EVRAZ plc

UNAUDITED INTERIM FINANCIAL RESULTS FOR H1 2022

4 August 2022 – EVRAZ plc ("EVRAZ" or "the Group" or "the Company"; LSE: EVR) today announces its unaudited interim financial results for the six months ended 30 June 2022 ("the Period").

H1 2022 HIGHLIGHTS

- Consolidated EBITDA[1] totalled US$2,486 million, up 19.4% YoY from US$2,082 million in H1 2021. The EBITDA margin[1] declined to 30.7% from 33.7% in H1 2021. The increase in EBITDA was primarily attributable to higher coal product sales prices as well as better performance of North American assets.
- Cost-cutting and customer focus initiatives generated an effect of US$237 million in EBITDA.
- Total debt[1] dropped by US$136 million to US$3,958 million, while net debt[1] amounted to US$3,165 million.
- Net profit totalled US$6 million, compared with US$1,212 million in H1 2021.
- The cash cost of steel and raw materials in Russia was the following:
  - The cash cost of slabs[1] increased to US$358/t from US$283/t in H1 2021
  - The cash cost of washed coking coal[1] increased to US$62/t from US$36/t in H1 2021
  - The cash cost of iron ore products[1] increased to US$56/t from US$40/t in H1 2021
- The Group reported negative free cash flow[1] of US$59 million, compared with positive US$836 million in H1 2021 following a surge in working capital due to an increase in inventory and receivables amid hindered exports.

FINANCIAL HIGHLIGHTS

(US$ million)	**H1 2022**	**H1 2021**	**Change, %**
Consolidated revenues	8,097	6,178	31.0
Profit from operations	383	1,749	(78.1)
Consolidated EBITDA[1]	2,486	2,082	19.4
Net profit	6	1,212	(99.5)
Net cash flows from operating activities	632	1,410	(55.1)
Free cash flow[1]	(59)	836	n/a
CAPEX[1]	513	430	19.3
	30 June 2022	**31 December 2021**	**Change, %**
Net debt[1]	3,165	2,667	18.7
Total assets	13,370	9,854	35.6

[1] For the definition, see "Definitions of selected alternative performance measures".

Commenting on the results, EVRAZ's Chief Executive Officer, Aleksey Ivanov, said:

"Recent geopolitical tensions have given rise to significant corporate governance and operating challenges for EVRAZ. On top of that, strong rouble, declining demand for our products, and increased competition on EVRAZ's traditional markets present additional headwinds.

In H1 2022, steel demand went down amid growing worries over the health of the global economy and persistent supply chain challenges. There was bearish sentiment in China due to extended COVID-19 lockdowns, low margins and rising steel inventory. This led to a pullback in steel prices from recent highs across all key markets and especially in China, Europe and India.

Despite the above, EVRAZ posted strong EBITDA of US$2.5 billion, up 19.4% year-on-year. This was achieved thanks to higher coal sales prices and better performance of our North American operations, as well as our cost-cutting and productivity improvement initiatives and customer focus efforts, which generated a total effect of US$237 million in EBITDA.

Given the current macroeconomic backdrop and hindered access to foreign equipment, the schedules of investment projects that are related to the development of EVRAZ and are not currently in the active phase had to be adjusted. Overall CAPEX stood at US$513 million, including US$253 million for development projects.

In addition, we slightly improved our debt position, reducing total debt by US$136 million to US$3,958 million while net debt amounted to US$3,165 million. The ratio of net debt to last twelve months (LTM) EBITDA amounted to 0.6x in the reporting period.

Notwithstanding the current hardships, we remain committed to the sustainable development of our business. We value and protect the health and safety of our personnel. Unfortunately, in H1 2022, we lost four employees, and there were four fatalities among our contractors. Fatal incidents are unacceptable, and EVRAZ is going to do its utmost to prevent them from happening again. We have thoroughly investigated the underlying causes of these tragedies and introduced measures to mitigate causes and minimise risks.

In H1 2022, we also maintained close communication with our employees, communities where we operate, and other relevant stakeholders. In its ESG efforts, EVRAZ is consistently transparent, providing regular and comprehensive non-financial disclosures in line with GRI, SASB and TCFD standards.

Geopolitical tensions, mounting economic pressure and sanctions are continuing to shape EVRAZ's operating environment in H2 2022, but we are adapting our business to the new reality and working to deliver on our commitments to customers, suppliers and employees."

FORWARD-LOOKING STATEMENTS

This document contains "forward-looking statements", which include all statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements, including, among others, the achievement of anticipated levels of profitability, growth, cost and synergy of recent acquisitions, the impact of competitive pricing, the ability to obtain necessary regulatory approvals and licences, the impact of developments in the Russian economic, political and legal environment, volatility in stock markets or in the price of the Group's shares or GDRs, financial risk management and the impact of general business and global economic conditions. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These forward-looking statements speak only as at the date as of which they are made, and each of EVRAZ and the Group expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in EVRAZ's or the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. Neither the Group, nor any of its agents, employees or advisors intends or has any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained in this document.

CONFERENCE CALL

A conference call to discuss the results, hosted by **Aleksey Ivanov**, CEO, and **Daria Kim**, Deputy CFO, will be held on Thursday, 4 August 2022, at:

2 pm (London time)

3 pm (Berlin time)

4 pm (Moscow time)

5 pm (Dubai time)

9 am (New York time)

To join the call, please dial:

+44 (0)330 165 4012 or **0800 279 6877**	UK
+1 646 828 8073 or **800 289 0720**	US
+49 (0) 69 22222 5197 or **0800 724 5376**	Germany
8000 3570 2642	UAE

Conference ID: 6308204

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

An audio webcast will be available at the following link (pre-registration needed):
https://www.webcast-eqs.com/evraz20220804

The presentation for the call will be available on the Group's website, www.evraz.com, on Thursday, 4 August 2022, at the following link:

https://www.evraz.com/en/investors/reports-and-results/financial-results/

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MARKET OUTLOOK

GLOBAL MARKETS

In H1 2022, global steel demand waned amid rising concerns over the global economy and persistent supply chain challenges. In China, extended COVID-19 lockdowns, low margins and rising steel inventory led to the weakening sentiment. Heavy rainfall in southern China affected construction activity as well. These factors caused a pullback in steel prices from recent highs in all key markets, especially in China, Europe and India.

In H1 2022, average steel prices, based on the CFR slab FE&SEA benchmark, came in at US747$/t, down 4% from US$778/t in H1 2021. Based on hot-rolled coil (HRC) China EXW domestic price benchmark, they averaged US$780/t in the reporting period, down 5% YoY.

In H1 2022, global crude steel production decreased by 5.5% YoY. This was driven by China, where steel output was down by 6.5% YoY. India increased production by 8.8% YoY and became the only country among the Top 10 producers posting positive growth.

A slight recovery might arrive in the short term if China eases the COVID-19 restrictions and implements its previously announced economic support measures. However, China's intention to keep crude steel output below the 2021 level continues to pressure production. In addition, the Chinese real estate sector still experience some challenges. For these reasons and due to seasonal factors, prices are likely to stay stressed.

Early in the year, coking coal prices continued to trend upwards. The premium hard coking coal (HCC) price reached record levels of US$670/t (FOB Australia) in March 2022 due to uncertainty for steelmakers. Prices have remained at high levels since, ranging from US$350/t to US$520/t despite stalled demand growth. In China, prices have closely lagged behind because of lockdowns. Overall, the global steel industry continues to slow down with more mills mulling output cuts because of slimmer margins.

In the reporting period, hard coking coal (HCC) prices averaged US$467/t (FOB Australia), compared with an average of US$132/t in H1 2021. The HCC CFR China price was around US$433/t.

On the supply side, Australian coal production and exports have remained volatile. Ongoing heavy rainfall combined with prolonged La Niña have lowered Australian supply, which could be partially recovered in upcoming months. Coking coal prices are expected to lose steam in H2 2022 amid increased supply and slowing demand.

In H1 2022, iron ore prices averaged US$140/t. Upswing in prices during Q1 faded away due to worsening market conditions in the global steel industry. As a result, prices came under pressure at the end of Q2. Despite the underperformance so far this year, supply seasonally improved. Australian majors have slightly increased production, while Vale has struggled with heavy rainfall and operational issues. Supply from other producing countries has been on decline.

Iron ore prices might remain under constraint through the end of 2022.

In H1 2022, the MB FeV benchmark averaged US$45.0/kgV, an increase of 35% YoY. Demand in the key markets, specifically in Europe and North America, started to decline in Q2 2022 mainly due to the crisis in the automotive industry and overall economy slowdown in those regions. In China, vanadium demand stays 15% below the 2021 levels despite recovery from lockdowns in April–May, as construction steel output continues its downtrend. As a result, during the reporting period price in Europe and China decreased from US$43–44/kgV (April) to circa US$37–38/kgV (May–June). The US market maintains a premium relative to the European market, mainly due to the mid-term market imbalance caused by lower local supply, logistics constraints and changes in the import structure, while real demand from the steel industry is rather declining.

RUSSIAN STEEL

In H1 2022, the Russian steel industry faced a combination of negative effects from deteriorating market conditions in China and other foreign markets, as well as additional pressure from export restrictions, sanctions, the rouble appreciation and tighter competition. Currently, domestic producers experience problems with payments from foreign customers, logistics constraints and falling margins.

Despite a relatively strong start of the year, in March 2022, steel consumption in Russia started to decline. This trend was especially noticeable in non-residential construction, where around 35–40% of the announced projects were suspended. In June, consumption of beams dropped to the lowest level in five years. In May 2022, apparent consumption of rebars decreased by 22% YoY. However, steel demand from the transport infrastructure and mining sectors was less affected.

In H1 2022, domestic crude steel production totalled 35.4 million tonnes, down 7.2% YoY. A number of steel mills were forced to cut production, with some of them operating at only 50% of their capacity. EVRAZ's assets maintained good output levels, with current utilisation rates close to 90%.

In H1 2022, rouble-denominated prices for most construction products declined due to lower demand and increased supply of steel in the domestic market because of restrictions on export alternatives. For some products, prices in rouble terms contracted by up to 35% from the beginning of the year. Based on the Moscow EXW benchmark, in June the average rebar price was US$747/t, down 14% from January. So far, prices in the industrial and transportation segments have managed to hold.

Geopolitical tensions affect the pricing of some Russian steel products selling abroad. Export price discounts might be in the range of US$40–80.

In upcoming months, challenges will persist, so EVRAZ continues the process of adapting trade flows and supply channels.

COAL

In the reporting period, coking coal concentrate consumption in Russia totalled 17.9 million tonnes, down 7.5% YoY, as coke production decreased due to the lower steel mill utilisation levels. Coking coal exports for the five months amounted to 14.8 million tonnes, up 44% YoY, amid a decrease in domestic demand. Due to the ban on coal sales to Europe (except Turkey), competition for deliveries to the Far East has intensified. For this reason, the flow of Russian coal to China significantly increased.

In January–May, mining volumes increased to 50.8 million tonnes, up 21% YoY. At the same time, coking coal production in Russia is slowing down due to export restrictions. Logistics is complicated due to congestion of available transportation corridors in the East and difficulties in finding an affordable fleet. Russian coal companies are also experiencing problems with receiving payments from customers.

Prices of metallurgical coal in Russia were relatively stable during the reporting period. In H1 2022, the FCA Kuzbass benchmark price for premium Zh-grade coking coal averaged US$350/t compared to US$101/t in H1 2021. The average price for the semi-hard GZh-grade was US$258/t, three times higher YoY. Market participants expect a significant drop in domestic prices in Q3 2022.

NORTH AMERICA

In H1 2022, estimated North American steel production totalled 41 million tonnes, roughly flat YoY, while US steel product imports amounted to 14.5 million tonnes, up 13% YoY. The first half of the year was marked by volatility due to geopolitical tensions and the resulting disruptions in global steel and raw material supplies. After softness in the flat-rolled market through Q1, plate pricing gained $93/t (up 5%) in May vs February lows, peaking at $2,082/t. HRC prices gained $569/t (up 54%) in April vs March lows, peaking at $1,624/t. Plate and HRC averaged $2,032/t (up 64%) and $1,404/t (down 3.5%), respectively, in H1. The US mill capacity utilisation finished H1 2022 at 80.8%, up 2.5 percentage points vs H1 2021.

Total estimated North American demand for all long steel products increased by 19% YoY. Rail demand in H1 2022 totalled approximately 500 thousand tonnes, up 4% YoY. The market environment for ENA's wire rod and bar products remained strong, with estimated H1 wire rod demand totalling approximately 2.2 million tonnes, up 55% YoY. Despite weakness in the automotive sector, strong demand in construction and domestic supply tightness supported near-record pricing. High-carbon wire rod averaged $1,110/t, up 35% YoY, and rebar prices averaged $1,000/t, up 33% YoY.

In energy markets, the WTI crude benchmark averaged $102 per barrel in H1, temporarily reaching as high as $124 per barrel in March. Onshore rig activity improved, with the U.S. and Canada averaging 665 rigs (up 62% YoY) and 154 rigs (up 57% YoY), respectively. Estimated total H1 OCTG demand surpassed 2 million tonnes (up 71% YoY). Total H1 line pipe demand remained flat YoY, with recovering small diameter line pipe demand offset by continued weakness in the large diameter pipe market. ERW OCTG and line pipe prices averaged $2,558/t and $2,492/t, up 91% and 48% YoY, respectively. Average seamless OCTG prices rose by 86% YoY to US$2,826/t. Continued improvement in North American energy tubular products is expected through H2 2022, as oil and gas prices are projected to remain elevated and domestic OCTG supply remains tight.

EXTERNAL CHALLENGES AND IMPACT ON EVRAZ

In H1 2022, EVRAZ faced serious challenges associated with recent developments which had a significant impact on EVRAZ's performance in the reporting period.

In February 2022, the aggravation of geopolitical tensions had a negative impact on the Russian economy. The USA, European Union and several other countries have imposed new sanctions on certain Russian government and business entities, including banks, individuals and specific sectors of the economy, as well as restrictions on certain types of transactions. Some foreign companies announced the suspension of activities in Russia or the termination of the supply of products to Russia.

In March 2022, temporary economic restrictions were introduced by the Russian Federation, including a ban on residents providing loans to non-residents in foreign currency and on residents transferring foreign currency to their accounts in foreign banks, as well as restrictions on payments on securities to foreign investors, and on transactions with counterparties from a number of foreign countries. These resulted in the failure of capital markets infrastructure in Russia which limited the ability of EVRAZ to transfer dividends and coupon payments towards the Russian shareholders and investors of Eurobonds.

Following introduction of sanction on Mr Abramovich, one of the major shareholders of EVRAZ, on 10 March 2022 all independent directors resigned from the Company's Board of Directors. This meant a major corporate governance challenge as EVRAZ no longer met best practices and minimum legal requirements for membership of the Board. Additionally, international and UK consulting firms, banks and sponsors refused to work with EVRAZ due to the Company's status as a sanctioned entity from their point of view.

In 2021, EVRAZ announced the demerger of its coal business, PJSC Raspadskaya, which was expected to be completed in late March 2022. The unprecedented developments described above made this transaction technically impossible (for example, sponsors and legal advisers wound down their services, banks and transfer agents were unable to process payments of dividends), so in early April 2022 the Board decided not to proceed with the demerger.

On 5 May 2022, as part of financial sanctions against Russia, the UK Government imposed direct sanctions on the EVRAZ plc. This means the freezing of assets of EVRAZ plc, including the Company's inability to pay dividends unless a special licence is granted by respective UK authorities. Despite of the Company's sanctioned status in the UK, the shareholders' stakes in the Company were not frozen, excluding the stake of Mr Abramovich.

Apart from sanctions, EVRAZ was affected by the global economic slowdown, especially in China, where real estate prices were declining for the first time since 2015, which has a negative impact on global demand for steel products. Moreover, the reporting period saw a significant drop in demand for steel products in Russia due to the shutdown of most construction-related projects. The demand for beams was hit the hardest due to lower consumption in the industrial construction market, which may need up to 18 months to accomplish imported equipment substitution and required redesign. *For more information, see the Market Outlook section.*

Additionally, inflation has had a significant impact on the global economy, including in Russia. Things have become even more complicated with the unusually high volatility of the USD exchange rate.

Since the Russian metals industry is largely export-oriented, the sanctions have significantly reduced the country's export potential, partly due to logistics constraints and transport infrastructure issues. In addition, the sanctions pressure caused Russian-made steel products to sell at a discount and hindered settlements with foreign customers. Following these EVRAZ was affected by a surge in working capital due to an increase in inventory and receivables amid hindered exports.

However, as far as operations are concerned, EVRAZ has navigated the first half of the year as the Group's key export markets have been historically located in Southeast Asia. Our metallurgical plants in Russia are operating at about 90% of their effective capacity.

HOW WE RESPOND

To continue Board's operations in accordance with minimum requirements, Nikolay Ivanov, the Company's CFO, was nominated to the Board on 11 March 2022. However, the sanctioned status of EVRAZ poses significant hurdle to re-establish a Board that is majority independent.

Responding to the above challenges, EVRAZ's management focused on short- and mid-term tasks given higher macroeconomic uncertainty.

Today, EVRAZ is adapting its export channels to the current environment and ensuring timely proceeds. In addition, the Group is reorienting towards Russian suppliers of spare parts and equipment, while also looking for alternatives abroad.

In view of the current macro backdrop and hindered access to foreign equipment, EVRAZ had to revise the timing of its investment projects related to the Company's development, which are not in the active stage.

To that end, the deadlines for the rail and beam mill modernisation project at EVRAZ NTMK were extended by one year due to equipment supply constraints. Another major project, EVRAZ ZSMK's integrated casting and rolling facility is at the engineering stage – further options are under review.

At the same time, EVRAZ proceeds with projects that are in the active stage, such as EVRAZ Pueblo's long rail mill project and EVRAZ Uzlovaya's vanadium processing plant.

Regardless of the challenges and uncertainties of 2022, EVRAZ delivered solid financial results in H1 2022. Total EBITDA reached US$2,486 million mainly due to higher sales prices of coal products and better performance of North American operations. Our North American facilities continued to operate in spite of the geopolitical tensions affecting customer and supplier relationships and delivered a solid financial result, with H1 2022 EBITDA at US$296 million. These positive trends were partly offset by the decrease in EBITDA of Steel segment amid lower sales volumes and prices, which amounted to US$1,153 million in H1 2022.

In the reporting period, the Coal segment's EBITDA stood at US$1,174 million, an increase of more than three times YoY. H1 2022 saw some Korean and Japanese customers refusing to buy from Russia due to sanctions, which brought sales to China up to 70–90% of EVRAZ's coal product exports in May-June. Besides, there is a number of export logistics problems, including those related to finding available freight vessels. In the reporting period there were also coal production issues due to challenging geological conditions, as well as interruptions in the supply of necessary reinstallation equipment. In H1 2022, 10.1 million tonnes of raw coal were produced, down 13.0% YoY. EVRAZ's Coal segment's management and supply teams are working hard to debottleneck. Steps are being taken to adapt customer service to the new geopolitical environment, as well as to optimise costs.

In the vanadium business, EVRAZ maintained all of its supply and conversion chains, as well as its leading position at most of consuming markets globally. However, demand from the steel industry in Europe and North America started to decline in Q2 2022 due to overall economy slowdown and a crisis in the automotive industry, which led to a certain shift in the geography of sales towards Asian markets. The Group has increased share of vanadium products sold under the long-term contracts to 60–65% in H1 2022, focusing primarily on the strategic partnership with customers, including technical support and joint R&D activities aiming to promote and increase high performance vanadium-alloyed steel usage in various applications.

The decision to suspend dividends (which were declared at the end of February 2022) adopted by the Board later this spring allowed EVRAZ to accumulate a cash cushion of US$793 million, adding to the Company's resilience in these turbulent times. Moreover, during the reporting period EVRAZ repaid US$136 million of debt which resulted in total debt of US$3,958 million. Net debt amounted to US$3,165 million with net debt/LTM EBITDA stood at 0.6x.

Despite the intrinsically challenging environment, EVRAZ's priorities are the same as before; we remain active in most areas. EVRAZ continues to work on operational stability, employee development, digital transformation projects, energy efficiency and realisation of Environmental Strategy 2030 projects.

In addition, EVRAZ remains committed to one of its core principles, customer focus. During the reporting period, we worked hard to develop new EVRAZ Steel Building and EVRAZ Steel Box businesses fostering the use of steel structures in construction, with some tangible results achieved. The EVRAZ Steel Box project boasts nine contracts with customers so far; the BOX Express online building design platform for construction partners was launched. EVRAZ Steel Building is completing a major contract for metal supplies to Egypt. In addition, projects to improve customer experience are underway; the Company delivered the first batch of so-called green rails.

HEALTH, SAFETY AND ENVIRONMENT

Notwithstanding the current headwinds, we remain committed to the sustainable development of our business.

Health and safety of our employees is our top priority no matter what. Regretfully, in H1 2022, we lost four employees and there were four fatalities among our contractors. Fatalities are unacceptable, and EVRAZ does its utmost to avoid any reoccurrence. We have thoroughly investigated the root causes of these tragedies and introduced corrective measures to mitigate future risks. In the reporting period, the LTIFR for the company (the number of injuries per million hours worked that result in employees or contractors taking time off work), was 1.24x, which is better than our target of 1.30x. By the end of H1 2022, our Risk management programme is progressing well, but we are still looking for ways to enhance it with some additional measures being tested at one of our assets. EVRAZ recognises the need for incremental improvement of health and safety practices and works tirelessly towards this.

Steelmaking business plays a significant role in the decarbonised circular economy. The Company strives to produce steel in a better way for the environment. We continuously review every aspect of the business model to identify where we could better allocate resources and engineering solutions available today, while keeping a close eye on advances in technology. Despite the challenges, we continue to pursue our long-term targets stated in the Environmental strategy 2030. Concurrently we are moving forward with our biodiversity roadmap and also maintained close engagement with communities where we operate.

HUMAN CAPITAL

EVRAZ highly values its employees and understands that its people are the driving force behind its operational improvement efforts. In the reporting period, EVRAZ made considerable progress in developing its HR strategy. We put in significant work to improve the incentive and social benefits system, develop employee training programmes, as well as streamline the HR management process against the backdrop of a labour shortage.

In H1 2022, participants of the New EVRAZ Leaders programme completed a new ESG training module, with a number of projects created as part of the module getting a go-ahead. EVRAZ continued to develop the system of employee health protection through the consistent detection, prevention, and treatment of diseases. The Group embarked on a project to draft an EVRAZ employee health management strategy.

We also kept developing the Company's succession system and cooperating with educational institutions that offer training programmes for engineers.

KEY RISKS AND UNCERTAINTIES

The Group's business is exposed to numerous risks and uncertainties.

The geopolitical tensions that began in February 2022 and the ensuing sanctions have exacerbated the Company's exposures and created new predicaments for its operations.

On 10 March 2022, the London Stock Exchange listing of EVRAZ shares was suspended, and on 5 May 2022, the UK imposed sanctions on the Group's parent company EVRAZ plc. Furthermore, in light of the worsened geopolitical situation, a number of countries have introduced supply bans, some of which apply to the Group's products.

All this presents substantial challenges for the Company in terms of its corporate governance and operating activities. All independent directors left the Company's Board of Directors on 10 March 2022, and the planned demerger of its coal assets consolidated under PJSC Raspadskaya had to be cancelled on 1 April 2022.

The heightened risks the Group faces due to geopolitics and actions of national governments include the severance of ties with suppliers and customers, disruption of logistics chains, price hikes for various materials and equipment (in some cases – inability to purchase them), currency volatility, financial market restrictions, including hampered FX payments, and others.

This required serious effort on the Company`s management as it worked to maintain business stability amid the deteriorating economic backdrop, external pressures, and rapidly changing operating environment.

These factors may affect the Group's ability to effectively execute its strategy in the remaining six months of the financial year and could cause actual results to differ materially from the expected and historical results.

The directors consider the principal risks and uncertainties as summarised below and detailed on pages 87–92 of the EVRAZ plc 2021 annual report, available at www.evraz.com, to remain relevant in 2022, and the mitigation actions to be adequate for maintaining business continuity during this challenging period.

Risks:

- Global economic factors, industry conditions and cyclicality
- Product competition
- Cost effectiveness
- Potential regulatory actions by governments, including trade, anti-monopoly and anti-dumping regulations, sanctions regime, and other laws and regulations
- Functional currency devaluation
- HSE: environmental
- HSE: health and safety
- Business interruption

- Digital effectiveness, as well as reliable, efficient and continuous IT service
- Capital projects and expenditures
- Decarbonisation

With its finger on the pulse of the current events, the management keenly monitors emerging risks and implements preventative measures to stem any potential adverse effect on the Group's business. The Board of Directors receives regular updates regarding impacts on the Group's operational, commercial and financial performance.

In H1 2022, despite of EVRAZ's best efforts, there were several safety incidents, including eight fatalities. The management is committed to reducing the number of fatal incidents, with this view the Group's health and safety programmes are being transformed / updated. Starting 2022, the risk management system features risk-oriented tools and a pilot project (HSE Management System Transformation) designed to incorporate risk management tools across HSE MS, with plans to roll it out at all production sites. All improvements are geared towards identifying risk areas and preventing further incidents. For more information, see the Health, Safety and Environment section.

Despite the geopolitical situation, the Group continues implementing environmental programmes to reduce harmful emissions and mitigate negative environmental impacts of production in accordance with its Environmental Strategy 2030.

The Environmental Strategy 2030 serves as a roadmap for improving environmental performance by assessing climate risks, applying best environmental practices and working to meet stakeholder expectations. EVRAZ also continually monitors and assesses other risks and uncertainties that have not been classified as principal ones, including employee, taxation, social and community, human rights and other risks. Although impact and probability analyses suggest that such risks could affect the Group's operations to some extent, the management believes they are being adequately addressed and does not see them as capable of materially affecting the performance, future prospects or reputation of the Company.

The COVID-19 pandemic is waning across the world, but flare-ups in some countries, especially in China, exert material impact on the market value of the Company's products in H1 2022.

Despite all of the above, the measures taken by the management and the results achieved underscore the efficient steering of the Company in the current uncertain circumstances.

DIRECTORS’ RESPONSIBILITY STATEMENT

The directors confirm that, to the best of their knowledge, these interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 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

Aleksey Ivanov
Chief Executive Officer
EVRAZ plc

3 August 2022

DEFINITIONS OF SELECTED ALTERNATIVE PERFORMANCE MEASURES

The Group uses alternative performance measures (APMs) to improve comparability of information between reporting periods and business units, either by adjusting for uncontrollable or one-off factors which impact upon IFRS measures or, by aggregating measures, to aid the user of this report in understanding the activity taking place across the Group's portfolio.

EBITDA

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

The EBITDA margin is calculated by dividing EBITDA by revenue.

EBITDA is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ' calculation of EBITDA may be different from the calculation used by other companies and therefore comparability may be limited.

See Note 3 of the consolidated financial statement for additional information and reconciliation with IFRS financial statements.

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 gains/(losses) on interest payments under swap contracts, interest income and debt issue costs, less capital expenditure, including recorded in financing activities, purchases of subsidiaries, net of cash acquired, proceeds from sale of disposals classified as held for sale, net of transaction costs, less purchases of treasury shares for participants of the incentive plans, plus other cash flows from investing activities.

Free cash flow is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ' calculation of free cash flow may be different from the calculation used by other companies and therefore comparability may be limited.

See Calculation of free cash flow table in the Financial review section for additional information reconciliation with IFRS financial statements.

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 the comparability may be limited.

Cash and short-term bank deposits calculation

(US$ million)	30 June 2022	31 December 2021	Change	Change, %
Cash and cash equivalents	793	1,427	(634)	(44.4)
Cash and short-term bank deposits	**793**	**1,427**	**(634)**	**(44.4)**

Total debt

Total debt represents the nominal value of loans and borrowings plus unpaid interest, finance lease liabilities, loans of assets classified as held for sale, and the nominal effect of cross-currency swaps on principal of ruble-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:

(US$ million)	30 June 2022	31 December 2021	Change	Change, %
Long-term loans, net of current portion	2,037	3,840	(1,803)	(46.9)
Short-term loans and current portion of long-term loans	1,808	101	1,707	n/a
Add back: Unamortised debt issue costs and fair value adjustment to liabilities assumed in business combination	12	17	(5)	(29.4)
Nominal effect of cross-currency swaps on principal of ruble-denominated notes	-	44	(44)	(100.0)
Finance lease liabilities, including non-current portion	65	64	1	0.0
Finance lease liabilities, including current portion	36	28	8	28.6
Total debt	**3,958**	**4,094**	**(136)**	**(3.3)**

Net debt

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

Net debt has been calculated as follows:

(US$ million)	**30 June 2022**	**31 December 2021**	**Change**	**Change, %**
Total debt	**3,958**	**4,094**	**(136)**	**(3.3)**
Cash and cash equivalents	(793)	(1,427)	634	(44.4)
Net debt	**3,165**	**2,667**	**498**	**18.7**

CAPEX

Capital expenditure (CAPEX) is cash expenditure on property, plant and equipment. For internal reporting and analysis, CAPEX includes non-cash transactions related to CAPEX.

CAPEX has been calculated as follows:

(US$ million)	**H1 2022**	**H1 2021**	**Change**	**Change, %**
Purchases of property, plant and equipment and intangible assets	513	428	85	19.9
Purchases of property, plant and equipment on deferred terms	-	2	(2)	(100.0)
CAPEX	**513**	**430**	**83**	**19.3**

Labour productivity, US$/t

P=S/V

S – Labour Costs (asset and A-category subsidiaries), exclusive of tax, local currency (on Division consolidation sites with different currencies, US$)

V – production volume, tonnes (for steel assets: V – metal products shipped

Lost time injury frequency rate (LTIFR)

The KPI is calculated on a year-to-date basis for the company employees only.

LTIFR = X•1000000/Y

X is the total number of occupational injuries resulting in lost time among the Group's employees in the reporting period. Fatalities are not included.

Y is the actual total number of man-hours worked by all Group employees in the reporting period.

Cash cost of semi-finished products cash, US$/t

Cash cost of semi-finished products is defined as the production cost less depreciation. The result is divided by production volumes of semi-finished steel products. Raw materials from EVRAZ coal and iron ore producers are accounted for on at-cost-basis. Costs of semi-finished steel products of EVRAZ NTMK and EVRAZ ZSMK are then weight-averaged by the total production volume of saleable semi-finished products.

Cash cost of coking coal concentrate, US$/t

Cash cost of coking coal concentrate is defined as cost of revenues less depreciation and SG&A. The result is divided by sales volumes.

Iron ore products cash cost, US$/t

Cash cost of iron ore products is defined as cost of revenues less depreciation and SG&A. The result is divided by sales volumes.

Number of EBS transformations

Number of EBS transformations implemented at the key assets during the reporting year.

Customer focus and cost-cutting effects

Each project effect is calculated as an absolute deviation of targeted metric year to year multiplied by relevant price or volume depending on project's focus.

EVRAZ plc

Unaudited Interim Condensed Consolidated Financial Statements

Six-month period ended 30 June 2022

EVRAZ plc

Unaudited Interim Condensed Consolidated Financial Statements

Six-month period ended 30 June 2022

Contents

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Report on Review of Interim Financial Information

To the shareholders and the Board of Directors
of EVRAZ plc

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of EVRAZ plc and its subsidiaries, which comprise the interim condensed consolidated statement of operations, interim condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2022, interim condensed consolidated statement of financial position as at 30 June 2022, interim condensed consolidated statement of cash flows, interim condensed consolidated statement of changes in equity for the six-month period then ended, and selected explanatory notes (interim financial information). Management of EVRAZ plc is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, 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 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 accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

D.M. Zhigulin
Partner
TSATR – Audit Services Limited Liability Company

3 August 2022

Details of the auditor

Name: TSATR – Audit Services Limited Liability Company
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
TSATR – Audit Services Limited Liability Company is a member of Self-regulatory organization of auditors Association “Sodruzhestvo”. TSATR – Audit Services Limited Liability Company is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Details of the entity

Name: EVRAZ plc
Registration Date: 23 September 2011, registration number: 7784342.
Address: 2 Portman Street, London, England, W1H 6DU.

Unaudited Interim Condensed Consolidated Statement of Operations

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

	Notes	Six-month period ended 30 June 2022	2021
Revenue			
Sale of goods	**3**	**$ 7,948**	$ 6,055
Rendering of services	**3**	**149**	123
		8,097	6,178
Cost of revenue		**(4,848)**	(3,633)
Gross profit		**3,249**	2,545
Selling and distribution costs		**(680)**	(414)
General and administrative expenses		**(353)**	(288)
Social and social infrastructure maintenance expenses		**(14)**	(16)
Gains/(losses) on disposal of property, plant and equipment, net		**(5)**	(1)
Impairment of non-financial assets	**5**	**(17)**	(4)
Foreign exchange gains/(losses), net		**(1,786)**	(30)
Other operating income		**9**	6
Other operating expenses		**(20)**	(49)
Profit from operations		**383**	1,749
Interest income		**12**	3
Interest expense		**(107)**	(124)
Share of profits/(losses) of joint ventures and associates	**8**	**7**	5
Gains/(losses) on financial assets and liabilities, net	**12**	**58**	(4)
Gains/(losses) on disposal groups classified as held for sale, net		**–**	2
Profit before tax		**353**	1,631
Income tax expense	**6**	**(347)**	(419)
Net profit		**$ 6**	$ 1,212
Attributable to:			
Equity holders of the parent entity		**$ (24)**	$ 1,198
Non-controlling interests		**30**	14
		$ 6	$ 1,212
Earnings/(losses) per share for profit/(loss) attributable to equity holders of the parent entity:			
basic (US dollars)	**11**	**$ (0.02)**	$ 0.82
diluted (US dollars)	**11**	**$ (0.02)**	$ 0.82

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 2022	Six-month period ended 30 June 2021
Net profit		**$ 6**	$ 1,212
Other comprehensive income/(loss)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations into presentation currency		**3,431**	119
Effect of translation to presentation currency of the Group's joint ventures and associates	**8**	**42**	2
		3,473	121
Items not to be reclassified to profit or loss in subsequent periods			
Gains/(losses) on re-measurement of net defined benefit liability		**17**	44
Income tax effect		**(4)**	(11)
		13	33
Total other comprehensive income/(loss), net of tax		**3,486**	154
Total comprehensive income/(loss), net of tax		**$ 3,492**	$ 1,366
Attributable to:			
Equity holders of the parent entity		**$ 3,399**	$ 1,348
Non-controlling interests		**93**	18
		$ 3,492	$ 1,366

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

EVRAZ plc

Unaudited Interim Condensed Consolidated Statement of Financial Position

(In millions of US dollars)

	Notes	30 June 2022	31 December 2021*
ASSETS			
Non-current assets			
Property, plant and equipment	**7**	**$ 6,358**	$ 4,605
Intangible assets other than goodwill		**132**	130
Goodwill		**466**	457
Investments in joint ventures and associates	**8**	**160**	100
Deferred income tax assets		**157**	191
Receivables from related parties	**9**	**16**	10
Other non-current financial assets		**48**	19
Other non-current assets		**61**	64
		7,398	5,576
Current assets			
Inventories		**2,378**	1,669
Trade and other receivables		**1,742**	708
Prepayments		**171**	110
Receivables from related parties	**9**	**143**	34
Income tax receivable		**185**	35
Other taxes recoverable		**498**	282
Other current financial assets	**10**	**56**	13
Cash and cash equivalents	**10**	**793**	1,427
		5,966	4,278
Assets of disposal groups classified as held for sale	**4**	**6**	–
		5,972	4,278
Total assets		**$ 13,370**	$ 9,854
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Issued capital	**11**	**75**	75
Treasury shares	**11**	**(148)**	(148)
Additional paid-in capital		**2,528**	2,522
Revaluation surplus		**108**	108
Accumulated profits		**3,461**	3,472
Translation difference		**(565)**	(3,975)
		5,459	2,054
Non-controlling interests		**271**	180
		5,730	2,234
Non-current liabilities			
Long-term loans	**12**	**2,037**	3,840
Deferred income tax liabilities		**566**	287
Employee benefits		**209**	187
Provisions		**352**	287
Lease liabilities		**65**	64
Other long-term liabilities		**17**	88
		3,246	4,753
Current liabilities			
Trade and other payables		**1,621**	1,662
Contract liabilities		**287**	251
Payables to related parties	**9**	**42**	50
Dividends payable to shareholders	**11**	**–**	309
Short-term loans and current portion of long-term loans	**12**	**1,808**	101
Lease liabilities		**36**	28
Income tax payable		**59**	108
Other taxes payable		**413**	301
Provisions		**82**	57
		4,348	2,867
Liabilities directly associated with disposal groups classified as held for sale	**4**	**46**	–
		4,394	2,867
Total liabilities		**7,640**	7,620
Total equity and liabilities		**$ 13,370**	$ 9,854

***** The amounts shown here do not correspond to the 2021 financial statements and reflect adjustments made in connection with the cessation of classification of Raspadskaya Group as held for distribution to owners (Note 2).

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

These Unaudited Interim Condensed Consolidated Financial Statements were approved by the Board of Directors on 3 August 2022 and signed on its behalf by:

Aleksey Ivanov, Director

EVRAZ plc

Unaudited Interim Condensed Consolidated Statement of Cash Flows

(In millions of US dollars)

	Six-month period ended 30 June 2022	Six-month period ended 30 June 2021
Cash flows from operating activities		
Net profit	**$ 6**	$ 1,212
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:		
Deferred income tax (benefit)/expense	**157**	(3)
Depreciation, depletion and amortisation	**281**	282
(Gain)/loss on disposal of property, plant and equipment	**5**	1
Impairment of non-financial assets	**17**	4
Foreign exchange (gains)/losses, net	**1,786**	30
Interest income	**(12)**	(3)
Interest expense	**107**	124
Share of (profits)/losses of associates and joint ventures	**(7)**	(5)
(Gain)/loss on financial assets and liabilities, net	**(58)**	4
(Gain)/loss on disposal groups classified as held for sale, net	**–**	(2)
Allowance for expected credit losses	**10**	–
Changes in provisions, employee benefits and other long-term assets and liabilities	**(16)**	14
Expense arising from equity-settled awards	**6**	6
	2,282	1,664
Changes in working capital:		
Inventories	**(86)**	(241)
Trade and other receivables	**(844)**	(145)
Prepayments	**(22)**	6
Receivables from/payables to related parties	**–**	(1)
Taxes recoverable	**(152)**	–
Other assets	**(39)**	(10)
Trade and other payables	**(409)**	192
Contract liabilities	**(15)**	(69)
Taxes payable	**(94)**	15
Other liabilities	**11**	(1)
Net cash flows from operating activities	**632**	1,410
Cash flows from investing activities		
Issuance of loans receivable to related parties	**(231)**	–
Proceeds from repayment of loans issued to related parties, including interest	**135**	–
Short-term deposits at banks, including interest	**7**	2
Purchases of property, plant and equipment and intangible assets	**(533)**	(450)
Proceeds from government grants related to property, plant and equipment	**20**	22
Proceeds from disposal of property, plant and equipment	**1**	2
Contributions to associates/joint ventures *(Note 8)*	**(11)**	(5)
Proceeds from sale of disposal groups classified as held for sale, net of cash disposed and transaction costs	**–**	2
Other investing activities, net	**1**	–
Net cash flows used in investing activities	**(611)**	(427)

Continued on the next page

Unaudited Interim Condensed Consolidated Statement of Cash Flows (continued)

(In millions of US dollars)

	Six-month period ended 30 June 2022	Six-month period ended 30 June 2021
Cash flows from financing activities		
Payments for the purchase of non-controlling interests	**$ –**	$ (38)
Proceeds from bank loans and notes *(Note 12)*	**279**	1,698
Repayment of bank loans and notes, including interest *(Note 12)*	**(608)**	(2,097)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest *(Note 12)*	**(13)**	2
Payments under covenants reset	**–**	(10)
Restricted deposits at banks relating to financing activities	**(4)**	–
Gain/(loss) on derivatives not designated as hedging instruments	**5**	6
Purchases of property, plant and equipment on deferred terms	**–**	(2)
Lease payments, including interest	**(22)**	(15)
Dividends paid by the parent entity to its shareholders *(Note 11)*	**(292)**	(729)
Dividends paid by the Group's subsidiaries to non-controlling shareholders	**(17)**	(4)
Net cash flows used in financing activities	**(672)**	(1,189)
Effect of foreign exchange rate changes on cash and cash equivalents	**17**	(6)
Net decrease in cash and cash equivalents	**(634)**	(212)
Cash and cash equivalents at beginning of year	**1,427***	1,627
Cash and cash equivalents at end of period	**$ 793**	$ 1,415
Supplementary cash flow information:		
Cash flows during the period:		
Interest paid	**$ (84)**	$ (139)
Interest received	**11**	2
Income taxes paid (included in operating activities)	**(358)**	(424)

* The amount shown here does not correspond to the 2021 financial statements and reflect adjustments made in connection with the cessation of classification of Raspadskaya Group as held for distribution to owners (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								Non-controlling interests	Total Equity
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Accumulated profits	Translation difference	Reserves of disposal groups	Total		
At 31 December 2021 (as reported)	$ 75	$ (148)	$ 2,522	$ –	$ 3,472	$ (1,928)	$ (1,939)	$ 2,054	$ 180	$ 2,234
Cessation of classification of Raspadskaya Group as held for distribution to owners (Note 2)	–	–	–	108	–	(2,047)	1,939	–	–	–
At 31 December 2021 (as restated)	$ 75	$ (148)	$ 2,522	$ 108	$ 3,472	$ (3,975)	$ –	$ 2,054	$ 180	$ 2,234
Net profit	–	–	–	–	(24)	–	–	(24)	30	6
Other comprehensive income/(loss)	–	–	–	–	13	3,410	–	3,423	63	3,486
Total comprehensive income/(loss) for the period	–	–	–	–	(11)	3,410	–	3,399	93	3,492
Issue of bonus shares (Note 11)	8,200	–	–	–	(8,200)	–	–	–	–	–
Cancellation of bonus shares (Note 11)	(8,200)	–	–	–	8,200	–	–	–	–	–
Share-based payments (Note 11)	–	–	6	–	–	–	–	6	–	6
Dividends declared by the parent entity to its shareholders (Note 11)	–	–	–	–	(729)	–	–	(729)	–	(729)
Cancellation of dividends declared (Note 11)	–	–	–	–	729	–	–	729	–	729
Dividends declared by the Group's subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	–	(2)	(2)
At 30 June 2022	$ 75	$ (148)	$ 2,528	$ 108	$ 3,461	$ (565)	$ –	$ 5,459	$ 271	$ 5,730

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								Non-controlling interests	Total Equity
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Accumulated profits	Translation difference	Reserves of disposal groups	Total		
At 31 December 2020	$ 75	$ (154)	$ 2,510	$ 109	$ 2,187	$ (3,936)	$ –	$ 791	$ 129	$ 920
Net profit	–	–	–	–	1,198	–	–	1,198	14	1,212
Other comprehensive income/(loss)	–	–	–	–	33	117	–	150	4	154
Total comprehensive income/(loss) for the period	–	–	–	–	1,231	117	–	1,348	18	1,366
Acquisition of non-controlling interests in subsidiaries	–	–	–	–	(19)	–	–	(19)	(19)	(38)
Reversal of derecognition of non-controlling interest in subsidiaries	–	–	–	–	35	–	–	35	30	65
Transfer of treasury shares to participants of the Incentive Plans	–	6	–	–	(6)	–	–	–	–	–
Share-based payments	–	–	6	–	–	–	–	6	–	6
Dividends declared by the parent entity to its shareholders	–	–	–	–	(729)	–	–	(729)	–	(729)
Dividends declared by the Group's subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	–	(4)	(4)
At 30 June 2021	$ 75	$ (148)	$ 2,516	$ 109	$ 2,699	$ (3,819)	$ –	$ 1,432	$ 154	$ 1,586

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 3 August 2022.

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

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

In 2021 EVRAZ plc was jointly controlled by a group of 3 shareholders: Greenleas International Holdings Limited (BVI), Abiglaze Limited (Cyprus) and Crosland Global Limited (Cyprus).

On 16 February 2022, one of the Group's major shareholders, Greenleas International Holdings Limited, which is controlled by Mr Roman Abramovich, transferred all its shares in EVRAZ plc to the direct ownership of Mr Roman Abramovich.

On 10 March 2022 HM Treasury issued the Financial Sanctions Notice and included Mr Roman Abramovich on the UK sanctions list relating to Russia. On the same date the Financial Conduct Authority temporarily suspended the listing of the Company's shares on the London Stock Exchange in order to protect investors pending clarification of the impact of the UK sanctions. All directors, except for Aleksey Ivanov, resigned from the Company's Board. Nikolay Ivanov was appointed as an executive director to the Board. On 5 May 2022 EVRAZ plc was added to the UK sanctions list. More details on sanctions are provided in Notes 12 and 13.

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". 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 2021.

These interim condensed consolidated financial statements are not the financial statements prepared in accordance with the legislation of the United Kingdom and do not constitute statutory accounts as defined by Section 435 of the Companies Act 2006, and were prepared for the Group's management.

Operating results for the six-month period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the year ending 31 December 2022.

Going Concern

The directors of the Company, having considered the current circumstances and the potential uncertainties, particularly with respect to the continuing conflict relating to Ukraine and the economic sanctions (Notes 1, 12 and 13), concluded that the Group has adequate resources to continue as a going concern in the foreseeable future. Consequently, these interim condensed consolidated financial statements have been prepared on a going concern basis.

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements

Subsidiaries that Ceased to Be Classified as Held for Distribution to Owners

At 31 December 2021 management, having considered the facts and circumstances existing at that date, concluded that Raspadskaya Group met the criteria for classification as disposal groups held for distribution to owners and criteria of a major business line, which should be treated as a discontinued operation. Consequently, the classification, measurement and presentation requirements of IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” were applied in the consolidated financial statements as at, and for the year ended, 31 December 2021.

The General Metting of the Company held on 11 January 2022 approved the possible demerger of the coal business headed by Raspadskaya, which was conditional on the final approval of the Company’s directors.

Following the restrictions imposed by the Russian regulatory authorities in February 2022 with respect to the distribution of shares and the rights of foreign shareholders, the Company had to suspend and further on 1 April 2022 to cancel the process of demerger of Raspadskaya from the Group.

As a result of these changes in circumstances, Raspadskaya Group ceased to meet the definition of a disposal group held for distribution to owners. In accordance with IFRS 5 the Group restated its consolidated financial statements, including the relevant notes, for the periods in which the assets were classified as held for distribution to owners and discontinued operations as if the Raspadskaya Group had not been classified as assets held for distribution to owners and discontinued operations 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.

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

Statement of Changes in Equity	Year ended 31 December 2021		
	As previously reported	**Adjustment for discontinued operations**	**Restated**
Revaluation surplus	$ –	$ 108	$ 108
Translation difference	(1,928)	(2,047)	(3,975)
Reserves of disposal group held for distribution to owners	(1,939)	1,939	–

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Operations

	Year ended 31 December 2021		
US$ million	**As previously reported**	**Adjustment for discontinued operations**	**Restated**
Continuing operations			
Revenue			
Sale of goods	$ 13,224	669	$ 13,893
Rendering of services	262	4	266
	13,486	673	14,159
Cost of revenue	(7,454)	(685)	(8,139)
Gross profit	6,032	(12)	6,020
Selling and distribution costs	(827)	(80)	(907)
General and administrative expenses	(545)	(72)	(617)
Social and social infrastructure maintenance expenses	(30)	(5)	(35)
Gain/(loss) on disposal of property, plant and equipment, net	(7)	(1)	(8)
Impairment of non-financial assets	(22)	(8)	(30)
Foreign exchange gains/(losses), net	11	23	34
Other operating income	16	4	20
Other operating expenses	(45)	(19)	(64)
Profit from operations	4,583	(170)	4,413
Interest income	4	1	5
Interest expense	(212)	(20)	(232)
Share of profits/(losses) of joint ventures and associates	14	–	14
Impairment of non-current financial assets	–	–	–
Gain/(loss) on financial assets and liabilities, net	(20)	(1)	(21)
Gain/(loss) on disposal groups classified as held for sale, net	2	–	2
Other non-operating gains/(losses), net	–	3	3
Profit before tax	4,371	(187)	4,184
Income tax expense	(847)	(230)	(1,077)
Net profit from continuing operations	3,524	(417)	3,107
Net loss from discontinued operations	(417)	417	–
Net profit	3,107	–	3,107
Net profit from continuing operations attributable to:			
Equity holders of the parent entity	3,465	(431)	3,034
Non-controlling interests	59	14	73
	3,524	(417)	3,107
Net loss from discontinued operations attributable to:			
Equity holders of the parent entity	(431)	431	–
Non-controlling interests	14	(14)	–
	(417)	417	–
Net profit attributable to:			
Equity holders of the parent entity	3,034	–	3,034
Non-controlling interests	73	–	73
	$ 3,107	$ –	$ 3,107

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Financial Position

	31 December 2021		
	As previously reported	Adjustment for discontinued operations	Restated
ASSETS			
Non-current assets			
Property, plant and equipment	$ 3,169	$1,436	$ 4,605
Intangible assets other than goodwill	126	4	130
Goodwill	457	–	457
Investments in joint ventures and associates	100	–	100
Deferred income tax assets	183	8	191
Receivables from related parties	10	–	10
Other non-current financial assets	18	1	19
Other non-current assets	62	2	64
	4,125	1,451	5,576
Current assets			
Inventories	1,565	104	1,669
Trade and other receivables	626	82	708
Prepayments	96	14	110
Receivables from related parties	34	–	34
Income tax receivable	29	6	35
Other taxes recoverable	171	111	282
Other current financial assets	12	1	13
Cash and cash equivalents	1,027	400	1,427
	3,560	718	4,278
Assets of disposal groups classified as held for distribution to owners	2,169	(2,169)	–
	5,729	(1,451)	4,278
Total assets	$ 9,854	–	$ 9,854
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent entity	2,054	–	2,054
Non-controlling interests	180	–	180
Total equity	2,234	–	2,234
Non-current liabilities			
Long-term loans	3,440	400	3,840
Deferred income tax liabilities	194	93	287
Employee benefits	143	44	187
Provisions	182	105	287
Lease liabilities	49	15	64
Other long-term liabilities	77	11	88
	4,085	668	4,753
Current liabilities			
Trade and other payables	1,539	123	1,662
Contract liabilities	250	1	251
Short-term loans and current portion of long-term loans	101	–	101
Lease liabilities	22	6	28
Payables to related parties	50	–	50
Dividends payable to shareholders	292	17	309
Income tax payable	67	41	108
Other taxes and duties payable	145	156	301
Provisions	37	20	57
	2,503	364	2,867
Liabilities directly associated with disposal groups classified as held for distribution to owners	1,032	(1,032)	–
	3,535	(668)	2,867
Total liabilities	7,620	–	7,620
Total equity and liabilities	$ 9,854	–	$ 9,854

2. Significant Accounting Policies (continued)

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 2021, except for the adoption of new standards and interpretations and revisions of existing IAS as of 1 January 2022.

New/Revised Standards and Interpretations Adopted in 2022

- ***Amendments to IFRS 3: Reference to the Conceptual Framework***

The amendments add an exception to the recognition of liabilities and contingent liabilities, which requires entities to apply the criteria in IAS 37 or IFRIC 21 instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

- ***Amendments to IAS 16: Proceeds Before Intended Use***

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

- ***Amendments to IAS 37: Onerous Contracts — Cost of Fulfilling a Contract***

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. These costs include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period. The Group did not identify any contracts as being onerous and therefore it did not recognise any onerous contract provision.

- ***Amendments to Annual improvements 2018-2020***

These amendments include clarifications to IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter, IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities, IAS 41 Agriculture – Taxation in fair value measurements. They had no impact on the Group’s interim condensed consolidated financial statements.

3. Segment Information

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

Six-month period ended 30 June 2022

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	**$ 5,194**	**$ 1,619**	**$ 1,199**	**$ 85**	**$ –**	**$ 8,097**
Inter-segment sales	**32**	**–**	**731**	**245**	**(1,008)**	**–**
Total revenue	**5,226**	**1,619**	**1,930**	**330**	**(1,008)**	**8,097**
Segment result – EBITDA	**$ 1,245**	**$ 289**	**$ 1,214**	**$ 2**	**$ (90)**	**$ 2,660**

Six-month period ended 30 June 2021

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$ 4,581	$ 972	$ 556	$ 69	$ –	$ 6,178
Inter-segment sales	31	–	275	169	(475)	–
Total revenue	4,612	972	831	238	(475)	6,178
Segment result – EBITDA	$ 1,811	$ 64	$ 346	$ 5	$ (12)	$ 2,214

3. Segment Information (continued)

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

Six-month period ended 30 June 2022

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue per IFRS financial statements	**$ 5,226**	**$ 1,619**	**$ 1,930**	**$ 330**	**$ (1,008)**	**$ 8,097**
EBITDA based on management accounts	**$ 1,245**	**$ 289**	**$ 1,214**	**$ 2**	**$ (90)**	**$ 2,660**
Reclassifications and other adjustments	**(92)**	**7**	**(40)**	**2**	**51**	**(72)**
EBITDA calculated based on IFRS financial statements	**$ 1,153**	**$ 296**	**$ 1,174**	**$ 4**	**$ (39)**	**$ 2,588**
Unallocated subsidiaries						**(102)**
						$ 2,486
Social and social infrastructure maintenance expenses	**(10)**	**–**	**(4)**	**–**	**–**	**(14)**
Depreciation, depletion and amortisation expense	**(141)**	**(62)**	**(75)**	**(2)**	**–**	**(280)**
Impairment of non-financial assets	**(7)**	**(1)**	**(9)**	**–**	**–**	**(17)**
Loss on disposal of property, plant and equipment and intangible assets	**(3)**	**–**	**(2)**	**–**	**–**	**(5)**
Foreign exchange gains/(losses), net	**(233)**	**(10)**	**(183)**	**–**	**–**	**(426)**
	759	**223**	**901**	**2**	**(39)**	**1,744**
Unallocated income/(expenses), net						**(1,361)**
Profit/(loss) from operations						**$ 383**
Interest income/(expense), net						**(95)**
Share of profits/(losses) of joint ventures and associates						**7**
Gain/(loss) on financial assets and liabilities						**58**
Profit/(loss) before tax						**$ 353**

In 2022, the Group recognised $(1,786) million of foreign exchange losses, of which $(1,360) million related to unallocated operations. These losses represent mostly unrealised exchange differences on translation of rouble-denominated liabilities under the intra-group loans between the Group's subsidiaries with different functional currencies. The appreciation of the Russian rouble against the US dollar in 2022 led to foreign exchange losses being recognised in the income statements of non-Russian subsidiaries, which were not offset with the foreign translation exchange gains recognised directly in the equity of the Russian subsidiaries.

In the six-month period ended 30 June 2022 and 2021, the Group (recognised)/reversed an allowance for net realisable value of inventory of $(118) million and $1 million, respectively.

3. Segment Information (continued)

Six-month period ended 30 June 2021

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue per IFRS financial statements	$ 4,612	$ 972	$ 831	$ 238	$ (475)	$ 6,178
EBITDA based on management accounts	$ 1,811	$ 64	$ 346	$ 5	$ (12)	$ 2,214
Unrealised profits adjustment	(4)	–	4	–	(1)	(1)
Reclassifications and other adjustments	(44)	(11)	(8)	1	–	(62)
	(48)	(11)	(4)	1	(1)	(63)
EBITDA calculated based on IFRS financial statements	$ 1,763	$ 53	$ 342	$ 6	$ (13)	$ 2,151
Unallocated subsidiaries						(69)
						$ 2,082
Social and social infrastructure maintenance expenses	(12)	–	(2)	–	–	(14)
Depreciation, depletion and amortisation expense	(134)	(61)	(83)	(2)	–	(280)
Impairment of non-financial assets	(2)	–	(2)	–	–	(4)
Loss on disposal of property, plant and equipment and intangible assets	–	–	(1)	–	–	(1)
Foreign exchange gains/(losses), net	(27)	15	26	–	–	14
	1,588	7	280	4	(13)	1,797
Unallocated income/(expenses), net						(48)
Profit/(loss) from operations						$ 1,749
Interest income/(expense), net						(121)
Share of profits/(losses) of joint ventures and associates						5
Gain/(loss) on financial assets and liabilities						(4)
Gain/(loss) on disposal groups classified as held for sale, net						2
Profit/(loss) before tax						$ 1,631

The material changes in property, plant and equipment other than those disclosed in Note 7 are presented below.

Six-month period ended 30 June 2022

US$ million	Steel	Steel, North America	Coal	Other operations	Unallocated	Total
Additions	**$ 234**	**$ 144**	**$ 111**	**$ 1**	**$ –**	**$ 490**

Six-month period ended 30 June 2021

US$ million	Steel	Steel, North America	Coal	Other operations	Unallocated	Total
Additions	$ 181	$ 141	$ 71	$ –	$ –	$ 393

3. Segment Information (continued)

The revenues from contracts with external customers for each group of similar products and services and rental income are presented in the following table:

	Six-month period ended 30 June	
US$ million	**2022**	**2021**
Steel		
Construction products	**$ 1,492**	$ 1,460
Flat-rolled products	**93**	105
Railway products	**734**	482
Semi-finished products	**1,837**	1,693
Other steel products	**350**	261
Other products	**234**	208
Iron ore	**105**	101
Vanadium in slag	**82**	37
Vanadium in alloys and chemicals	**216**	193
Rendering of services	**51**	41
	5,194	4,581
Steel, North America		
Construction products	**177**	134
Flat-rolled products	**507**	357
Railway products	**243**	185
Tubular products	**631**	236
Other products	**50**	49
Rendering of services	**11**	11
	1,619	972
Coal		
Coal	**1,188**	545
Other products	**9**	9
Rendering of services	**2**	2
	1,199	556
Other operations		
Rendering of services	**85**	69
	$ 8,097	$ 6,178

In the six-month periods ended 30 June 2022 and 2021 revenue from rendering of services included rental income of $6 million and $12 million, respectively.

3. Segment Information (continued)

Distribution of the Group's revenues by geographical area based on the location of customers was as follows:

US$ million	Six-month period ended 30 June 2022	2021
CIS*		
Russia	**$ 2,993**	$ 2,468
Kazakhstan	**235**	231
Ukraine	**22**	92
Others	**126**	81
	3,376	2,872
America		
USA	**950**	609
Canada	**702**	385
Mexico	**54**	159
Others	**9**	53
	1,715	1,206
Asia		
China	**644**	250
Taiwan	**564**	548
Indonesia	**330**	152
Republic of Korea	**256**	119
Vietnam	**173**	54
Japan	**172**	66
Philippines	**124**	199
Mongolia	**74**	45
Thailand	**39**	114
Others	**49**	42
	2,425	1,589
Europe		
European Union	**335**	247
Turkey	**192**	193
Others	**16**	15
	543	455
Africa		
Kenya	**20**	46
Egypt	**12**	10
Others	**6**	–
	38	56
Other countries	**–**	–
	$ 8,097	$ 6,178

*CIS (Commonwealth of Independent States), including founding or participating states

4. Changes in Composition of the Group

During the first half of 2022 there were no material changes in the composition of the Group.

In March 2021, the Group signed a preliminary agreement with a third party, under which a 100% interest in the Abashevskaya coal mine could be sold by the Group for cash consideration of RUB 400 million (approximately $8 million at the exchange rate as of 30 June 2022). In 2022, the Group completed the preparation procedures necessary for the sale of the mine in its present condition and the classification criteria for disposal groups held for sale were met. Consequently, at 30 June 2022 the Group presented the Abashevskaya mine as a disposal group classified as held for sale. At 30 June 2022 the net liabilities of the mine, which is included in the coal segment of the Group's operations, amounted to $(40) million.

5. Impairment of Non-current Assets

For the purpose of the impairment testing as of 30 June 2022 the Group assessed the recoverable amount of each cash-generating unit ("CGU") where indicators of impairment were identified. Also the Group performed an analysis of its property, plant and equipment for functional obsolescence and recognised a $17 million impairment loss.

The recoverable amount has been determined based on a value-in-use calculation using cash flow projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting the time value of money and risks associated with respective cash-generating units. For the periods not covered by management business plans, cash flow projections have been estimated by extrapolating the respective business plans' results using a zero real growth rate.

The key assumptions used by management in the impairment tests with respect to the cash-generating units where indicators of impairment existed are presented in the table below.

	Period of forecast prior to applying terminal value, years	**Pre-tax discount rate, %**	**Commodity**	**Average price of commodity per tonne in the 2nd half of 2022**	**Average price of commodity per tonne in 2022**	**Recoverable amount of CGU, US$ million**	**Carrying amount of CGU before impairment, US$ million**
Steel North America							
Large diameter pipes	5	15.66	steel products	$1,644	$1,459	336	287
Oil Country Tubular Goods	5	15.25	steel products	$1,981	$1,883	294	262
Long products	5	12.87	steel products	$1,252	$1,230	830	822
EVRAZ ZSMK	5	20.81	steel products	$638	$641	1,239	1,054

As a result of impairment testing, the Group did not recognise neither impairment losses nor any reversal of impairment.

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

Discount Rates

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rates have been determined using the Capital Asset Pricing Model and analysis of industry peers. Reasonably possible changes in discount rates could lead to impairment of the Oil Country Tubular Goods and Long products cash-generating units. If the discount rates were 10% higher, this would lead to an additional impairment of $168 million.

5. Impairment of Non-current Assets (continued)

Sales and Purchase Prices

The price assumptions of the products sold and purchased by the Group were estimated based on industry research using analysts' views published by Citigroup, CRU, Credit Suisse, Jefferies, JP Morgan, Morgan Stanley, RBC, Renaissance Capital, Sberbank and UBS during the period from April to June 2022. The Group expects that the nominal prices will grow with a compound annual growth rate of (8.1)%-2.3% in 2022 – 2026 and 2.0% in 2027 and thereafter. Reasonably possible changes in sales and purchase prices in the 2nd half of 2022 and 2023 could lead to impairment of the Oil Country Tubular Goods and Long products cash-generating units. If the prices were 10% lower, this would lead to impairment of $82 million.

Sales Volumes

Management assumed that the sales volumes of steel products would increase by 6.9% in 2022 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 2022 and in 2023 could lead to an impairment of the Long products cash-generating unit. If sales volumes were 10% lower, this would lead to impairment of $17 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 costs from these plans could lead to impairment of the EVRAZ ZSMK, Oil Country Tubular Goods and Long products cash-generating units. If the actual costs were 10% higher than those assumed for the 2nd half of 2022 and 2023, this would lead to impairment of $359 million.

Sensitivity Analysis

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

	Discount rates	**Sales prices**	**Sales volumes**	**Cost control measures**
Oil Country Tubular Goods	6.7%	(4.7)%	–	4.4%
Long products	0.4%	(1.5)%	(2.8)%	0.8%
EVRAZ ZSMK	–	–	–	4.5%

6. Income Taxes

Major components of income tax expense were as follows:

US$ million	Six-month period ended 30 June 2022	2021
Current income tax expense	**$ (169)**	$ (421)
Adjustment in respect of income tax of previous years	**(21)**	(1)
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	**(157)**	3
Income tax expense reported in the consolidated statement of operations	**$ (347)**	$ (419)

In the six-month period ended 30 June 2022 the Group revised its plans relating to the intra-group dividends and, as a consequence, it recognised a $100 million deferred tax benefit on the undistributed earnings of the Group's subsidiaries.

Net foreign exchange losses amounting to $1,786 million were mostly non-deductible, which led to the excessively high effective tax rate.

7. Property, Plant and Equipment

The movement in property, plant and equipment (including right-of-use assets) for the six-month period ended 30 June 2022 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 2021, cost, net of accumulated depreciation (as reported)	$ 90	$ 825	$ 1,260	$ 93	$ 140	$ 7	$ 754	$ 3,169
Restatement of the financial statements (Note 2)	5	89	352	54	810	–	126	1,436
At 31 December 2021, cost, net of accumulated depreciation (as restated)	95	914	1,612	147	950	7	880	4,605
Additions	–	–	2	11	–	–	477	490
Assets put into operation	–	44	132	27	35	–	(238)	–
Disposals	(2)	–	(2)	–	–	–	–	(4)
Depreciation and depletion charge	–	(43)	(182)	(24)	(28)	(1)	–	(278)
Impairment losses recognised in statement of operations	–	(1)	(2)	–	(8)	–	(6)	(17)
Change in site restoration and decommissioning provision	–	(1)	–	–	(12)	–	–	(13)
Government grants	–	–	–	–	–	–	(34)	(34)
Transfer to assets held for sale	–	(1)	–	–	(5)	–	–	(6)
Translation difference	9	331	495	70	428	–	282	1,615
At 30 June 2022, cost, net of accumulated depreciation	$ 102	$ 1,243	$ 2,055	$ 231	$ 1,360	$ 6	$ 1,361	$ 6,358

In the six-month periods ended 30 June 2022 and 2021, the depreciation expense relating to the right-of-use assets amounted to $16 million and $13 million, respectively, and interest expense and payments relating to the lease liabilities amounted to $3 million and $2 million, respectively. At 30 June 2022 and 31 December 2021, the carrying value of the right-of-use assets amounted to $109 million and $81 million, respectively. They were mostly represented by Transport and motor vehicles and Machinery and equipment.

8. Investments in Joint Ventures and Associates

The movement in investments in joint ventures and associates during the six-month period ended 30 June 2022 was as follows:

US$ million	Timir	Streamcore	Allegro	Other associates	Total
At 31 December 2021	**$ 14**	**$ 63**	**$ 12**	**$ 11**	**$ 100**
Additions	–	–	11	–	11
Share of profit/(loss)	(1)	6	(1)	3	7
Translation difference	6	28	8	–	42
At 30 June 2022	**$ 19**	**$ 97**	**$ 30**	**$ 14**	**$ 160**

9. Related Party Disclosures

For the Group related parties include associates and joint venture partners, key management personnel and other entities that are under control or significant influence of the key management personnel or the Group's principal shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. 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	**2022**	**2021**	**2022**	**2021**
Genalta Recycling Inc.	**$ –**	$ –	**$ 10**	$ 4
Nakhodka Trade Sea Port	**–**	–	**34**	37
Vtorresource-Pererabotka	**2**	2	**377**	320
Yuzhny GOK	**2**	5	**–**	–
Other entities	**2**	–	**1**	–
	$ 6	$ 7	**$ 422**	$ 361

Amounts owed by/to related parties were as follows:

	Amounts due from related parties		Amounts due to related parties	
US$ million	**30 June 2022**	**31 December 2021**	**30 June 2022**	**31 December 2021**
Loans				
Timir	**$ 16**	$ 10	**$ –**	$ –
Nakhodka Trade Sea Port	**100**	–	**–**	–
	116	10	**–**	**–**
Trade balances				
Nakhodka Trade Sea Port	**28**	–	**9**	4
Vtorresource-Pererabotka	**13**	30	**27**	44
Other entities	**2**	4	**6**	2
	43	34	**42**	50
Less: allowance for expected credit losses	**–**	–	**–**	–
	$ 159	$ 44	**$ 42**	$ 50

Loans Issued to Related Parties

In the reporting period the Group issued a $100 million loan to Nakhodka Trade Sea Port, an entity under common control with the Group. The loan, denominated in US dollars, bears interest of 6% per annum and matures in March 2023. In July 2022, the loan was partially repaid ($43 million).

In the reporting period the Group issued a $130 million loan to an entity under control of certain shareholders of the Group. The loan, which was denominated in US dollars and bore interest of 8%, was fully repaid to the Group in the reporting period.

9. Related Party Disclosures (continued)

Compensation to Key Management Personnel

In the six-month periods ended 30 June 2022 and 2021, key management personnel totalled 30 and 27 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	**2022**	2021
Salary	**$ 6**	$ 6
Performance bonuses	**24**	7
Social security taxes	**5**	2
Share-based payments	**3**	3
	$ 38	$ 18

10. Cash and Cash Equivalents

Cash and cash equivalents were denominated in the following currencies:

US$ million	**30 June 2022**	**31 December 2021**
US dollar	**$ 431**	$ 1,280
Russian rouble	**142**	78
Chinese yuan	**99**	–
Canadian dollar	**52**	21
Euro	**31**	36
Others	**38**	12
	$ 793	$ 1,427

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

At 30 June 2022 cash and cash equivalents do not include USD-denominated bank accounts amounting to $64 million restricted in connection with the sanctions (Notes 1 and 13). The balances of these bank accounts were included within the Other current financial assets caption ($49 million) and within the Other non-current financial assets caption ($15 miillion) of the consolidated statement of financial position.

11. Equity

Share Capital

Number of shares	**30 June 2022**	**31 December 2021**
Issued and fully paid		
Ordinary shares of $0.05 each	**1,506,527,294**	1,506,527,294

Bonus Shares

On 1 February 2022, according to the shareholders' decision taken at the Shareholders' Meeting dated 11 January 2022 in connection with the demerger of Raspadskaya Group (Note 2), the Company issued 848,188,421 bonus ordinary shares with a par value of $9.66766321843 each at no cost for the shareholders who elected to receive bonus shares. This transaction led to a reclassification between share capital and accumulated profits.

Following the receipt of the UK Court approval on 8 February 2022, the bonus shares were cancelled on the same date. The amount of the cancelled share capital ($8,200 million) became distributable reserves.

11. Equity (continued)

Treasury Shares

Number of shares	30 June 2022	31 December 2021
Number of treasury shares	**47,837,582**	47,837,582

As the trading of the Company's shares was suspendend (Note 1), the transfer of shares to be vested in March 2022 to participants of Incentive Plans was cancelled.

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	
	2022	**2021**
Weighted average number of ordinary shares outstanding during the period	**1,456,872,603**	1,457,354,488
Effect of dilution: shares under Incentive plans	**–**	7,351,094
Weighted average number of ordinary shares adjusted for the effect of dilution	**1,456,872,603**	1,464,705,582
Profit/(loss) for the period attributable to equity holders of the parent entity, US$ million	**$ (24)**	$ 1,198
Basic earnings/(losses) per share	**$ (0.02)**	$ 0.82
Diluted earnings/(losses) per share	**$ (0.02)**	$ 0.82

In the reporting period share-based awards did not have a dilutive effect as the Group reported net loss attributable to equity holders of the parent entity.

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

Dividends

On 24 February 2022, the Board of directors of EVRAZ plc declared dividends in the amount of $729 million ($0.50 per share) to the shareholders recorded at 11 March 2022. On 9 March 2022 the Board decided to cancel these dividends due to the increased business uncertainty caused by international sanctions against Russia and the restrictions on movements of capital imposed by Russia (Notes 1 and 13).

12. Loans and Borrowings

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

US$ million	**30 June 2022**	**Non-current**	**Current**	**31 December 2021**	**Non-current**	**Current**
Bank loans	**$ 1,978**	**$ 920**	**$ 1,058**	$ 2,156	$ 2,097	$ 59
Other loans	**46**	**36**	**10**	51	41	10
US dollar-denominated						
5.375% notes due 2023	**704**	**–**	**704**	750	750	–
5.25% notes due 2024	**700**	**700**	**–**	700	700	–
Rouble-denominated						
7.95% rouble bonds due 2024	**391**	**391**	**–**	269	269	–
Unamortised debt issue costs	**(12)**	**(10)**	**(2)**	(17)	(17)	–
Interest payable	**38**	**–**	**38**	32	–	32
	$ 3,845	**$ 2,037**	**$ 1,808**	$ 3,941	$ 3,840	$ 101

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. During the 1st half of 2022 the Group was in compliance with all financial and non-financial covenants.

The movement in loans and borrowings were as follows:

US$ million	**2022**	2021
1 January	**$ 3,941**	$ 4,837
Cash changes:		
Cash proceeds from bank loans and notes, net of debt issues costs	**279**	1,698
Repayment of bank loans and notes, including interest	**(608)**	(2,097)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**(13)**	2
Covenants reset charges	**–**	(10)
Non-cash changes:		
Interest and other charges expensed	**86**	109
Accrual of premiums and other charges on early repayment of borrowings	**4**	–
Effect of exchange rate changes	**156**	(1)
30 June	**$ 3,845**	$ 4,538

On 5 May 2022, EVRAZ plc was included in the UK sanctions list. This event does not represent an event of default for any of the loans. However, under the terms of certain loan agreements with the total outstanding principal of $900 million any of the lenders of these loans has the right to demand early repayment of its portion of the loan, though they are not obligated to do so. If such request would be made, the borrower must repay the appropriate amount within a certain period, which is up to 3 months after receipt of the claim. As the Group does not have an unconditional right to defer settlement of these loans for at least twelve months after the reporting period, they were classified as current liabilities. As of the date of the authorisation of these consolidated financial statements for issue the Group has not received any claims for early repayment of the loans.

12. Loans and Borrowings (continued)

Suspension of Listing

As a consequence of the suspension of the admission to listing and trading of EVRAZ plc's shares on the London Stock Exchange, on 14 March 2022 the Euronext Dublin (previously known as the Irish Stock Exchange) suspended the listing of 5.375% notes due 2023 and 5.25% notes due 2024.

Repurchase of Notes and Bonds

In January 2022, the Group settled a principal of $46 million under the 5.375% notes due 2023.

Swaps Contracts

In May 2022 the swap contracts relating to economical hedge of the RUB 20 billion 7.95 per cent bonds due 2024 issued by Evrazhoding Finance and the EVRAZ ZSMK's RUB 5 billion bank loan due 2023 were terminated and the parties' rights and obligations were fully settled, neither party was liable to pay any amount to the other party in connection with this termination.

In the six-month period ended 30 June 2022 the Group recognised a loss on increase in fair value of these derivatives of $(36) million, a realised gain on the swap transactions, amounting to $5 million, and a $100 million gain on termination of the swap contracts within the Gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations.

Pledged Assets

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

US$ million	**30 June 2022**	31 December 2021
Property, plant and equipment	**$ 53**	$ 55
Inventory	**583**	556

Unutilised Borrowing Facilities

The Group had the following unutilised borrowing facilities:

US$ million	**30 June 2022**	31 December 2021
Committed	**$ 98**	623
Uncommitted	**585**	848
Total unutilised borrowing facilities	**683**	$ 1,471

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, the USA and Canada. Russia is considered to be a developing market 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 aggravation of geopolitical tensions and the conflict related to Ukraine, as well as the economic sanctions imposed by the USA, the European Union and other countries on many Russian state and commercial organisations, including banks, certain sectors of economy and individuals caused economic slowdown in Russia and closed access to international capital markets. Many foreign enterprises announced the suspension of activities in Russia or the termination of supply of products to Russia. The EU and the UK decided to ban the import of certain steel products and coal from Russia.

In March 2022 one of EVRAZ plc's shareholders (Mr. Roman Abramovich) was included in sanction lists of the UK, the EU and Switzerland. On 5 May 2022 the UK government imposed sanctions on EVRAZ plc (Note 1). The UK sanctions regime does not apply to the activities carried out by non-UK entities outside the UK.

In addition, sanctions introduced against the Russian banking sector and the Group, as well as the legislation introduced by Russia to counter the effect of these sanctions on the Russian economy, include limitations on distribution of dividends and issuance of loans from the Russian subsidiaries of the Group to the non-Russian subsidiaries of the Group.

The Russian steel and mining sectors in general and the Group in particular were negatively impacted by international sanctions and are facing challenges to sell its products globally. Companies are compelled to revise its production programs and have to redirect its products to other markets.

The export and import limitations, restricted access to international capital markets and technologies, restrictions on transborder dividends and loans as well as the appreciation of rouble negatively affect the Group's activities.

The increased market volatility may have an impact on the Group's financial position, earnings and cash flows in the second half of 2022 and beyond. Management closely monitors the development of the economic situation and undertakes all necessary measures to maintain the sustainability of the Group's business in the current circumstances. Further sanctions could have an adverse impact on the Group's business.

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 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 $50 million.

13. Commitments and Contingencies (continued)

Contractual Commitments

At 30 June 2022, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $1,142 million (31 December 2021: $906 million). These commitments include $258 million (31 December 2021: $326 million) relating to the Palmer project – a construction of a new rail mill in Pueblo (Colorado, USA) with an expected completion date in the 2nd quarter of 2023.

In 2010, the Group concluded a contract with PraxAir Rus for the construction of an air separation plant and for the supply of oxygen and other gases produced by PraxAir Rus at this plant to EVRAZ NTMK for a period of 20 years (extended to 25 years in 2015, when the construction was completed). This supply contract does not fall within the scope of IFRS 16 “Leases”. At 30 June 2022, the Group has committed expenditure of $593 million over the life of the contract (31 December 2021: $490 million).

In 2018, the Group concluded a contract with Air Liquide Kuzbass for the construction of an air separation plant and for the supply of oxygen and other gases produced by Air Liquide Kuzbass at this plant to EVRAZ ZSMK for a period of 20 years. The contractual price comprises a fixed component and a variable component. At 30 June 2022, the total amount of the fixed component approximates $575 million (31 December 2021: $473 million), which is payable within 20 years starting upon commencement of production in 2021 in proportion to the amounts of the variable component. The variable component is determined based on the actual purchase of gases and is estimated at $560 million (31 December 2021: $347 million) during the life of the contract. Based on management’s assessment this supply contract does not fall within the scope of IFRS 16 “Leases” as the Group has no access to the equipment and has no rights either to operate the assets, or to design them in order to predetermine the way of their usage. Also it is expected that more than an insignificant amount of the assets’ output will be sold to the parties unrelated to the Group. In 2021, the construction was completed and the supply of oxygen and other gases started from September 2021.

In 2019, the Group concluded a contract with Xcel Energy Inc. for the supply of electricity to a Group’s steel mill (CF&I Steel LP) and a rail mill (Palmer North America LLC), both located in Pueblo (Colorado, USA), for a period of 22 years. The Group is committed to purchase from 1 January 2022 at least 500,000 MWh annually on a take-or-pay basis at rates ranging from 3.90 to 4.90 cents/kWh. The rates can be adjusted for gas prices. At 30 June 2022, the total amount of this commitment at the unadjusted rates approximated $427 million (31 December 2021: $440 million).

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 $25 million under these programmes in the second half of 2022.

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.

13. Commitments and Contingencies (continued)

Environmental Protection (continued)

The Group has a number of environmental claims and proceedings which are at an early stage of investigation. Environmental provisions in relation to these proceedings that were recognised at 30 June 2022 amounted to $20 million. Preliminary estimates of the incremental costs indicate that such costs could be up to $190 million. The Group has insurance agreements, which would be expected to provide reimbursement of the costs to be actually incurred up to $228 million, of which $20 million relate to the accrued environmental provision and have been recognised in non-current financial assets and current receivables at 30 June 2022. 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 2022 to 2026, under which it will perform works aimed at reductions in environmental pollution and contamination. As of 30 June 2022, the costs of implementing these programmes are estimated at $309 million (31 December 2021: $198 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 its operations or financial position.

The Group exercises judgement in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists or with the support of outside consultants. As of 30 June 2022, possible legal risks approximate $7 million (31 December 2021: $16 million). Probable risks were recorded within the relevant captions of the consolidated statement of financial position, mostly in provisions

Issued Guarantees

Allegro

In 2021, the Group guaranteed 50% of liabilities of its joint venture Allegro (Note 8) under a bank loan facility of RUB 9 billion (approximately $176 million at the exchange rate as of 30 June 2022). The guarantee expires in February 2033. In addition, the Group's share in the joint venture (50%) was pledged as collateral for this loan.

EVRAZ Mezhdurechensk

In June 2018, EVRAZ plc and EVRAZ ZSMK issued a joint guarantee in the amount of up to 30 billion roubles ($478 million at the exchange rate at the transaction date) to 9 companies owned by Sibuglemet to compensate any direct losses caused by the failure to perform the agreed management services provided by Management Company EVRAZ Mezhdurechensk ("management company" or "EVRAZ Mezhdurechensk"), an indirect subsidiary of EVRAZ plc, to these entities. Sibuglemet is a producer of coking coal and operator of coal refineries in the Kemerovo region of Russia. The management company committed to perform all management functions including, inter alia, all the decisions required to carry out the day-to-day operations of these coal companies, their investment and procurement activities. On 15 November 2020, the management services contract was terminated. The guarantee is effective 3 years after the date of termination.

13. Commitments and Contingencies (continued)

Issued Guarantees (continued)

In May 2022, certain mines and coal processing plants under control of Sibuglemet filed several lawsuits with the Arbitration Court of the Kemerovo Region against EVRAZ Mezhdurechensk seeking compensatory damages of an aggregate amount of RUB 1.2 billion (approximately $24 million).

Management has started analysing these claims and at present it assesses the risk of negative outcome, which can trigger payment, as less than probable. Consequently, the Group has not recognised any provisions in this respect.

14. Fair Value of Financial Instruments

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

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

US$ million	**30 June 2022**		**31 December 2021**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
USD-denominated				
5.375% notes due 2023	**713**	**367**	758	790
5.25% notes due 2024	**705**	**355**	703	746
Rouble-denominated				
7.95% rouble bonds due 2024	**403**	**390**	278	272
	$ 1,821	**$ 1,112**	$ 1,739	$ 1,808

The fair value of the non-convertible bonds and notes was determined based on market quotations (Level 1), except for the valuation of the suspended notes of EVRAZ plc (Note 12 *Suspension of Listing*) at 30 June 2022, which was determined at model-derived prices based on the reported trades (Level 2).

15. Subsequent Events

After the reporting period the Group early settled certain long-term USD-denominated bank loans totalling $92 million in full.