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Evraz Plc - EVR
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Annual Financial Report



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EVRAZ plc

EVRAZ PUBLISHES 2016 ANNUAL REPORT AND REPORTS FULL YEAR 2016 RESULTS

1 March 2017 - EVRAZ plc ("EVRAZ" or "the Company") (LSE: EVR) has today:

- posted its Annual Report for the year ended 31 December 2016 ("2016 Annual Report") on its website: http://www.evraz.com/investors/annual_reports/; and
- submitted to the UK National Storage Mechanism a copy of its 2016 Annual Report in accordance with LR 9.6.1 R.

The 2016 Annual Report will shortly be available for inspection on the National Storage Mechanism <http://www.morningstar.co.uk/uk/NSM>

The 2016 Annual Report and the Notice of the Company's Annual General Meeting, which will be held on 20 June 2017 in London, will be posted to shareholders in mid-May 2017.

The Appendix to this announcement contains additional information which has been extracted from the 2016 Annual Report for the purposes of compliance with DTR 6.3.5 only and should be read in conjunction with this announcement. Together these constitute the material required by DTR 6.3.5 and DTR 4.2.3 to be communicated to the media in unedited full text through a Regulatory Information Service. This announcement should be read in conjunction with and is not a substitute for reading the full 2016 Annual Report. Page and note references in the text below refer to page numbers and notes in the 2016 Annual Report.

EVRAZ ANNOUNCES ITS AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The financial information contained in this document for the year ended 31 December 2016 does not constitute statutory accounts as defined by section 435 of the Companies Act 2006. The audited statutory accounts for the year ended 31 December 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered following the Company's annual general meeting convened for 20 June 2017.

The auditor has reported on the statutory accounts for the year ended 31 December 2016. The auditor's report was unqualified.

FY 2016 HIGHLIGHTS

- Strong free cash flow of US\$659 million (FY2015: US\$799 million)
- Continued reduction in net debt: US\$4.8 billion (FY2015: US\$5.3 billion)
- Cost saving of US\$316 million due to ongoing productivity improvements and cost-cutting initiatives
- Consolidated EBITDA of \$1,542m, up 7.2% from \$1,438m in FY2015, driving the EBITDA margin from 16.4% to 20.0% due to numerous improvement initiatives and more favourable market conditions
- Net loss of US\$188 million vs. US\$719 million in FY2015 mostly due to impairment of assets (US\$465 million)
- Secure position as one of the lowest-cost producers of steel and raw materials in Russia:
 - cash cost of slabs decreased to US\$183/t from US\$193/t in FY2015
 - cash costs of washed coking coal of US\$30/t (FY2015: US\$31/t)
 - cash costs of iron ore products (58% Fe content) of US\$26/t (FY2015: US\$30/t)

FINANCIAL HIGHLIGHTS

(US\$ million)	FY2016	FY2015	Change,%
Consolidated revenue	7,713	8,767	(12.0)
Profit/loss from operations	463	(24)	n/a
Consolidated EBITDA ¹	1,542	1,438	7.2
Net profit/loss	(188)	(719)	(73.9)
Earnings/loss per share, basic (US\$)	(0.15)	(0.45)	66.7
Net cash flows from operating activities	1,503	1,622	(7.3)
CAPEX ²	428	428	-

	31 December 2016	31 December 2015	
Net debt ³	4,802	5,349	(10.2)
Total assets	9,204	9,119	0.9

¹ See p.260 of EVRAZ plc Annual Report 2016 for the definition of EBITDA.

² Including payments on deferred terms recognised in financing activities and non-cash transactions.

³ See p.261 of EVRAZ plc Annual Report 2016 for the calculation of net debt.

EVRAZ Chief Executive Officer, Alexander Frolov, commented

"Overall, thanks to favourable market conditions and numerous improvement initiatives, we delivered fairly strong financial results. EBITDA reached US\$1,542 million, up 7.2% from US\$1,438 million in 2015, driving the EBITDA margin from 16.4% to 20.0%, while free cash flow totalled US\$659 million. Among others, I would like to highlight the following two initiatives.

In 2016 our cost-cutting programme brought an overall effect of US\$316 million which helped us to further solidify our low-cost steel and coking coal positions globally.

An additional effect of US\$169 million was realised through our customer focus initiatives largely associated with our product portfolio development.

As we progress into 2017, we remain cautiously optimistic about the market environment and expect that our continuous cost improvement initiatives along with moderate CAPEX spend will enable us to generate resilient free cash flow and further decrease leverage."

CONFERENCE CALL AND WEBCAST

A conference call to discuss the results hosted by Alexander Frolov, CEO, and Nikolay Ivanov, CFO, will commence on Wednesday, 1 March 2017, at:

2 pm (London Time)
5 pm (Moscow Time)
9 am (New York Time)

To join the call please dial:

+44 1452 55 5566 London
+7 499 677 1036 Russia
+1 631 510 7498 New York
Conference ID 70567760

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

The FY2016 results presentation will be available on the Company's website www.evraz.com on Wednesday, 1 March 2017, at the following link:

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

MP3 recording will be available on Thursday, 2 March 2017, at the following link:

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

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, 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 LICENSES, 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.

FINANCIAL REVIEW

STATEMENT OF OPERATIONS

The Group's consolidated FY2016 revenues decreased by 12.0% to US\$7,713 million compared to US\$8,767 million in 2015 primarily as a result of falling prices and decreased demand in Q1 2016; starting from Q2 2016 the situation on EVRAZ' main markets started to improve.

In 2016, the Steel segment's revenues (including inter-segment) decreased by 8.2% year-on-year to US\$5,497 million or 63.6% of the Group's total before elimination. The reduction was mainly attributable to lower revenues from sales of steel products, which fell by 8.6% year-on-year, primarily due to a drop in prices (down 4.9%) in line with global benchmarks. Revenues from sales of steel products were also impacted by changes in the Group's sales volumes (down 3.7%), which decreased from 12.8 million tonnes in 2015 to 12.3 million tonnes in 2016 on the back of worsening conditions on key markets, lower output at EVRAZ ZSMK due to planned capital repairs of blast furnaces, and the deconsolidation of EVRAZ Highveld Steel and Vanadium in April 2015.

The Steel, North America segment's revenues fell by 35.5% year-on-year. The segment's revenues from sales of steel products dropped by 35.9%, driven by lower sales volumes (down 24.8%) and prices (down 11.1%). The key drivers of these, in turn, were significant reductions in EVRAZ North America's oil country tubular goods (OCTG) sales, resulting from a market slump amid low oil prices, weak tubular and rail markets in North America, and delays in pipeline projects.

The Coal segment's revenues rose by 23.8% year-on-year, supported by higher sales prices (up 21.4%) and volumes (up 2.4%). The increase in volumes was the result of the completion of longwall moves, as well as more favourable geological conditions at the

Erunakovskaya-8 mine, improved productivity at the Uskovskaya and Osinnikovskaya mines, and the launch of room-and-pillar mining operations at Mezhegyugol.

In 2016, the Steel segment's EBITDA fell amid negative steel price trends and a reduction in sales volumes. This was partly offset by lower expenses in US dollar terms due to rouble depreciation, as well as the effects of cost-cutting initiatives implemented in 2016 as part of the ongoing productivity improvement programme.

Higher prices for coking coal and scrap in local currencies also contributed to the decrease in the Steel segment's EBITDA, which was partially countered by lower prices for iron ore and ferroalloys on the Russian market.

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

The Coal segment's EBITDA increased year-on-year on the back of higher sales prices and volumes, accompanied by the effects of cost-cutting initiatives and rouble depreciation, which was favourable for costs.

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

Revenues				
(US\$ million)				
Segment	2016	2015	Change	Change, %
Steel	5,497	5,987	(490)	(8.2)
Steel, North America	1,464	2,270	(806)	(35.5)
Coal	1,322	1,068	254	23.8
Other operations	363	433	(70)	(16.2)
Eliminations	(933)	(991)	58	(5.9)
Total	7,713	8,767	(1,054)	(12.0)

Revenue by region				
(US\$ million)				
Region	2016	2015	Change	Change, %
Russia	3,080	3,104	(24)	(0.8)
Americas	1,722	2,566	(844)	(32.9)
Asia	1,372	1,354	18	1.3
CIS (excl. Russia)	630	664	(34)	(5.1)
Europe	640	815	(175)	(21.5)
Africa and the rest of the world	269	264	5	1.9
Total	7,713	8,767	(1,054)	(12.0)

EBITDA*				
(US\$ million)				
Segment	2016	2015	Change	Change, %
Steel	1,004	1,081	(77)	(7.1)
Steel, North America	28	55	(27)	(49.1)
Coal	644	351	293	83.5
Other operations	17	14	3	21.4
Unallocated	(109)	(130)	21	(16.2)
Eliminations	(42)	67	n/a	n/a
Total	1,542	1,438	104	7.2

* For the definition of EBITDA, please refer to p.260 of the Annual Report 2016

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

Effect of Group's cost-cutting initiatives in 2016	
(US\$ million)	
Cost-cutting initiatives and productivity improvements, including	184
Broad optimisation program (incl. services, yields, auxiliary materials' structure) across North American and Ukrainian assets	50
Increased productivity and cost reduction at iron ore assets	28
Yields, raw materials' structure and services optimisation at Russian steel assets	44
Productivity improvement and cost reduction at coal assets	56
Vanadium operations improvement	6
Optimisation of asset portfolio	13

Reduction of general and administrative (G&A) costs and non-G&A headcount	119
Total	316

Revenues, cost of revenue and gross profit of segments

(US\$ million)

	2016	2015	Change, %
Steel segment			
Revenues	5,497	5,987	(8.2)
Cost of revenue	(4,068)	(4,431)	(8.2)
Gross profit	1,429	1,556	(8.2)
Steel, North America segment			
Revenues	1,464	2,270	(35.5)
Cost of revenue	(1,243)	(1,977)	(37.1)
Gross profit	221	293	(24.6)
Coal segment			
Revenues	1,322	1,068	23.8
Cost of revenue	(701)	(758)	(7.5)
Gross profit	621	310	100.3
Other operations - gross profit	85	111	(23.4)
Unallocated - gross profit	(7)	(6)	16.7
Eliminations - gross profit	(157)	(80)	96.3
Total	2,192	2,184	0.4

Selling and distribution expenses decreased by 14.4% in 2016 due to rouble weakening and lower sales volumes to third parties.

General and administrative expenses fell by 15.2% in 2016. This was caused by lower staff costs, mainly due to headcount optimisations at EVRAZ North America and the Russian steel and coal plants, as well as to rouble and hryvnia weakening.

Impairment losses during the reporting period mainly include the write-off of goodwill and of certain functionally obsolete items of property, plant and equipment at subsidiaries in the US and Canada totalling US\$430 million. The major drivers that led to impairment were the changes in expectations of long-term prices for iron ore and steel products, the increase in forecast costs and changes in forecast production volumes.

Foreign exchange losses arose as a result of the depreciation of the Russian rouble, Ukrainian hryvnia, Kazakh tenge and Canadian dollar.

The subsidiaries in these countries have US dollar-denominated debts, such as bonds and bank loans. In addition, there are some intragroup debts between subsidiaries with different functional currencies and, consequently, gains/(losses) of one subsidiary recognised in the statement of operations are not offset by the exchange differences of another subsidiary with a different functional currency.

Interest expenses incurred by the Group increased despite achieved debt reduction mainly due to growth of US dollar base rates that affects debt bearing variable interest rate and the larger portion of rouble-denominated debt, that bears higher nominal rates than debt denominated in US dollars. The interest expense for bank loans, bonds and notes amounted to US\$439 million in 2016 and US\$430 million in 2015.

Losses on financial assets and liabilities amounted to US\$9 million and included, among other things, US\$273 million of unrealised gains and US\$250 million of realised losses on changes in the fair value of derivatives not designated as hedging instruments, accompanied by a realised gain amounting to US\$14 million related to the interest portion of the change in fair value of the swaps-hedging instruments for rouble-denominated bonds. This effect was offset by a US\$50 million loss on repaying debt, which is primarily a premium on repurchasing US dollar-denominated bonds.

In the reporting period, the Group had an income tax expense of US\$96 million, compared with US\$12 million in 2015. The change reflects the Group's better operating results.

Gross profit, expenses and results

(US\$ million)

Item	2016	2015	Change	Change, %
Gross profit	2,192	2,184	8	0.4
Selling and distribution costs	(623)	(728)	105	(14.4)
General and administrative expenses	(469)	(553)	84	(15.2)
Impairment of assets	(465)	(441)	(24)	5.4
Foreign exchange gains/(losses), net	(48)	(367)	319	(86.9)
Other operating income and expenses, net	(124)	(119)	(5)	4.2
Profit/(loss) from operations	463	(24)	487	n/a
Interest expense, net	(471)	(466)	(5)	1.1
Gain/(loss) on financial assets and liabilities, net	(9)	(48)	39	81.3
Gain on disposals classified as held for sale, net	-	21	(21)	n/a

Loss of control over a subsidiary	-	(167)	167	n/a
Other non-operating gains/(losses), net	(75)	(23)	(52)	n/a
Loss before tax	(92)	(707)	615	(87.0)
Income tax benefit/(expense)	(96)	(12)	(84)	n/a
Net loss	(188)	(719)	531	(73.9)

Cash flow

(US\$ million)

Item	2016	2015	Change	Change, %
Cash flows from operating activities before change in working capital	1,343	1,293	50	3.9
Changes in working capital	160	329	(169)	(51.4)
Net cash flows from operating activities	1,503	1,622	(119)	(7.3)
Short-term deposits at banks, including interest	4	4	-	-
Purchases of property, plant and equipment and intangible assets	(382)	(423)	41	9.7
Proceeds from sale of disposal classified as held for sale, net of transaction costs	27	44	(17)	(38.6)
Other investing activities	11	16	(5)	(31.3)
Net cash flows used in investing activities	(340)	(359)	19	(5.3)
Net cash flows used in financing activities	(1,369)	(962)	(407)	42.3
Effect of foreign exchange rate changes on cash and cash equivalents	(10)	(12)	2	(16.7)
Net increase/(decrease) in cash and cash equivalents	(216)	289	(505)	n/a

Net cash flows from operating activities decreased by 7.3% compared with 2015 and US\$160 million was attributed to the release in net working capital. Free cash flow for the period was US\$659 million.

Calculation of free cash flow*

(US\$ million)

Item	2016	2015	Change	Change, %
EBITDA	1,542	1,438	104	7.2
EBITDA excluding non-cash items	1,549	1,420	134	9.4
Changes in working capital	160	329	(169)	(51.4)
	(183)	(99)	(84)	84.9
Income tax accrued				
Social and social infrastructure maintenance expenses	(23)	(28)	5	(17.9)
Net cash flows from operating activities	1,503	1,622	(119)	(7.4)
Interest and similar payments	(454)	(452)	(2)	0.4
Capital expenditures, including recorded in financing activities	(428)	(428)	-	-
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	27	44	(17)	(38.6)
Other cash flows from investing activities	11	16	(5)	(31.3)
Equity transactions	-	(3)	3	(100.0)
Free cash flow	659	799	(140)	(17.5)

* For the definition of free cash flow, please refer to p.260 of the Annual Report 2016.

CAPEX AND KEY PROJECTS

In 2016, EVRAZ maintained a low level of capital expenditures of US\$428 million. Two projects at EVRAZ Regina in Canada made good progress with the launch scheduled in Q1 2017. The Mezhegy coal mine project launched in Q2 2016 and is now ramping up production volumes. EVRAZ NTMK continued implementing its grinding ball mill construction project (in 2016 the engineering work was finished) and also started implementing the blast furnace 7 project (first iron is scheduled at the end of 2017).

Capital expenditures (including those recognised in financing activities) for 2016 in millions of US dollars can be summarised as follows:

Capital expenditures in 2016

(US\$ million)

Steel mill upgrade	82	Upgrade of EVRAZ Regina steel mill. In progress since Q2 2015. The aim is to improve steel quality, increase capacity for casting by 110 kt and rolling by 250 kt, and result in a crown yield saving from 0.75% to 1.1%.
Construction of an LDP mill	24	Construction of a new mill at EVRAZ Regina has been in progress since Q2 2015 and is due to be completed in Q1 2017. Expected to add 150 kt of tubular product capacity.
Blast furnace 7	10	Construction of blast furnace 7 at EVRAZ NTMK has been in progress since Q3 2016. It is an alternative to the halt of blast furnace 6 for category-1 repairs.
Iron ore capacity expansion	5	The Sheregesh mine's output is due to reach 4.8 mtpa of raw ore.
Coal deposit development	4	Mezhegy (phase 1) was launched in Q2 2016. Capacity of 1.5 mtpa.
Grinding ball mill construction	2	Construction of a new grinding ball mill at EVRAZ NTMK has been in progress since Q2 2015 and is due to be completed in Q3 2018. Expected to increase ball production to 300 kt by 2018.
Other development projects	37	
Maintenance	264	
Total	428	

FINANCING AND LIQUIDITY

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

In March, EvrazHolding Finance LLC issued RUB15 billion (around US\$221 million at the exchange rate on the transaction date) in five-year exchange-traded bonds due in 2021 with a 12.60% coupon payable semi-annually.

In April, EVRAZ entered into a multi-currency facility agreement with VTB Bank governing the general terms and conditions of loans of up to seven years with a total borrowing limit of US\$300 million equivalent. During 2016, two tranches amounting to US\$150 million and US\$99 million were utilised under the facility in the form of loans repayable in 12 equal quarterly instalments starting April and September 2020, respectively.

In June, Evraz Group S.A. issued a US\$500 million Eurobond due in 2022 with a 6.75% coupon payable semi-annually.

In October, EVRAZ utilised an additional US\$85 million under its Framework agreement with Alfa-Bank repayable in 10 equal quarterly instalments starting in October 2020.

Proceeds from these new borrowings from banks and capital markets were used to refinance EVRAZ' existing maturities, primarily those coming due in 2017 and 2018, thus not increasing overall debt and extending the repayment schedule.

During 2016, in order to reduce total debt and interest expense, as well as to extend the maturity profile, EVRAZ prepaid several bank facilities, namely US\$120 million of its US\$500 million syndicated pre-export financing facility, US\$81 million of the total principal of its US\$125 million facility with Unicredit, US\$87 million of its US\$100 million facility with Nordea Bank, and the loan from Development Bank of Kazakhstan with a principal amount of US\$90 million together with capitalised interest of US\$23 million.

In April, EVRAZ prepaid €60 million of the outstanding principal under its credit facility with Gazprombank, and later in August 2016, the Group signed new loans with Gazprombank with amounts of approximately RUB18 billion and €180 million. During the following several months after signing, EVRAZ refinanced its existing credit facility with this bank: upon completion of the refinancing process, the maturity of this facility split into tranches of 30% and 70% of the principal was moved to 2021 and 2022, respectively.

During 2016, EVRAZ partly repurchased during two tender offers (in April and June), as well as from the open market, US\$496 million of the outstanding principal of its 2018 Eurobonds, US\$160 million of Raspadskaya's Eurobonds, and US\$109 million of its 2017 Eurobonds. The remaining US\$177 million principal of its 2017 Eurobonds was called in full and settled in August.

As a result of these actions, as well as scheduled drawings and repayments of bank loans, total debt fell by US\$763 million to US\$5,961 million as at 31 December 2016, while net debt dropped by US\$547 million to US\$4,802 million, compared with US\$5,349 million as at 31 December 2015.

Due to the larger portion of rouble-denominated debt and growth of US dollar base rates during 2016, interest expenses accrued in respect of loans, bonds and notes were US\$439 million in 2016, compared with US\$430 million in 2015.

Net debt to EBITDA stood at 3.1 times, compared with 3.7 times as at 31 December 2015.

As at 31 December 2016, debt with financial maintenance covenants comprised a syndicated pre-export financing facility and various bilateral facilities with a total outstanding principal of around US\$1,829 million. The maintenance covenants under these facilities include the two key ratios calculated on the basis of EVRAZ plc's consolidated financials: a maximum net leverage and a minimum EBITDA interest cover. In H1 2016, EVRAZ signed amendments to these facilities, whereby the testing of financial ratios was suspended for three semi-annual testing periods starting 30 June 2016, subject to compliance with certain additional restrictions on indebtedness and dividends. As a result, currently only one of the outstanding facilities has the minimum EBITDA interest cover ratio tested against a comfortable level of 1.5x.

As at 31 December 2016, EVRAZ was in full compliance with its financial covenants. Cash amounted to US\$1,157 million and short-term loans and the current portion of long-term loans stood at US\$392 million. Cash-on-hand and committed credit facilities are sufficient to cover all of EVRAZ' debt principal maturing in 2017 and 2018.

KEY RECENT DEVELOPMENTS

In January 2017, EVRAZ made a partial prepayment of its US\$500 million syndicated pre-export financing facility, settling another US\$110 million of principal. The remaining outstanding under this facility is US\$270 million.

REVIEW OF OPERATIONS BY SEGMENT

(US\$ million)	Steel		Steel, NA		Coal		Other	
	2016	2015	2016	2015	2016	2015	2016	2015

Revenues	5,497	5,987	1,464	2,270	1,322	1,068	363	433
EBITDA	1,004	1,081	28	55	644	351	17	14
EBITDA margin	18.3%	18.1%	2.0%	2.4%	48.7%	32.9%	4.7%	3.2%
CAPEX	163	183	165	137	93	101	7	7

Steel segment

Sales review

The Steel segment's revenues fell, mainly due to lower revenues from sales of steel products. The main drivers were lower prices (down 4.9%, mainly on semi-finished products) and sales volumes (down 3.7%, primarily of construction products).

Revenues from external sales of semi-finished products dropped by 9.3% due to lower average prices (down 9.3%). External sales of billets rose, while volumes of slabs and pig iron decreased compared with 2015, as billets had a higher profit margin. Lower slab volumes, mainly to the Russian and European markets, were partially offset by increased billet shipments to Africa.

Revenues from sales of construction products to third parties dropped, mostly due to reduced volumes (down 9.8%) as a result of weaker demand in the CIS (including Russia) and lower average prices (down 1.0%).

Revenues from external sales of railway products increased due to higher sales volumes (up 12.6%), partially offset by lower average prices (down 6.4%). The increase of railway products sales volumes in 2016 was attributable to operational improvements at EVRAZ ZSMK's rolling mill, an improved product mix, higher demand for rails from Russian Railways and export customers, as well as higher demand for railcar sections.

External revenues from flat-rolled products dropped. This was mostly due to lower sales volumes (down 8.4%) and average prices (down 1.1%) following the deconsolidation of EVRAZ Highveld Steel and Vanadium, as well as to reduced demand.

Revenues from external sales of steel products in Russia decreased by 5.1% year-on-year, mainly due to reduced sales volumes (down 7.7%). However, the share of Russia in external sales of steel products increased from 48.3% in 2015 to 49.7% in 2016, mainly due to shifting sales from Europe and the CIS to the domestic market.

Steel segment revenues by products

	2016		2015		
	US\$ million	% of total segment revenues	US\$ million	% of total segment revenues	Change, %
Steel products, external sales	4,469	81.3	4,852	81.0	(7.9)
Semi-finished products*	1,694	30.8	1,867	31.2	(9.3)
Construction products**	1,783	32.4	1,999	33.4	(10.8)
Railway products***	584	10.6	550	9.2	6.2
Flat-rolled products****	162	2.9	179	3.0	(9.5)
Other steel products*****	246	4.6	257	4.3	(4.3)
Steel products, intersegment sales	184	3.3	238	4.0	(22.7)
Including sales to Steel, North America	176	3.2	232	3.9	(24.1)
Iron ore products	155	2.8	167	2.8	(7.2)
Vanadium products	301	5.5	304	5.1	(0.9)
Other revenues	3888	7.1	426	7.1	(8.9)
Total	5,497	100.0	5,987	100.0	(8.2)

* Includes billets, slabs, pig iron, pipe blanks and other semi-finished products.

** Includes rebars, wire rods, wire, beams, channels and angles.

*** Includes rails, wheels, tyres and other railway products.

**** Includes commodity plate and other flat-rolled products.

***** Includes rounds, grinding balls, mine uprights and strips, tubular products.

Geographic breakdown of external steel product sales

(US\$ million)

	2016	2015	Change, %
Russia	2,222	2,342	(5.1)
Asia	1,001	1,047	(4.4)
Europe	438	578	(24.2)
CIS	384	437	(12.1)
Africa, America and rest of the world	424	448	(5.4)
Total	4,469	4,852	(7.9)

The Steel segment's revenues from sales of iron ore products fell by 7.2%. This was due to a decrease in sales volumes (down 4.5%) following the deconsolidation of EVRAZ Highveld Steel and Vanadium, as well as to lower iron ore prices (down 2.7%). Prices for iron ore products generally subsided in 2016, moving in line with global benchmarks.

The Steel segment's revenues from sales of vanadium products slipped by 0.7% due to a decrease in sales volumes (down 7.5%), which stemmed from the deconsolidation of EVRAZ Highveld Steel and Vanadium. This was partially offset by higher sales prices (up 6.8%), in line with market trends.

Steel segment cost of revenue

The Steel segment's cost of revenues fell by 8.2% year-on-year in 2016. The main reasons for the decline were:

- The cost of raw materials decreased by 3.5% due to several changes
 - Iron ore consumption declined by 17.2%, amid lower pig iron production at EVRAZ ZSMK and a decrease in iron ore prices in local currencies on the Russian market, accompanied by rouble and hryvnia weakening in 2016. The reduction was partially offset by an increase in consumption of iron ore at EVRAZ DMZ due to higher pig iron output and an increase in prices in local currencies on the Ukrainian market.
 - Coking coal consumption surged by 10.3%, driven by higher global benchmark prices. This was partially offset by rouble and hryvnia weakening, as well as the deconsolidation of EVRAZ Highveld Steel and Vanadium.
 - Scrap consumption dropped by 7.1%, largely due to the rouble and hryvnia weakening, albeit partially offset by higher scrap prices in local currencies.
 - Other raw materials fell primarily due to the rouble's weakening, the deconsolidation of EVRAZ Highveld Steel and Vanadium, and a decrease in prices for vanadium materials and ferroalloys in 2016.
 - The decline in raw material costs is also attributable to cost-cutting initiatives, which reduced consumption.
- Auxiliary material costs were down by 8.2%, primarily due to the rouble's weakening and the deconsolidation of EVRAZ Highveld Steel and Vanadium. This was partly offset by higher prices in local currencies (mainly for refractories).
- Lower service costs were driven by the rouble and hryvnia weakening, as well as the deconsolidation of EVRAZ Highveld Steel and Vanadium.
- Transportation costs decreased by 9.6%, primarily due to the rouble's weakening.
- Staff costs fell by 14.3%, largely due to the rouble and hryvnia weakening and headcount optimisation, accompanied by the effect of EVRAZ Highveld Steel and Vanadium's deconsolidation. This was partly offset by wage inflation at Russian sites.
- Depreciation and depletion costs dropped by 7.0%, driven mainly by local currency depreciation.
- Lower energy costs were driven by the rouble and hryvnia weakening, accompanied by the effect of the deconsolidation of EVRAZ Highveld Steel and Vanadium. Lower energy costs were partly offset by an increase in tariffs in local currencies.
- Other costs decreased, primarily due to changes in goods for resale, intragroup URP, and the rouble and hryvnia weakening.

Steel segment cost of revenue

	2016		2015		Change, %
	US\$ million	% of segment revenue	US\$ million	% of segment revenue	
Cost of revenue	4,068	74.0	4,431	74.0	(8.2)
Raw materials	1,720	31.3	1,782	29.8	(3.5)
Iron ore	289	5.3	349	5.8	(17.2)
Coking coal	826	15.0	749	12.5	10.3
Scrap	274	5.0	295	4.9	(7.1)
Other raw materials	331	6.0	389	6.6	(14.9)
Auxiliary materials	314	5.7	342	5.7	(8.2)
Services	221	4.0	276	4.6	(19.9)
Transportation	347	6.3	384	6.4	(9.6)
Staff costs	456	8.3	532	8.9	(14.3)
Depreciation	213	3.9	229	3.8	(7.0)
Energy	393	7.1	448	7.5	(12.3)
Other*	404	7.4	438	7.3	(7.8)

* Includes goods for resale, taxes in cost of revenues, semi-finished products and inter-segment unrealised profit.

Steel segment gross profit

The Steel segment's gross profit decreased by 8.2% year-on-year, driven primarily by lower revenues from sales of steel products.

Steel, North America segment

Sales review

The segment's revenues from steel product sales decreased due to lower sales volumes (down 24.8%) and the impact of lower sales prices (down 11.1%). Output declined mainly due to weak tubular and rail markets, along with extended planned outages in 2016.

Revenues from sales of construction products fell by 26.9%, primarily due to lower sales prices (down 14.7%) and sales volumes (down 12.2%). The fall in sales volumes was attributable to reduced demand for rod and bar products, as well as to the disposal of a structural tubing facility in Portland in March 2015.

Railway product revenues declined by 46.7%, driven by a 38.0% drop in volumes and a 8.7% reduction in average prices, in line with the general price trend in the US steel market. The rail market fundamentals were less positive, given moderate CAPEX of the Class-1 railroads due to lower traffic and a surplus inventory of rails.

Revenues from flat-rolled products fell, mainly due to lower prices (down 9.1%) and sales volumes (down 6.0%), which was caused by deteriorating conditions in the segment.

Revenues from tubular product sales decreased by 42.1%, primarily due to lower sales volumes (down 34.4%) and sales prices (down 7.7%). The drop in sales volumes was driven by weaker demand for OCTG, which in turn was caused by a slowdown in drilling activities due to the slump in oil prices.

Steel, North America segment revenues by product

	2016		2015		Change, %
	US\$ million	% of total segment revenue	US\$ million	% of total segment revenue	
Steel products	1,350	92.2	2,105	92.7	(35.9)
Construction products*	158	10.8	216	9.5	(26.9)
Railway products**	232	15.8	435	19.2	(46.7)
Flat-rolled products***	372	25.4	438	19.3	(15.1)
Tubular products****	588	40.2	1,016	44.7	(42.1)
Other revenues*****	114	7.8	165	7.3	(30.9)
Total	1,464	100.0	2,270	100.0	(35.5)

* Includes beams, rebars and structural tubing.

** Includes rails and wheels.

*** Includes commodity plate, specialty plate and other flat-rolled products.

**** Includes large-diameter line pipes, ERW pipes and casing, seamless pipes, casing and tubing.

***** Includes scrap and services.

Steel, North America segment cost of revenue

The Steel, North America segment's cost of revenues fell by 37.1% year-on-year in 2016. The main drivers were:

- Raw material costs dropped by 39.3%, primarily due to lower consumption of scrap, ferroalloys and other raw materials. The main reasons for this were lower volumes of crude steel and finished products (primarily tubular products and rails), as well as cost-cutting initiatives, which reduced consumption.
- Costs of semi-finished products fell by 44.6%, amid lower production volumes of tubular products and a decline in prices for purchased slab.
- Auxiliary material costs decreased by 37.0%, as production volumes of crude steel and finished products dropped compared with 2015 and a cost-cutting plan was implemented.
- Service costs were down by 33.8%, as production volumes in 2016 fell year-on-year.
- Energy costs fell, due to a reduction in energy consumption resulting from a drop in production volumes and lower tariffs for energy and natural gas.
- Other costs decreased primarily due to changes in allowances for inventories on the back of lower inventory write-offs and slowmoving adjustments as a result of reduced inventory volumes, accompanied by the decline in transportation costs and changes in goods for resale.

Steel North America segment cost of revenue

	2016		2015		Change, %
	US\$ million	% of segment revenue	US\$ million	% of segment revenue	
Cost of revenue	1,243	84.9	1,977	87.1	(37.1)
Raw materials	390	26.6	643	28.3	(39.3)
Semi-finished products	196	13.4	354	15.6	(44.6)
Auxiliary materials	102	7.0	162	7.1	(37.0)
Services	106	7.2	160	7.0	(33.8)
Staff costs	196	13.4	254	11.2	(22.8)
Depreciation	100	6.8	107	4.7	(6.5)
Energy	85	5.8	106	4.7	(19.8)
Other*	68	4.7	191	8.5	(64.4)

* Includes primarily allowances for inventories, goods for resale, certain taxes, transportation and inter-segment unrealised profit.

Steel, North America segment gross profit

The Steel, North America segment's gross profit totalled US\$221 million in 2016, down from US\$293 million in 2015. The decline was primarily due to lower sales volumes amid the downturn on the OCTG and rail markets.

Coal segment

Sales review

The segment's overall revenues increased amid growth of sales prices due to the recovery of global demand. Additional support came from a temporary domestic supply deficit following the accident at Vorkutaugol's Severnaya mine.

Sales volumes rose due to higher annual output at the Erunakovskaya-8 mine in 2016, following longwall moves and unfavourable geological conditions in 2015. In addition, productivity at the Uskovskaya and Osinnikovskaya mines improved, and annual output at Mezhegeyugol rose following the launch of room-and-pillar mining operations in 2016.

Revenues from internal sales of coal products increased due to higher prices (up 15.9%), partially offset by lower sales volumes (down 0.6%). Revenues from external sales of coal products also rose due to higher prices (up 21.7%) and sales volumes (up 4.1%).

In 2016, the Coal segment's sales to the Steel segment amounted to US\$483 million (36.5% of sales), compared with US\$419 million (39.2%) in 2015.

During the reporting period, roughly 48% of EVRAZ' coking coal consumption in steelmaking came from the Group's own operations, compared with 51% in 2015.

Coal segment revenues by product

	2016		2015		Change, %
	US\$ million	% of total segment revenue	US\$ million	% of total segment revenue	
External sales					
Coal products	756	57.2	601	56.2	25.8
Coking coal	66	5.0	58	5.4	13.8
Coal concentrate	690	52.2	543	50.8	27.1
Inter-segment sales					
Coal products	451	34.1	391	36.6	15.3
Coking coal	42	3.2	47	4.4	(10.6)
Coal concentrate	409	30.9	344	32.2	18.9
Other revenues	115	8.7	76	7.2	51.3
Total	1,322	100.0	1,068	100.0	23.8

Coal segment cost of revenue

The main factors behind the decrease in the segment's cost of revenues compared with 2015 were:

- The cost of auxiliary materials decreased in 2016, primarily due to rouble weakening, as well as to the effect of cost-cutting initiatives.
- The increase in services costs was due to higher production volumes, though this was partially offset by rouble depreciation.
- Transportation costs declined as a result of the rouble weakening, which was partially offset by an increase in costs due to higher sales volumes in 2016.
- Staff costs were down due to rouble weakening and asset optimisation initiatives.
- Depreciation and depletion costs fell mostly due to rouble weakening and asset optimisation initiatives, including the suspension of operations at Rospadskaya's MUK-96 mine and the closure of a mine field 1 at Rospadskaya Koksovaya.
- Energy costs fell due the effect of currency movements, albeit partly offset by higher electricity prices in local currencies.
- Other costs increased, primarily due to changes in goods for resale and raw material costs, partially offset by the effect of the rouble weakening.

Coal segment cost of revenue

	2016		2015		Change, %
	US\$ million	% of segment revenue	US\$ million	% of segment revenue	
Cost of revenue	701	53.0	758	71.0	(7.5)
Auxiliary materials	113	8.5	106	9.9	(6.6)
Services	85	6.4	74	6.9	14.9
Transportation	126	9.5	146	13.7	(13.7)
Staff costs	163	12.3	194	18.2	(16.0)
Depreciation	135	10.2	156	14.6	(13.5)
Energy	37	2.8	38	3.6	(2.6)
Other*	42	3.3	44	4.1	(4.5)

* Includes primarily goods for resale and certain taxes, allowance for inventory, raw materials and inter-segment unrealised profit.

Coal segment gross profit

The Coal segment's gross profit amounted to US\$621 million in 2016, up from US\$310 million in 2015. The gross profit margin rose, primarily due to the increase in sales prices and volumes, cost-cutting initiatives and rouble depreciation's influence on costs.

APPENDIX

KEY RISKS AND UNCERTAINTIES

EVRAZ is exposed to numerous risks and uncertainties that exist in its business that may affect its ability to execute its strategy effectively in 2017 and could cause the actual results to differ materially from expected and historical results.

Despite the ongoing market volatility described in the Market Outlook section, the Directors consider that the principal risks and uncertainties as summarised below and detailed in the EVRAZ plc 2016 Annual Report on pages 34 to 35, copies of which are available at http://www.evraz.com/investors/annual_reports/, are relevant in 2017 and the mitigating actions described are appropriate.

Key risks:

Risk	Definition
Global economic factors, industry conditions, industry cyclicality	EVRAZ' operations are dependent on the global macroeconomic environment, as well as economic and industry conditions, eg the global supply and demand balance for steel, iron ore and coking coal, which affect both product prices and volumes across all markets. The Group's operations involve substantial fixed costs, and global economic and industry conditions can impact the Group's operational performance.
Product competition	Excessive supply on the global market and greater competition. Low demand for construction products and increasing competition in this segment. Increasing competition in the rail product segment. Excessive supply of slabs on the global market and intensified competition.
Cost effectiveness	Most of the Group's steel production remains sensitive to costs and prices. Given the substantial product share of commodity semi-finished, which requires less customer service and is more cost driven, maintaining a low-cost position is one of EVRAZ' key business objectives in steelmaking, as well as in the iron ore and coking coal mining businesses.
Treasury: finance availability	Impact from the possible introduction of limitations on repatriation of foreign-currency export revenues, as well as additional regulations or limitations on cross-border capital flows. Potential government action, including economic sanctions impacting Russian entities, might increase the Group's capital market risk regarding additional funding. EVRAZ is subject to counterparty risk via receivables from commercial customers. The Group's current debt facilities include certain covenants in relation to net debt and interest expense. A breach of these covenants could result in certain of the Group's borrowing facilities becoming repayable immediately.
Functional currency devaluation	Any significant fluctuation in subsidiaries' functional currencies relative to the US dollar could have a significant effect on the Group's financial accounts, which might impact its ability to borrow.
HSE: environmental	Steel and mining production carry an inherent risk of environmental impact and incidents relating to issues as diverse as water usage, quality of water discharged, air emissions, waste recycling, tailing management, air emissions (including greenhouse gases), and community satisfaction. Consequently, EVRAZ faces risks including regulatory fines, penalties, adverse impact on reputation and, in the extreme, the withdrawal of plant environmental licences, which would curtail operations indefinitely.
HSE: health, safety	Potential danger of fire, explosions and electrocution, as well as risks specific to individual mines: methane levels, rock falls and other accidents could lead to outage or production delays, loss of qualified personnel, loss of material, equipment or product, or extensive damage compensation. Breach of any HSE laws, regulations and standards may result in fines, penalties and adverse reputational impacts and, in the extreme, the withdrawal of mining operational licenses, thereby curtailing operations for an indefinite period.
Potential government action	New laws, regulations or other requirements could limit the Group's ability to obtain financing on international markets, sell its products and purchase equipment. Risk of capital controls that affect the Group in terms of free flow of capital. EVRAZ may also be adversely affected by government sanctions against Russian businesses or otherwise reducing its ability to conduct business with counterparties. Risk of adverse geopolitical situation in countries of operation.

Risk	Definition
Business interruption	Prolonged outages or production delays, especially in coal mining, could have a material adverse effect on the Group's operating performance, production, financial condition and future prospects. In addition, long term business interruption may result in a loss of customers and competitive advantage, and damage to the Group's reputation.

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

DIRECTOR'S RESPONSIBILITY STATEMENT

Each of the directors whose names and functions are listed on pages 100-101 of the Annual report confirm that to the best of their knowledge:

- the consolidated financial statements of EVRAZ plc, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole (the 'Group');
- the management report required by DTR 4.1.8R includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Alexander Frolov
Chief Executive Officer
EVRAZ plc

28 February 2017

EVRAZ plc
Consolidated Statement of Operations
(in millions of US dollars, except for per share information)

	Notes	Year ended 31 December		
		2016	2015*	2014*
Continuing operations				
Revenue				
Sale of goods	3	\$ 7,477	\$ 8,552	\$ 12,745
Rendering of services	3	236	215	316
		7,713	8,767	13,061
Cost of revenue	7	(5,521)	(6,583)	(9,734)
Gross profit		2,192	2,184	3,327
Selling and distribution costs	7	(623)	(728)	(930)
General and administrative expenses	7	(469)	(553)	(822)
Social and social infrastructure maintenance expenses		(23)	(28)	(30)
Loss on disposal of property, plant and equipment		(22)	(41)	(48)
Impairment of assets	6	(465)	(441)	(540)
Foreign exchange gains/(losses), net		(48)	(367)	(1,005)
Other operating income		22	28	35
Other operating expenses	7	(101)	(78)	(88)
Profit/(loss) from operations		463	(24)	(101)
Interest income	7	10	9	17
Interest expense	7	(481)	(475)	(563)
Share of profits/(losses) of joint ventures and associates	11	(23)	(20)	10
Gain/(loss) on financial assets and liabilities, net	7	(9)	(48)	(583)
Gain/(loss) on disposal groups classified as held for sale, net	12	-	21	136
Loss of control over a subsidiary	4	-	(167)	-
Other non-operating gains/(losses), net	7	(52)	(3)	-
Loss before tax		(92)	(707)	(1,084)
Income tax benefit/(expense)	8	(96)	(12)	(194)
Net loss		\$ (188)	\$ (719)	\$ (1,278)
Attributable to:				
Equity holders of the parent entity		\$ (215)	\$ (644)	\$ (1,175)
Non-controlling interests		27	(75)	(103)
		\$ (188)	\$ (719)	\$ (1,278)
Earnings/(losses) per share:				
for profit/(loss) attributable to equity holders of the parent entity, basic and diluted, US dollars	20	\$ (0.15)	\$ (0.45)	\$ (0.78)

* The amounts shown here do not correspond to the previously issued financial statements and reflect reclassifications described in Note 2.

EVRAZ plc

Consolidated Statement of Comprehensive Income
(in millions of US dollars)

	Notes	Year ended 31 December		
		2016	2015	2014
Net loss		\$ (188)	\$ (719)	\$ (1,278)
Other comprehensive income/(loss)				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>				
Exchange differences on translation of foreign operations into presentation currency		543	(820)	(1,918)
Exchange differences recycled to profit or loss	4,12	-	142	(66)
Net gains/(losses) on available-for-sale financial assets	13	-	-	(12)
		543	(678)	(1,996)
Effect of translation to presentation currency of the Group's joint ventures and associates	11	13	(27)	(79)
		13	(27)	(79)
<i>Items not to be reclassified to profit or loss in subsequent periods</i>				
Gains/(losses) on re-measurement of net defined benefit liability	23	11	1	(33)
Income tax effect	8	-	(5)	15
		11	(4)	(18)
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment	9	-	(1)	-
Income tax effect	8	-	-	-
		-	(1)	-
Total other comprehensive income/(loss)		567	(710)	(2,093)
Total comprehensive income/(loss), net of tax		\$ 379	\$ (1,429)	\$ (3,371)
Attributable to:				
Equity holders of the parent entity		\$ 341	\$ (1,340)	\$ (3,164)
Non-controlling interests		38	(89)	(207)
		\$ 379	\$ (1,429)	\$ (3,371)

EVRAZ plc
Consolidated Statement of Financial Position
(in millions of US dollars)

	Notes	31 December		
		2016	2015	2014
ASSETS				
Non-current assets				
Property, plant and equipment	9	\$ 4,652	\$ 4,302	\$ 5,796
Intangible assets other than goodwill	10	297	324	441
Goodwill	5	880	1,176	1,541
Investments in joint ventures and associates	11	64	74	121
Deferred income tax assets	8	156	119	97
Other non-current financial assets	13	91	79	98
Other non-current assets	13	45	56	40
		6,185	6,130	8,134
Current assets				
Inventories	14	984	899	1,372
Trade and other receivables	15	502	447	654
Prepayments		60	50	82
Loans receivable		13	5	24
Receivables from related parties	16	8	6	53
Income tax receivable		43	44	23
Other taxes recoverable	17	192	127	158
Other current financial assets	18	33	35	40
Cash and cash equivalents	19	1,157	1,375	1,086
		2,992	2,988	3,492
Assets of disposal groups classified as held for sale	12	27	1	4
		3,019	2,989	3,496
Total assets		\$ 9,204	\$ 9,119	\$ 11,630
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent entity				
Issued capital	20	\$ 1,507	\$ 1,507	\$ 1,507
Treasury shares	20	(270)	(305)	-

Additional paid-in capital	20	2,517	2,501	2,481
Revaluation surplus		112	124	155
Accumulated profits		415	644	1,299
Translation difference		(3,790)	(4,335)	(3,644)
		491	136	1,798
Non-controlling interests		186	133	218
		677	269	2,016
Non-current liabilities				
Long-term loans	22	5,502	5,850	5,470
Deferred income tax liabilities	8	348	352	471
Employee benefits	23	317	301	364
Provisions	24	205	146	173
Other long-term liabilities	25	94	116	442
		6,466	6,765	6,920
Current liabilities				
Trade and other payables	26	935	1,070	1,379
Advances from customers		266	228	155
Short-term loans and current portion of long-term loans	22	392	497	761
Payables to related parties	16	226	143	108
Income tax payable		39	17	86
Other taxes payable	27	169	107	151
Provisions	24	26	23	41
		2,053	2,085	2,681
Liabilities directly associated with disposal groups classified as held for sale	12	8	-	13
		2,061	2,085	2,694
Total equity and liabilities		\$ 9,204	\$ 9,119	\$ 11,630

EVRAZ plc
Consolidated Statement of Cash Flows
(in millions of US dollars)

	Year ended 31 December		
	2016	2015	2014
Cash flows from operating activities			
Net loss	\$ (188)	\$ (719)	\$ (1,278)
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:			
Deferred income tax (benefit)/expense (Note 8)	(87)	(87)	(163)
Depreciation, depletion and amortisation (Note 7)	521	585	833
Loss on disposal of property, plant and equipment	22	41	48
Impairment of assets	465	441	540
Foreign exchange (gains)/losses, net	48	367	1,005
Interest income	(10)	(9)	(17)
Interest expense	481	475	563
Share of (profits)/losses of associates and joint ventures	23	20	(10)
(Gain)/loss on financial assets and liabilities, net	9	48	583
(Gain)/loss on disposal groups classified as held for sale, net	-	(21)	(136)
Loss of control over a subsidiary	-	167	-
Other non-operating (gains)/losses, net	52	3	-
Bad debt expense	1	18	41
Changes in provisions, employee benefits and other long-term assets and liabilities	(7)	(56)	(62)
Expense arising from equity-settled awards (Note 21)	16	20	30
Other	(3)	-	(1)
	1,343	1,293	1,976
Changes in working capital:			
Inventories	(17)	204	(87)
Trade and other receivables	(38)	55	(1)
Prepayments	(1)	9	(2)
Receivables from/payables to related parties	136	66	(246)
Taxes recoverable	(32)	(34)	33
Other assets	(3)	(3)	11
Trade and other payables	40	3	150
Advances from customers	20	100	27
Taxes payable	62	(72)	100
Other liabilities	(7)	1	(4)
Net cash flows from operating activities	1,503	1,622	1,957
Cash flows from investing activities			
Issuance of loans receivable to related parties	(1)	(2)	(4)
Issuance of loans receivable	-	(2)	-
Proceeds from repayment of loans receivable, including interest	2	7	3
Purchases of subsidiaries, net of cash acquired (Note 4)	-	-	(102)
Purchases of interest in associates/joint ventures (Note 11)	-	-	(29)
Restricted deposits at banks in respect of investing activities	1	(3)	1
Short-term deposits at banks, including interest	4	4	8
Purchases of property, plant and equipment and intangible assets	(382)	(423)	(612)
Proceeds from disposal of property, plant and equipment	7	10	14
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs (Note 12)	27	44	311
Dividends received	1	-	2
Other investing activities, net	1	6	19
Net cash flows used in investing activities	(340)	(359)	(389)

Continued on the next page

EVRAZ plc
Consolidated Statement of Cash Flows (continued)
(in millions of US dollars)

	Year ended 31 December		
	2016	2015	2014
Cash flows from financing activities			
Purchase of treasury shares (Note 20)	\$ -	\$ (339)	\$ (13)
Proceeds from issue of shares by a subsidiary to non-controlling shareholders	13	6	-
Proceeds from loans provided by related parties	-	-	267
Repayment of loans provided by related parties	-	-	(251)
Dividends paid by the parent entity to its shareholders (Note 20)	-	-	(90)
Dividends paid by the Group's subsidiaries to non-controlling shareholders	-	-	(3)
Sale of non-controlling interests (Note 4)	-	1	-
Proceeds from bank loans and notes	1,301	3,801	2,579
Repayment of bank loans and notes, including interest	(2,428)	(3,961)	(3,223)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	(5)	(9)	(942)
Payments under covenants reset	(4)	-	-
Payments for purchase of property, plant and equipment on deferred terms	-	(5)	(42)
Gain/(loss) on derivatives not designated as hedging instruments (Note 25)	(250)	(464)	(94)
Gain/(loss) on hedging instruments (Note 25)	14	5	-
Collateral under swap contracts (Note 18)	-	7	14
Payments under finance leases, including interest	(1)	(1)	(1)
Other financing activities	(9)	(3)	(12)
Net cash flows used in financing activities	(1,369)	(962)	(1,811)
Effect of foreign exchange rate changes on cash and cash equivalents	(10)	(12)	(282)
Net increase/(decrease) in cash and cash equivalents	(216)	289	(525)
Cash and cash equivalents at the beginning of the year	1,375	1,086	1,604
Decrease/(increase) in cash of disposal groups classified as assets held for sale (Note 12)	(2)	-	7
Cash and cash equivalents at the end of the year	\$ 1,157	\$ 1,375	\$ 1,086
Supplementary cash flow information:			
Cash flows during the year:			
Interest paid	\$ (413)	\$ (443)	\$ (517)
Interest received	6	4	10
Income taxes paid by the Group	(149)	(204)	(263)

EVRAZ plc
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	Other reserves	Unrealised gains and losses	Accumulated profits	Translation difference		
At 31 December 2015	\$ 1,507	\$ (305)	\$ 2,501	\$ 124	\$ -	\$ -	\$ 644	\$ (4,335)	\$ 133	\$ 261
Net loss	-	-	-	-	-	-	(215)	-	27	(188)
Other comprehensive income/(loss)	-	-	-	-	-	-	11	545	11	56
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	-	-	-	(12)	-	-	12	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	(12)	-	-	(192)	545	38	37
Acquisition of non-controlling interests in subsidiaries	-	-	-	-	-	-	(2)	-	2	-
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary	-	-	-	-	-	-	-	-	13	1
Transfer of treasury shares to participants of the Incentive Plans (Notes 20 and 21)	-	35	-	-	-	-	(35)	-	-	-
Share-based payments (Note 21)	-	-	16	-	-	-	-	-	-	1
At 31 December 2016	\$ 1,507	\$ (270)	\$ 2,517	\$ 112	\$ -	\$ -	\$ 415	\$ (3,790)	\$ 186	\$ 67

EVRAZ plc
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	Other reserves	Unrealised gains and losses	Accumulated profits	Translation difference		
At 31 December 2014	\$ 1,507	\$ -	\$ 2,481	\$ 155	\$ -	\$ -	\$ 1,299	\$ (3,644)	\$ 218	\$ 2,011
Net loss	-	-	-	-	-	-	(644)	-	(75)	(719)
Other comprehensive income/(loss)	-	-	-	(1)	-	-	(4)	(691)	(14)	(710)
Reclassification of revaluation surplus to accumulated profits in respect of the disposed subsidiaries	-	-	-	(28)	-	-	28	-	-	-

Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	-	-	-	(2)	-	-	2	-	-	-		
Total comprehensive income/(loss) for the period	-	-	-	(31)	-	-	(618)	(691)	(1,340)	(89)	(1,429)	
Derecognition of non-controlling interests in connection with the loss of control over a subsidiary (Note 4)	-	-	-	-	-	-	-	-	-	(4)	(4)	
Non-controlling interests arising on sale of ownership interests in subsidiaries	-	-	-	-	-	-	(3)	-	(3)	2	(1)	
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary	-	-	-	-	-	-	-	-	-	6	6	
Purchase of treasury shares (Note 20)	-	(336)	-	-	-	-	(3)	-	(339)	-	(339)	
Transfer of treasury shares to participants of the Incentive Plans (Notes 20 and 21)	-	31	-	-	-	-	(31)	-	-	-	-	
Share-based payments (Note 21)	-	-	20	-	-	-	-	-	20	-	20	
At 31 December 2015	\$ 1,507	\$ (305)	\$ 2,501	\$ 124	\$ -	\$ -	\$ 644	\$ (4,335)	\$ 136	\$ 133	\$ 269	

EVRAZ plc
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	Other reserves	Unrealised gains and losses	Accumulated profits	Translation difference	Total		
At 31 December 2013	\$ 1,473	\$ (1)	\$ 2,326	\$ 162	\$ 156	\$ 12	\$ 2,589	\$ (1,685)	\$ 5,032	\$ 431	\$ 5,463
Net loss	-	-	-	-	-	-	(1,175)	-	(1,175)	(103)	(1,278)
Other comprehensive income/(loss)	-	-	-	-	-	(12)	(18)	(1,959)	(1,989)	(104)	(2,093)
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	-	-	-	(7)	-	-	7	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	(7)	-	(12)	(1,186)	(1,959)	(3,164)	(207)	(3,371)
Issue of shares (Note 20)	34	-	122	-	(156)	-	-	-	-	-	-
Acquisition of non-controlling interests in subsidiaries	-	-	3	-	-	-	-	-	3	(3)	-
Purchase of treasury shares (Note 20)	-	(13)	-	-	-	-	-	-	(13)	-	(13)
Transfer of treasury shares to participants of the Incentive Plans (Notes 20 and 21)	-	14	-	-	-	-	(14)	-	-	-	-
Share-based payments (Note 21)	-	-	30	-	-	-	-	-	30	-	30
Dividends declared by the parent entity to its shareholders (Note 20)	-	-	-	-	-	-	(90)	-	(90)	-	(90)
Dividends declared by the Group's subsidiaries to non-controlling shareholders (Note 20)	-	-	-	-	-	-	-	-	-	(3)	(3)
At 31 December 2014	\$ 1,507	\$ -	\$ 2,481	\$ 155	\$ -	\$ -	\$ 1,299	\$ (3,644)	\$ 1,798	\$ 218	\$ 2,015

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