PJSC Raspadskaya

Unaudited interim condensed
consolidated financial statements

Six-month period ended 30 June 2016

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Report on review of interim condensed consolidated financial statements

To the Shareholders and Board of Directors of
PJSC Raspadskaya

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of PJSC Raspadskaya and its subsidiaries ("the Group"), comprising the interim condensed consolidated statement of financial position as at 30 June 2016 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLC

25 August 2016

Moscow, Russia

PJSC Raspadskaya

Unaudited interim condensed consolidated statement of comprehensive income

Six-month period ended 30 June

	Notes	2016	2015*
		US$million	*US$million*
Revenue			
Sales of goods		**178**	221
Other sales		**15**	7
		193	228
Cost of sales		**(133)**	(159)
Gross profit		**60**	69
Selling and distribution costs		**(8)**	(11)
General and administrative expenses		**(10)**	(15)
Impairment of assets	4	**(11)**	(37)
Foreign exchange gain		**57**	4
Other operating income		**–**	1
Other operating expenses		**(7)**	(2)
Profit from operations		**81**	9
Gain from financial assets sale		**–**	1
Interest expense		**(19)**	(19)
Profit/(loss) before income tax		**62**	(9)
Income tax	3	**(13)**	1
Net profit/(loss) for the period		**49**	(8)
Other comprehensive income			
Effect of translation to presentation currency		**19**	3
Net loss on available-for-sale financial assets		**–**	(1)
Other comprehensive income for the period, net of tax		**19**	2
Total comprehensive income/(loss) for the period, net of tax		**68**	(6)
Profit/(loss) for the period attributable to:			
Equity holders of the parent		**49**	(8)
Non-controlling interests		**–**	–
		49	(8)
Total comprehensive income/(loss) for the period attributable to:			
Equity holders of the parent		**67**	(6)
Non-controlling interests		**1**	–
		68	(6)
Profit/(loss) per share			
Basic and diluted, for profit/(loss) for the period attributable to equity holders of the parent, US dollars (4.92 rubles and (0.71) rubles for the six-month periods ended 30 June 2016 and 2015 respectively)	8	**0.07**	(0.01)

* The amounts shown here do not correspond to the financial statements for the six-month period ended 30 June 2015 and reflect reclassifications described in Note 2.

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

PJSC Raspadskaya

Unaudited interim condensed consolidated statement of financial position

30 June 2016

	Notes	30 June 2016	31 December 2015
		US$million	*US$million*
Assets			
Non-current assets			
Property, plant and equipment	4	**546**	499
Deferred income tax asset		**109**	103
Other non-current assets		**4**	5
		659	607
Current assets			
Inventories	5	**28**	23
Trade and other receivables		**45**	34
Prepayments		**5**	4
Receivables from related parties	7	**209**	150
Income tax receivable		**1**	2
Other taxes recoverable		**21**	19
Cash and cash equivalents	6	**27**	48
		336	280
Assets held for sale		**–**	1
Total assets		**995**	888
Equity and liabilities			
Equity attributable to equity holders of the parent			
Issued capital	8	**–**	–
Additional paid-in capital		**388**	388
Reserve capital	8	**–**	–
Accumulated profits		**365**	316
Translation difference		**(586)**	(604)
		167	100
Non-controlling interests		**3**	2
		170	102
Non-current liabilities			
Long-term loans	9	**–**	400
Long-term loans from related parties	7	**65**	83
Deferred income tax liabilities		**42**	37
Post-employment benefits liabilities		**15**	12
Site restoration provision		**5**	5
		127	537
Current liabilities			
Trade and other payables		**49**	38
Short-term loans and current portion of long-term loans	9	**405**	6
Short-term loans and current portion of long-term loans from related parties	7	**1**	–
Payables to related parties	7	**221**	189
Income tax payable		**2**	–
Other taxes payable		**17**	15
Other provisions		**3**	1
		698	249
Total equity and liabilities		**995**	888

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

Unaudited interim condensed consolidated statement of cash flows

Six-month period ended 30 June

	Notes	2016	2015
		US$million	*US$million*
Operating activities			
Profit/(loss) for the period		**49**	(8)
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities			
Depreciation, depletion and amortization		**18**	25
Deferred income tax expense/(benefit)	3	**7**	(2)
Impairment of assets	4	**11**	37
Foreign exchange gain		**(57)**	(4)
Gain from financial assets sale		**–**	(1)
Interest expense		**19**	19
Changes in provisions and other long-term assets and liabilities		**2**	(1)
		49	65
Changes in working capital			
Inventories		**(2)**	(8)
Trade and other receivables		**(7)**	(20)
Prepayments		**–**	(2)
Receivables from / payables to related parties		**(31)**	(13)
Taxes receivable		**1**	1
Trade and other payables		**9**	21
Taxes payable		**2**	(8)
Net cash flows from operating activities		**21**	36
Investing activities			
Purchases of property, plant and equipment		**(15)**	(21)
Proceeds from disposal of property plant and equipment		**2**	1
Other investing activities, net		**2**	1
Net cash flows used in investing activities		**(11)**	(19)
Financing activities			
Proceeds from loans, related parties	7	**–**	19
Repayment of loans, including interest, related parties	7	**(20)**	(35)
Repayment of loans, including interest		**(15)**	(16)
Net cash flows used in financing activities		**(35)**	(32)
Effect of foreign exchange rate changes on cash and cash equivalents		**4**	3
Net decrease in cash and cash equivalents		**(21)**	(12)
Cash and cash equivalents at the beginning of the period		**48**	27
Cash and cash equivalents at the end of the period		**27**	15
Supplementary cash flow information			
Cash flows during the period			
Interest paid		**17**	17
Interest received		**–**	–
Income tax paid		**4**	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

Six-month period ended 30 June 2016

	Attributable to equity holders of the parent								
	Issued capital	**Additional paid-in capital**	**Reserve capital**	**Accumulated profits**	**Unrealized gain on available-for-sale investments**	**Translation difference**	**Parent share-holders' equity**	**Non-controlling interests**	**Total**
	US$million	*US$million*	*US$million*	*US$million*	*US$million*	*US$million*	*US$million*	*US$million*	*US$million*
At 31 December 2014	–	388	–	442	1	(550)	281	3	284
Loss for the period	–	–	–	(8)	–	–	(8)	–	(8)
Other comprehensive income/(loss)	–	–	–	–	(1)	3	2	–	2
Total comprehensive income/(loss)	–	–	–	(8)	(1)	3	(6)	–	(6)
At 30 June 2015	–	388	–	434	–	(547)	275	3	278
At 31 December 2015	–	388	–	316	–	(604)	100	2	102
Profit for the period	**–**	**–**	**–**	**49**	**–**	**–**	**49**	**–**	**49**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**18**	**18**	**1**	**19**
Total comprehensive income	**–**	**–**	**–**	**49**	**–**	**18**	**67**	**1**	**68**
At 30 June 2016	**–**	**388**	**–**	**365**	**–**	**(586)**	**167**	**3**	**170**

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

1. Corporate information

The unaudited interim condensed consolidated financial statements of PJSC Raspadskaya (the “Company”) for the six-month period ended 30 June 2016 were authorized for issue in accordance with a resolution of the Board of Directors on 25 August 2016. OAO Raspadskaya was reregistered as PJSC Raspadskaya on 16 June 2016.

At 30 June 2016 the Company’s controlling shareholder was Corber Enterprises S.a.r.l. (Luxembourg), which owned approximately 81.95% of the Company’s shares. Till 1 March 2016 Corber was a 50/50 joint venture of Mastercroft S.a.r.l. (Luxembourg) and Evraz Group S.A. (Luxembourg), a direct subsidiary of Evraz plc (UK). In March-July 2016 in the course of Evraz Group reorganisation, the ownership of the Raspadskaya’s 81.95% shares was transferred to Evraz Group S.A. Mastercroft S.a.r.l. and Corber Enterprises S.a.r.l. were liquidated on 1 March 2016 and 26 July 2016, respectively.

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

The Company and its subsidiaries (the “Group”) derive 82% and 90% of their revenues from sales of coking coal in the six-month periods ended 30 June 2016 and 2015, respectively. Other revenue sources include sales of other goods, transport-handling and other services. The Company’s shares are traded on the Russian stock exchange MOEX.

58% and 61% of the Group’s revenue was generated in transactions with related parties in the six-month periods ended 30 June 2016 and 2015, respectively (Note 7).

2. Significant accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2016 have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Accordingly, the interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2015.

The interim condensed consolidated financial statements are presented in US dollars (US$) and all amounts are rounded to the nearest million (US$ million) except when otherwise stated.

Restatement of financial statements

Reclassification of expenses

In 2016, the Group reclassified property tax accrued and paid by its subsidiaries from general and administrative expenses to the “Cost of sales” caption.

The reclassifications were made to reflect better the nature of these costs in the current business environment and in order to make the financial statements more comparable with the industry peers.
The effects of the restatement on the previously reported amounts are set out below.

	Six-month period ended 30 June 2015		
Consolidated statement of comprehensive income	**As previously reported**	**Property tax**	**Restated**
	US$million	*US$million*	*US$million*
Cost of sales	(157)	(2)	(159)
Gross profit	71	(2)	69
General and administrative expenses	(17)	2	(15)

2. Significant accounting policies (continued)

Going concern

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

The Group's activities continue to be affected by the uncertainty and instability of the current economic environment (Note 10). In response, the Group implemented a number of cost cutting initiatives, reduced capital expenditures, continues to reduce the level of debt and proactively manages its debt covenants compliance. In April 2017 the Group is obliged to repay US$400 million of loan participation notes (Note 7 and Note 9). Management of the Group is considering alternative options of loan participation notes refinancing.

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

Changes in accounting policies

The accounting policies adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as at 1 January 2016.

New/revised standards and interpretations adopted in 2016

- *Amendments to IAS 1 – Disclosure Initiative*

The amendments to IAS 1 *Presentation of Financial Statements* clarify existing IAS 1 requirements:

- the materiality requirements in IAS 1;
- the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of profit or loss and OCI;
- that specific line items in the statements of profit or loss and OCI and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

- *Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

2. Significant Accounting Policies (continued)

Changes in accounting policies (continued)

New/revised standards and interpretations adopted in 2016 (continued)

- *Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

- *Amendments to IAS 16 and IAS 41 – Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- *Amendments to IAS 27 – Equity Method in Separate Financial Statements*

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

- *Annual improvements to IFRSs 2012-2014 cycle*

The amendments relate to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7 *Financial Instruments: Disclosures*, IAS 19 *Employee Benefits*, IAS 34 *Interim Financial Reporting*.

The amendments described above had no significant impact on the financial position and performance of the Group or the disclosures in the consolidated financial statements.

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

3. Income tax

Major components of income tax

	Six-month periods ended 30 June	
	2016	**2015**
	US$million	*US$million*
Current income tax		
Current income tax charge	**(7)**	(1)
Adjustments in respect of income tax of prior years	**1**	–
Deferred income tax		
Relating to origination and reversal of temporary differences	**(7)**	2
	(13)	1

Russia was the only tax jurisdiction in which the Group's income was subject to taxation.

4. Property, plant and equipment

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of US$1 million as at 30 June 2016 and 31 December 2015, respectively.

Movement in property, plant and equipment

	Mining assets	**Buildings and construc-tions**	**Machinery and equipment**	**Transport and motor vehicles**	**Other assets**	**Assets under construc-tion**	**Total**
	US$million	*US$million*	*US$million*	*US$million*	*US$million*	*US$million*	*US$million*
At 31 December 2015, cost, net of accumulated depreciation, depletion and government grants	331	45	81	10	3	29	499
Additions	**–**	**–**	**–**	**–**	**–**	**13**	**13**
Assets put into operation	**2**	**1**	**5**	**2**	**–**	**(10)**	**–**
Disposals	**–**	**–**	**(1)**	**–**	**–**	**–**	**(1)**
Reclassification	**(1)**	**–**	**2**	**(1)**	**(1)**	**1**	**–**
Depreciation and depletion charge	**(5)**	**(1)**	**(10)**	**(2)**	**–**	**–**	**(18)**
Impairment loss	**(11)**	**–**	**–**	**–**	**–**	**–**	**(11)**
Other movements	**–**	**–**	**1**	**–**	**–**	**–**	**1**
Translation difference	**42**	**6**	**10**	**1**	**–**	**4**	**63**
At 30 June 2016, cost, net of accumulated depreciation, depletion and government grants	**358**	**51**	**88**	**10**	**2**	**37**	**546**

Management performed impairment test for individual items of PPE as well as for cash generating units with indication of potential impairment and recognized impairment loss in amount of US$11 million that relates mostly to MUK-96 mining assets impairment.

5. Inventories

	30 June 2016	31 December 2015
	US$million	*US$million*
Raw materials and spare parts	**12**	11
Work-in-progress	**12**	9
Finished goods	**4**	3
	28	23

6. Cash and cash equivalents

	30 June 2016	31 December 2015
	US$million	*US$million*
Russian rubles	**1**	12
US dollars	**26**	36
	27	48

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

7. Related party disclosures

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Transactions with related parties

	Sales to related parties		Purchases from related parties	
	Six-month periods ended 30 June		Six-month periods ended 30 June	
	2016	2015	2016	2015
	US$million	*US$million*	*US$million*	*US$million*
East Metals A.G.	**58**	66	**–**	–
Yuzhkuzbassugol	**33**	22	**10**	20
Evraz NTMK	**15**	5	**–**	–
Evraz DMZ	**4**	7	**–**	–
Evraz ZSMK	**1**	35	**1**	–
Southern Kuzbass	**1**	1	**–**	–
Evraz Yuzkoks	**–**	4	**–**	–
Mezhegeyugol	**1**	–	**9**	5
Metallenergofinance	**–**	–	**5**	7
OUS	**–**	–	**1**	1
CHOP Interlock	**–**	–	**1**	1
OOO EvrazHolding	**–**	–	**1**	1
Stroitelno-Proizvodstvennaya company	**–**	–	**–**	1
Other entities	**–**	–	**1**	1
	113	140	**29**	37

7. Related party disclosures (continued)

Amounts owed by/to related parties

	Amounts due from related parties		Amounts due to related parties	
	30 June 2016	**31 December 2015**	**30 June 2016**	**31 December 2015**
	US$million	*US$million*	*US$million*	*US$million*
Yuzhkuzbassugol	**66**	37	**211**	177
Evraz NTMK	**60**	39	**–**	–
Evraz ZSMK	**58**	43	**1**	1
East Metals A.G.	**19**	18	**–**	–
Evraz DMZ	**4**	10	**–**	–
Ukraine Yuzkoks	**1**	2	**–**	–
Mezhegeyugol	**1**	1	**4**	3
TC EvrazHolding	**–**	–	**2**	3
Metallenergofinance	**–**	–	**1**	3
OOO EvrazHolding	**–**	–	**–**	1
Other	**–**	–	**2**	1
	209	150	**221**	189

Public Joint-stock company "Evraz Bagleykoks" was reorganized and renamed into Private Joint-stock company "Evraz Yuzkoks" on 4 May 2016.

In 2016 Evraz Group S.A. bought loan participation notes, issued by the Group with par value US$160 million from third parties. As of 30 June 2016 the amortised cost of notes payable to Evraz Group S.A. amounted to US$379 million, including accrued interest US$5 million. Interest expense accrued on bonds hold by Evraz Group S.A. equals to US$12 million for the six months ended 30 June 2016.

Loans from related parties

Creditor	Curren-cy	Final maturity date	Interest rate	Opening balance as at 31 Dec 2015	Principal received	Interest accrued for the period	Repayment for the period	Closing balance as at 30 Jun 2016
				US$million	*US$million*	*US$million*	*US$million*	*US$million*
Evraz Group S.A.	USD	31 August 2020	7.82%	83	**–**	**3**	**(20)**	**66**
				83	**–**	**3**	**(20)**	**66**

Compensation to key management personnel

Key management personnel totalled 8 people as at 30 June 2016 and 10 people as at 30 June 2015. Total compensation to key management personnel was included in general and administrative expenses in the statement of comprehensive income and consisted of the following:

	Six-month period ended 30 June	
	2016	**2015**
	US$million	*US$million*
Short-term benefits		
Salary	**1**	–
Bonus	**–**	1
	1	1

8. Equity

Share capital

As at 30 June 2016 and 31 December 2015, the Company's issued and fully paid share capital consisted of 703,191,443 ordinary shares with par value 0.004 rubles each; the authorized share capital consisted of 1,401,202,730 ordinary shares.

Reserve capital

According to Russian law, the Group creates a reserve capital in the amount of 5% of share capital per Russian statutory accounts by annual appropriations which should be at least 5% of the annual net profit per statutory financial statements. The reserve capital can be used only for covering losses and for redemption of the Company's bonds and purchase of own shares if there are no other sources of financing.

Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. The Company has no potentially dilutive ordinary shares, diluted earnings per share is therefore equal to basic earnings per share.

	Six-month period ended 30 June	
	2016	**2015**
Profit/(loss) for the period attributable to equity holders of the parent, *US$million*	**49**	(8)
Weighted average number of outstanding ordinary shares	**703,191,443**	703,191,443
Basic and diluted profit/(loss) per share, *US dollars*	**0.07**	(0.01)

Dividends

On 20 May 2016 shareholders of the Company approved no final dividends for 2015.

9. Loans and borrowings

Loans and borrowings by source

	30 June 2016	**31 December 2015**
	US$million	*US$million*
7.75% notes due 2017	**400**	400
Interest payable	**5**	6
	405	406

On 27 April 2012 the Group issued loan participation notes amounting to US$400,000,000. The notes bear an interest of 7.75% per annum payable semi-annually and mature on 27 April 2017. The terms and conditions of the 7.75% notes provide for certain covenants in respect of the Company and its subsidiaries. The covenants impose restrictions in respect of certain transactions. As at 30 June 2016 and for the period then ended, the Group complied with all the covenants.

10. Commitments and contingencies

Operating environment of the Group

The Group is one of the biggest coking coal producers in Russia. Russia is considered to be developing market with higher economic and political risks. Coking coal consumption is affected by the cyclical nature of demand for steel products and the sensitivity of that demand to worldwide general economic conditions.

The global economic recession resulted in a significantly lower demand for coal products and decreased profitability. The economic sanctions imposed on Russia caused the depreciation of national currencies, economic slowdown, deterioration of liquidity in the banking sector, and tighter credit conditions within Russia. In addition, a significant drop in crude oil prices negatively impacted the Russian economy. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth. If further sanctions are imposed on Russia, this could have an adverse impact on the Group's business.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

The global economic climate continues to be unstable and this may negatively affect the Group's results and financial position in a manner not currently determinable.

Taxation

Russian 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.

Contractual commitments

The Group was a party to executory contracts for the purchase of production equipment and construction works in the amount of US$8 million as at 30 June 2016.

Social commitments

The Group is involved in a number of social programs aimed to support education, health care and social infrastructure development in the towns where the Group's assets are located. In the second half of 2016 the Group plans to spend US$1 million under these programs.

Environmental protection

The Group may be subject to environmental claims and legal proceedings. The quantification of environmental exposures requires an assessment of many factors, including changing laws and regulations, improvements in environmental technologies, the quality of information available related to specific sites, the assessment stage of each site investigation, preliminary findings and the length of time involved in remediation or settlement. Management believes that any pending environmental claims or proceedings will not have a material adverse effect on the Group's financial position or results of operations. Under the Plan on environmental protection the Group expects to spend US$7 million in the years 2016-2022.

Insurance policies

The Group maintains obligatory insurance policies required by Russian law. The Group holds no insurance policies in relation to its major production facilities, or in respect of public liability.

11. Fair value of financial instruments

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

Fair value of 7.75% notes due in 2017 with carrying amount US$405 million at 30 June 2016 is determined by reference to published price quotations in an active market and amounts to US$421 million.

12. Subsequent events

In July-August 2016 the Group fully repaid US$66 million of loan to Evraz Group S.A. The loan was mostly repaid by the proceeds from new loan received from Evraz KGOK in the amount of US$60 million with maturity on 2 June 2019.