**	**–**	**–**	**–**	**–**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**(31)**	**–**	**–**	**47**	**135**	**151**	**3**	**154**
Derecognition of non-controlling interests in subsidiaries *(Note 4)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4)**	**(4)**
Non-controlling interests arising on sale of ownership interests in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**(3)**	**–**	**(3)**	**2**	**(1)**
Purchase of treasury shares *(Note 11)*	**–**	**(336)**	**–**	**–**	**–**	**–**	**(3)**	**–**	**(339)**	**–**	**(339)**
Transfer of treasury shares to participants of the Incentive Plans *(Note 11)*	**–**	**31**	**–**	**–**	**–**	**–**	**(31)**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**12**	**–**	**–**	**–**	**–**	**–**	**12**	**–**	**12**
At 30 June 2015	**$ 1,507**	**$ (305)**	**$ 2,493**	**$ 124**	**$ –**	**$ –**	**$ 1,309**	**$ (3,509)**	**$ 1,619**	**$ 219**	**$ 1,838**

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

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

(In millions of US dollars)

	Attributable to equity holders of the parent entity										
	Issued capital	**Treasury shares**	**Additional paid-in capital**	**Revaluation surplus**	**Other reserves**	**Unrealised gains and losses**	**Accumulated profits**	**Translation difference**	**Total**	**Non-controlling interests**	**Total Equity**
At 31 December 2013	$ 1,473	$ (1)	$ 2,326	$ 162	$ 156	$ 12	$ 2,589	$ (1,685)	$ 5,032	$ 431	$ 5,463
Net profit/(loss)*	–	–	–	–	–	–	52	–	52	(37)	15
Other comprehensive income/(loss)	–	–	–	(3)	–	(9)	(16)	(258)	(286)	(10)	(296)
Total comprehensive income/(loss) for the period*	–	–	–	(3)	–	(9)	36	(258)	(234)	(47)	(281)
Issue of shares *(Note 11)*	34	–	122	–	(156)	–	–	–	–	–	–
Acquisition of non-controlling interests in existing subsidiaries	–	–	6	–	–	–	–	–	6	(6)	–
Purchase of treasury shares *(Note 11)*	–	(13)	–	–	–	–	–	–	(13)	–	(13)
Transfer of treasury shares to participants of the Incentive Plans *(Note 11)*	–	13	–	–	–	–	(13)	–	–	–	–
Share-based payments	–	–	15	–	–	–	–	–	15	–	15
Dividends declared by the parent entity to its shareholders *(Note 11)*	–	–	–	–	–	–	(90)	–	(90)	–	(90)
At 30 June 2014*	$ 1,507	$ (1)	$ 2,469	$ 159	$ –	$ 3	$ 2,522	$ (1,943)	$ 4,716	$ 378	$ 5,094

***** The amounts shown here do not correspond to the financial statements for the six-month period ended 30 June 2014 and reflect adjustments made in connection with the cessation of classification of a subsidiary as held for sale (Note 2).

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

1. Corporate Information

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors of EVRAZ plc on 26 August 2015.

EVRAZ plc ("EVRAZ plc" or "the Company") was incorporated on 23 September 2011 as a public company under the laws of the United Kingdom with the registered number 7784342. The Company's registered office is at 5th Floor, 6 St. Andrew Street, London, EC4A 3AE, United Kingdom.

The Company, together with its subsidiaries (the "Group"), is involved in the production and distribution of steel and related products and coal and iron ore mining. In addition, the Group produces vanadium products. The Group is one of the largest steel producers globally.

Lanebrook Limited (Cyprus) is the ultimate controlling party of the Company.

Going Concern

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

The Group's activities in all of its operating segments continue to be affected by the uncertainty and instability of the current economic environment (Note 13). In response the Group implemented a number of cost cutting initiatives, reduced capital expenditures and continues to reduce the level of debt.

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

2. Significant Accounting Policies

Basis of Preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", as adopted by the European Union. Accordingly, these interim condensed consolidated financial statements do not include all the information and disclosures required for a complete set of financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2014, 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 2014. Statutory accounts for the year ended 31 December 2014 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 2015 are not necessarily indicative of the results that may be expected for the year ending 31 December 2015.

Restatement of Financial Statements

Subsidiaries that Ceased to Be Classified as Held for Sale

At 30 June 2014, the disposal groups held for sale relating to the other segment included an office building in Moscow. In the 2nd half of 2014, due to the current market conditions management decided not to sell this asset.

As a result, the subsidiary owning the office building ceased to meet the definition of a disposal group held for sale. In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" the Group restated its consolidated financial statements, including the relevant notes, for the periods in which the assets were classified as held for sale as if the subsidiary had not been classified as assets held for sale in the past and all assets and liabilities and the results of operations had been accounted for in accordance with the applicable International Financial Reporting Standards as adopted by the European Union.

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

	Six-month period ended 30 June 2014		
	As previously reported	Subsidiary that ceased to be held for sale	Restated
Statement of Operations			
Gain/(loss) on disposal groups classified as held for sale, net	$ 113	$ 14	$ 127
Net profit/(loss)	1	14	15
Earnings/(losses) per share for profit/(loss) attributable to equity holders of the parent entity, US dollars, diluted	0.02	0.01	0.03
Statement of Changes in Equity			
Total comprehensive income/(loss)	(295)	14	(281)
Accumulated profits	2,508	14	2,522

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 2014, except for the adoption of new standards and interpretations and revision of existing IAS as of 1 January 2015.

New/Revised Standards and Interpretations Adopted in 2015:

- Annual Improvements to IFRSs 2011-2013 Cycle

These improvements were effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. The amendments relate to IFRS 3 "Business Combinations", IFRS 13 "Fair Value Measurement" and IAS 40 "Investment Property" and did not have an impact on the financial position or performance of the Group.

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

3. Segment Information

As disclosed in the consolidated financial statements for the year ended 31 December 2014, in the second half of 2014, the management reporting used by the chief operating decision maker for making decisions about resource allocation has been changed to put more emphasis on analysis of the operating results of the coal segment and operations in North America. As such, the comparative segment information for the first half of 2014 has been restated accordingly.

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

Six-month period ended 30 June 2015

US$ million	**Steel**	**Steel, North America**	**Coal**	**Other operations**	**Eliminations**	**Total**
Revenue						
Sales to external customers	**$ 3,386**	**$ 1,250**	**$ 195**	**$ 40**	**$ –**	**$ 4,871**
Inter-segment sales	**179**	**–**	**292**	**173**	**(644)**	**–**
Total revenue	**3,565**	**1,250**	**487**	**213**	**(644)**	**4,871**
Segment result – EBITDA	**$ 622**	**$ 49**	**$ 177**	**$ 9**	**$ 13**	**$ 870**

Six-month period ended 30 June 2014

US$ million	**Steel**	**Steel, North America**	**Coal**	**Other operations**	**Eliminations**	**Total**
Revenue						
Sales to external customers	$ 4,845	$ 1,580	$ 335	$ 70	$ –	$ 6,830
Inter-segment sales	327	–	340	225	(892)	–
Total revenue	5,172	1,580	675	295	(892)	6,830
Segment result – EBITDA	$ 848	$ 136	$ 134	$ 19	$ (36)	$ 1,101

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

Six-month period ended 30 June 2015

US$ million	**Steel**	**Steel, North America**	**Coal**	**Other operations**	**Eliminations**	**Total**
Revenue	**$ 3,565**	**$ 1,250**	**$ 487**	**$ 213**	**$ (644)**	**$ 4,871**
Reclassifications and other adjustments	**(152)**	**(1)**	**53**	**21**	**102**	**23**
Revenue per IFRS financial statements	**$ 3,413**	**$ 1,249**	**$ 540**	**$ 234**	**$ (542)**	**$ 4,894**
EBITDA	**$ 622**	**$ 49**	**$ 177**	**$ 9**	**$ 13**	**$ 870**
Exclusion of management services from segment result	**47**	**–**	**4**	**–**	**–**	**51**
Unrealised profits adjustment	**37**	**4**	**–**	**–**	**32**	**73**
Reclassifications and other adjustments	**25**	**(16)**	**(10)**	**(1)**	**–**	**(2)**
	109	**(12)**	**(6)**	**(1)**	**32**	**122**
EBITDA based on IFRS financial statements	**$ 731**	**$ 37**	**$ 171**	**$ 8**	**$ 45**	**$ 992**
Unallocated subsidiaries						**(70)**
						$ 922
Depreciation, depletion and amortisation expense	**(134)**	**(81)**	**(88)**	**(1)**	**–**	**(304)**
Impairment of assets	**(12)**	**–**	**(8)**	**–**	**–**	**(20)**

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Gain/(loss) on disposal of property, plant and equipment and intangible assets	**(9)**	**(6)**	**(2)**	**–**	**–**	**(17)**
Foreign exchange gains/(losses), net	**(82)**	**(35)**	**6**	**3**	**–**	**(108)**
	494	**(85)**	**79**	**10**	**45**	**473**
Unallocated income/(expenses), net						**6**
Profit/(loss) from operations						**$ 479**
Interest income/(expense), net						**(224)**
Share of profits/(losses) of joint ventures and associates						**(28)**
Gain/(loss) on financial assets and liabilities						**48**
Gain/(loss) on disposal groups classified as held for sale						**20**
Loss of control over a subsidiary						**(167)**
Other non-operating gains/(losses), net						**(8)**
Profit/(loss) before tax						**$ 120**

Six-month period ended 30 June 2014

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$ 5,172	$ 1,580	$ 675	$ 295	$ (892)	$ 6,830
Reclassifications and other adjustments	(137)	(2)	33	35	46	(25)
Revenue per IFRS financial statements	$ 5,035	$ 1,578	$ 708	$ 330	$ (846)	$ 6,805
EBITDA	$ 848	$ 136	$ 134	$ 19	$ (36)	$ 1,101
Exclusion of management services from segment result	71	–	5	–	–	76
Unrealised profits adjustment	(12)	–	1	–	8	(3)
Reclassifications and other adjustments	6	(1)	15	1	–	21
	65	(1)	21	1	8	94
EBITDA based on IFRS financial statements	$ 913	$ 135	$ 155	$ 20	$ (28)	$ 1,195
Unallocated subsidiaries						(115)
						$ 1,080
Depreciation, depletion and amortisation expense	(212)	(81)	(138)	(2)	–	(433)
Impairment of assets	(68)	–	(77)	(2)	–	(147)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	(7)	–	(14)	–	–	(21)
Foreign exchange gains/(losses), net	(102)	–	(14)	–	–	(116)
	524	54	(88)	16	(28)	363
Unallocated income/(expenses), net						(66)
Profit/(loss) from operations						$ 297
Interest income/(expense), net						(287)
Share of profits/(losses) of joint ventures and associates						5
Gain/(loss) on financial assets and liabilities						(43)
Gain/(loss) on disposal groups classified as held for sale						127
Profit/(loss) before tax						$ 99

In the six-month period ended 30 June 2015, the Group made an allowance for net realisable value of inventories in the amount of $14 million.

The material changes in property, plant and equipment during the six-month period ended 30 June 2015 other than those disclosed above are presented below:

US$ million	Steel	Steel, North America	Coal	Other operations	Total
Additions	**$ 118**	**$ 83**	**$ 62**	**$ 1**	**$ 264**

4. Changes in Composition of the Group

Deconsolidation of Highveld Steel and Vanadium Limited

On 13 April 2015, as a result of severe economic difficulties due to the current and persistent unfavourable economic environment in South Africa, the Board of Highveld Steel and Vanadium Limited ("Highveld") decided to place the entity under the business rescue procedures to avoid its liquidation and to avoid giving Highveld's creditors the opportunity to apply for its liquidation in court.

The rescue procedures will result either in (1) Highveld being re-financed or financially restructured or, if that is not possible, (2) Highveld's orderly winding down under the supervision of a business rescue practitioner to maximise the return to creditors and other affected parties.

Following the placement of Highveld under the business rescue procedures, control and management of Highveld was transferred to a "business rescue practitioner". Until Highveld is successfully re-financed/restructured, Highveld's Board and the Group are no longer be able to control Highveld or exercise significant influence. The business rescue practitioner can consult with the Highveld's Board or its directors, but he would not be bound by any requests or advice from Highveld's Board or the directors.

The Group's management believes that due to the current market conditions the option to invest additional cash in Highveld to pay to the creditors and to stop business rescue procedures would create no economic value for the Group. Therefore, in the opinion of management, the potential voting rights that the Group has in Highveld have no economic substance.

Based on the management's current assessment, the business rescue procedures most likely will result in Highveld being sold to one or more third parties at a significant discount or being mandatorily liquidated. As a consequence, management believes that on 14 April 2015 (the date of the placement of Highveld under the business rescue procedures) the Group lost control over Highveld and it is not expected that it will re-obtain control in the future.

As a result, the Group ceased to consolidate Highveld starting 14 April 2015 and recognised a loss on disposal of a subsidiary in the amount of $167 million, including $142 million of translation loss recycled to statement of operations. In addition, non-controlling interests of $4 million were derecognised. Management analysed the classification of Highveld to determine whether its disposal constitutes a discontinued operation under IFRS 5 and concluded that this is not the case.

The table below demonstrates the carrying values of assets and liabilities of Highveld, which was included in the steel segment of the Group's operations, at the date of derecognition.

US$ million	13 April 2014
Property, plant and equipment	**$ 77**
Other non-current assets	**23**
Inventories	**74**
Accounts receivable	**59**
Cash and cash equivalents	**1**
Total assets	**234**
Non-current liabilities	**61**
Current liabilities	**144**
Total liabilities	**205**
Non-controlling interests	**4**
Net assets	**$ 25**

Disposal of EVRAZ Portland Structural Tubing

In the first half of 2015, the Group sold assets of Portland Structural Tubing for a cash consideration of $51 million. The Group recognised $20 million as a gain on disposal groups classified as held for sale.

5. Impairment of Non-current Assets

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

For the purpose of the impairment testing as of 30 June 2015 the Group assessed the recoverable amount of each cash-generating unit ("CGU") where indicators of impairment were identified.

The recoverable amount has been determined based on a value-in-use calculation using cash flow projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting time value of money and risks associated with respective cash-generating units. For the periods not covered by management business plans, cash flow projections have been estimated by extrapolating the respective business plans results using a zero real growth rate. The key assumptions used by management in the value-in-use calculations with respect to the cash-generating units to which the goodwill was allocated 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 2015	Average price of commodity per tonne in 2016	Recoverable amount of CGU, US$ million	Carrying amount of CGU, US$ million
EVRAZ Palini e Bertoli	10	15.32	steel plates	–	€ 433	47	46
EVRAZ Vanady-Tula	5	15.12	vanadium products	$14,095	$16,613	316	65
EVRAZ Vametco Holdings	5	13.96	ferrovanadium products	$21,124	$24,897	172	22
EVRAZ Nikom, a.s.	5	13.01	ferrovanadium products	$17,346	$20,445	35	32
EVRAZ Inc. NA							
Oregon Steel Portland Mill	7	11.54	steel products	$704	$758	585	581
Rocky Mountain Steel Mills	7	13.12	steel products	$1,352	$1,401	167	142
General Scrap Inc.	7	11.01	steel products	$292	$298	32	27
EVRAZ Inc. NA Canada							
Calgary	7	13.66	steel products	$1,195	$1,260	248	241
Red Deer	7	12.07	steel products	$1,044	$1,300	202	118
Regina Steel	7	12.55	steel products	$621	$696	773	609
Regina Tubular	7	11.22	steel products	$993	$1,088	563	344

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

	Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of commodity per tonne in 2015	Average price of commodity per tonne in 2016
EVRAZ Dnepropetrovsk Iron and Steel Works	5	27.07	steel products	$396	$394
EVRAZ Nizhny Tagil Metallurgical Plant	5	15.12	steel products	$393	$407
EVRAZ United West-Siberian Iron & Steel Plant	5	15.12	steel products	$344	$362
EVRAZ Caspian Steel	5	13.62	steel products	$366	$367
EVRAZ Yuzhny Stan	5	13.64	steel mill under construction	–	–
EVRAZ Bagleykoks	5	24.95	coke	$188	$185
Yuzhkuzbassugol	15	15.12	coal	$60	$56
Raspadskaya	20	13.95	coal	$48	$48
EVRAZ Stratcor Inc.	5	13.35	vanadium products	$32,798	$36,761
Mezhegeyugol	27	16.77	coal	$106	$76
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	25	15.26	ore	$46	$52
EVRAZ Sukha Balka	19	25.86	ore	$22	$29
Evrazruda	18	15.26	ore	$45	$51
EVRAZ Nakhodka Trade Seaport	5	15.12	port services	$10	$10

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 Raspadskaya, EVRAZ Caspian Steel, EVRAZ Stratcor Inc., EVRAZ Nikom, EVRAZ Palini e Bertoli, EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the discount rates were 10% higher, this would lead to an impairment of $223 million.

Sales Prices

The prices of the products sold by the Group were estimated using industry research. The Group expects that the nominal prices will grow with a compound annual growth rate of (6.3)%-6.6% in 2015 – 2020 and 2.5%-3.0% in 2021 and thereafter. Reasonably possible changes in sales prices in the 2nd half of 2015 and 2016 could lead to an impairment at EVRAZ Palini e Bertoli, EVRAZ Stratcor Inc., EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the prices assumed for the 2nd half of 2015 and 2016 were 10% lower, this would lead to an impairment of $15 million.

Sales Volumes

Management assumed that the sales volumes of steel products would increase by 5.0% in 2016 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 2015 and 2016 could lead to an impairment at EVRAZ Inc. NA cash-generating units. If the sales volumes were 10% lower than those assumed for the 2nd half of 2015 and 2016, 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 Sukha Balka, EVRAZ Nikom, EVRAZ Palini e Bertoli, EVRAZ Stratcor Inc. and EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the actual costs were 10% higher than those assumed for the 2nd half of 2015 and 2016, this would lead to an impairment of $109 million.

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

	Discount rates	Sales prices	Sales volumes	Cost control measures
Raspadskaya	2.7%	–	–	–
EVRAZ Nikom	5.8%	–	–	2.8%
EVRAZ Palini e Bertoli	0.9%	(5.0)%	–	0.7%
EVRAZ Stratcor Inc.	1.6%	(1.8)%	–	0.5%
EVRAZ Caspian Steel	8.3%	–	–	5.4%
EVRAZ Sukha Balka	–	–	–	6.4%
EVRAZ Inc. NA				
Oregon Steel Portland Mill	0.4%	(4.1)%	(8.3)%	1.5%
Rocky Mountain Steel Mills	8.3%	–	–	–
General Scrap Inc.	8.7%	–	–	–
EVRAZ Inc. NA Canada				
Calgary	1.5%	(6.8)%	–	2.8%

6. Income Taxes

Major components of income tax expense were as follows:

US$ million	Six-month period ended 30 June 2015	2014
Current income tax expense	**$ (76)**	$ (128)
Adjustment in respect of income tax of previous years	**2**	(15)
Deferred income tax benefit relating to changes in tax rates	**–**	6
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	**(27)**	53
Income tax expense reported in the consolidated statement of operations	**$ (101)**	$ (84)

7. Property, Plant and Equipment

The movement in property, plant and equipment for the six-month period ended 30 June 2015 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 2014, cost, net of accumulated depreciation	**$ 124**	**$ 1,118**	**$ 2,461**	**$ 102**	**$ 1,548**	**$ 15**	**$ 428**	**$ 5,796**
Additions	**–**	**–**	**1**	**–**	**1**	**–**	**262**	**264**
Assets put into operation	**–**	**15**	**75**	**14**	**144**	**5**	**(253)**	**–**
Disposals		**(1)**	**(11)**	**(1)**	**(1)**	**–**	**(5)**	**(19)**
Depreciation and depletion charge	**–**	**(38)**	**(180)**	**(12)**	**(44)**	**(3)**	**–**	**(277)**
Impairment losses recognised in statement of operations	**–**	**(2)**	**(4)**	**–**	**(18)**	**–**	**(5)**	**(29)**
Impairment losses reversed through statement of operations	**–**	**2**	**2**	**–**	**4**	**–**	**1**	**9**
Loss of control over a subsidiary (Note 4)	**(1)**	**(2)**	**(65)**	**(1)**	**(2)**	**(1)**	**(5)**	**(77)**
Transfer to assets held for sale	**(6)**	**(10)**	**(4)**	**–**	**–**	**–**	**–**	**(20)**
Change in site restoration and decommissioning provision	**–**	**2**	**(1)**	**–**	**22**	**–**	**–**	**23**
Translation difference	**(2)**	**(6)**	**(31)**	**(1)**	**(17)**	**–**	**(8)**	**(65)**
At 30 June 2015, cost, net of accumulated depreciation	**$ 115**	**$ 1,078**	**$ 2,243**	**$ 101**	**$ 1,637**	**$ 16**	**$ 415**	**$ 5,605**

8. Investments in Joint Ventures and Associates

The movement in investments in joint ventures and associates during the six-month period ended 30 June 2015 was as follows:

US$ million	Timir	Streamcore	Other associates	Total
At 31 December 2014	**$ 82**	**$ 29**	**$ 10**	**$ 121**
Share of profit/(loss)	(29)	2	(1)	(28)
Translation difference	–	1	–	1
At 30 June 2015	**$ 53**	**$ 32**	**$ 9**	**$ 94**

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 2015	31 December 2014	30 June 2015	31 December 2014
Vtorresource-Pererabotka	**$ –**	$ 11	**$ 25**	$ 5
Yuzhny GOK	**9**	37	**113**	96
Other entities	**8**	7	**4**	7
	17	55	**142**	108
Less: allowance for doubtful accounts	**(2)**	(2)	**–**	–
	$ 15	$ 53	**$ 142**	$ 108

In the first half of 2014, the Ukrainian hryvnia depreciated against US dollar by 48%. As a result, the Group recognised a $85 million foreign exchange loss on the balances and transactions with Yuzhny GOK in the six months ended 30 June 2014.

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	2015	2014	2015	2014
Genalta Recycling Inc.	**$ –**	$ –	**$ 8**	$ 11
Interlock Security Services	**–**	–	**13**	22
Vtorresource-Pererabotka	**5**	10	**167**	229
Yuzhny GOK	**15**	25	**35**	142
Other entities	**1**	2	**3**	16
	$ 21	$ 37	**$ 226**	$ 420

On 1 April 2014, the Group received a non-interest bearing loan of 2,935 million Ukrainian hryvnias ($267 million at the exchange rate as of the date of disbursement) from Standart IP, an entity under control of one of the major shareholders. The proceeds were used for the purposes of short-term liquidity management for a Ukrainian subsidiary. The loan was fully repaid in several installments by 10 April 2014.

Compensation to Key Management Personnel

In the six-month periods ended 30 June 2015 and 2014, key management personnel totalled 42 and 51 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	**2015**	2014
Salary	**$ 8**	$ 12
Performance bonuses	**6**	14
Social security taxes	**3**	3
Share-based payments	**5**	7
Termination benefits	**–**	1
	$ 22	$ 37

10. Cash and Cash Equivalents

Cash and cash equivalents were denominated in the following currencies:

US$ million	**30 June 2015**	**31 December 2014**
US dollar	**$ 887**	$ 943
Russian rouble	**53**	108
Ukrainian hryvnia	**38**	3
Others	**18**	32
	$ 996	$ 1,086

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

11. Equity

Share Capital

Number of shares	**30 June 2015**	**31 December 2014**
Issued and fully paid		
Ordinary shares of $1 each	**1,506,527,294**	1,506,527,294

Treasury Shares

Number of shares	**30 June 2015**	**31 December 2014**
Number of treasury shares	**98,532,528**	–

On 31 March 2015, the Board resolved to announce a return of capital to be effected by a tender offer to shareholders at $3.10 per share in the amount of up to $375 million. In April 2015, EVRAZ plc repurchased 108,458,508 own shares ($336 million). The Group incurred $3 million of transaction costs, which were charged to accumulated profits.

Subsequently, 9,925,980 shares were transferred to the participants of Incentive Plans. The cost of treasury shares transferred to the participants of Incentive Plans, amounted to $31 million.

In 2014, the Group purchased 7,252,575 shares of EVRAZ plc for $13 million and transferred 7,251,922 shares to the participants of Incentive Plans. The cost of treasury shares transferred to the participants of Incentive Plans, amounting to $13 million, was charged to accumulated profits.

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			
	2015		**2014**	
Weighted average number of ordinary shares outstanding during the period		**1,466,710,794**		1,505,402,864
Effect of dilution: share options		**34,505,010**		25,615,845
Weighted average number of ordinary shares adjusted for the effect of dilution		**1,501,215,804**		1,531,018,709
Profit for the period attributable to equity holders of the parent entity, US$ million	**$**	**19**	$	52
Basic earnings per share	**$**	**0.01**	$	0.03
Diluted earnings per share	**$**	**0.01**	$	0.03

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 2015**		**31 December 2014**
Bank loans	**$**	**1,707**	$	1,662
8.25% notes due 2015		**129**		138
7.40% notes due 2017		**600**		600
9.5% notes due 2018		**509**		509
6.75% notes due 2018		**850**		850
7.5% senior secured notes due 2019		**350**		350
6.50% notes due 2020		**1,000**		1,000
8.75% bonds due 2015		**–**		69
9.95% bonds due 2015		**195**		267
8.40% bonds due 2016		**360**		356
Liabilities under 7.75% bonds due 2017 assumed in business combination		**392**		392
Fair value adjustment to liabilities assumed in business combination		**18**		20
Other liabilities		**–**		1
Unamortised debt issue costs		**(54)**		(57)
Interest payable		**73**		74
	$	**6,129**	$	6,231

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 some export contracts as collateral under the loan agreements. All proceeds from sales of steel pursuant to these contracts can be used to satisfy the obligations under the loan agreements in the event of a default.

At 30 June 2015 and 31 December 2014, the Group had inventory with a carrying value of $42 million and $25 million, respectively, pledged as collateral under the loan agreements.

At 30 June 2015, 100% shares of Mezhegeyugol and EVRAZ Caspian Steel were pledged as collateral under bank loans with a carrying value of $247 million. These subsidiaries represented 2.6% of the consolidated assets at 30 June 2015 and had $53 million of external revenues in the reporting period.

Partial Repurchase of the 9.95% Bonds Due 2015

In April 2015, the Group partially repurchased 9.95% notes due 2015 for a cash consideration of $80 million. The nominal value of the repurchased notes was $81 million. As a result, the Group recognised a $1 million gain within gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations.

Unutilised Borrowing Facilities

As of 30 June 2015, the Group had unutilised bank loans in the amount of $1,340 million, including $272 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 global economic recession resulted in a significantly lower demand for steel products and decreased profitability. In addition, the political crisis over Ukraine led to an additional uncertainty in the global economy. The unrest in the Southeastern region of Ukraine and the economic sanctions imposed on Russia caused the depreciation of national currencies, economic slowdown, deterioration of liquidity in the banking sector, and tighter credit conditions within Russia and Ukraine. In addition, the decreased crude oil prices 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.

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 $22 million.

Contractual Commitments

At 30 June 2015, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $118 million.

In 2010, the Group concluded a contract for the construction of an air separation plant and for the supply of oxygen and other gases produced by a third party at this plant for a period of 20 years. Due to a change in plans of the third party provider and in management's assessment of the extent of sales of gases to third parties the Group no longer considers this supply contract to fall within the scope of IFRIC 4 "Determining whether an Arrangement Contains a Lease". The Group has a committed expenditure of $442 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 $42 million under these programmes in the second half of 2015.

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 31 December 2014 amounted to $8 million. Preliminary estimates available of the incremental costs indicate that such costs could be up to $89 million. The Group has insurance agreements, which will provide partial reimbursement of the 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 2015 to 2022, under which the Group will perform works aimed at reductions in environmental pollution and contamination. As of 30 June 2015, the costs of implementing these programmes are estimated at $144 million.

Legal Proceedings

The Group has been and continues to be the subject of legal proceedings, none of which has had, individually or in aggregate, a significant effect on the Group's operations or financial position.

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 2015			**31 December 2014**		
US$ million	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value						
Available-for-sale financial assets	**12**	**–**	**–**	17	–	–
Liabilities measured at fair value						
Derivatives not designated as hedging instruments	**–**	**536**	**–**	–	713	–
Contingent consideration payable for the acquisition of Stratcor	**–**	**–**	**2**	–	–	2

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

US$ million	30 June 2015		31 December 2014	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
8.25 per cent notes due 2015	**$ 129**	**$ 132**	$ 139	$ 140
7.40 per cent notes due 2017	**606**	**617**	606	531
9.50 per cent notes due 2018	**509**	**538**	507	471
6.75 per cent notes due 2018	**857**	**833**	856	730
7.50 per cent bonds due 2019	**345**	**348**	345	345
6.50 per cent notes due 2020	**1,008**	**921**	1,008	801
8.75 per cent bonds due 2015	**–**	**–**	71	70
9.95 per cent bonds due 2015	**199**	**198**	271	250
8.40 per cent bonds due 2016	**362**	**351**	358	299
Liabilities under 7.75 per cent bonds due 2017 assumed in business combination	**414**	**382**	417	278
	$ 4,429	**$ 4,320**	$ 4,578	$ 3,915

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

15. Subsequent Events

Issue of Bonds

On 1 July 2015, the Group completed a placement of bonds in the total amount of 15,000 million Russian roubles (approximately $270 million), which bear interest of 12.95% per annum and have next put date on 26 June 2019. To manage the currency exposure, the Group entered into a series of cross currency swap contracts with several banks under which it agreed to deliver US-dollar denominated interest payments at the rates ranging from 5.90% to 6.55% per annum plus the notional amount, totaling approximately US$265 million, in exchange for rouble-denominated interest payments at the rate of 12.95% per annum plus notional, totaling 14,948 million roubles.

New Bank Loans

In July and August 2015, the Group borrowed $425 million of long-term loans from the Russian banks.

Repayment of Bonds

On 17 July 2015, the Group partially repurchased 8.40% rouble-denominated bonds due 2016 with the principal of 4,792 million roubles ($84 million) for a cash consideration 4,696 million roubles ($82.5 million).