

Definitions of selected alternative performance measures

Definition of Free Cash Flow

Free Cash Flow represents EBITDA, net of non-cash items, less changes in working capital, income tax paid, interest paid and covenant reset charges, conversion premiums, premiums on early repurchase of bonds and realised gain/(losses) on interest payments under swap contracts, interest income and debt issue costs, less capital expenditure, including recorded in financing activities, purchases of subsidiaries, net of cash acquired, proceeds from sale of 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.

In 2015, management changed the definition of segment expense and EBITDA to make these indicators more comparable with the Russian steel peers. Starting from the 2015 consolidated financial statements, segment expense does not include social and social infrastructure maintenance expenses, and profit/(loss) from operations is adjusted for these expenses in arriving at EBITDA. As a result, the Group restated EBITDA based on both IFRS and management accounts for the years ended 31 December 2014 and 2013.

Definition of 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.

See note 3 of the consolidated financial statement on page 173 for additional information.

Cash and short-term bank deposits

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

Calculation of cash and short-term bank deposits, US\$ million

	31 December 2016	31 December 2015	Change	Change, %
Cash and cash equivalents	1,157	1,375	(218)	(16)
Cash of disposals classified as held for sale	2	-	2	n/a
Collateral under swaps	-	-	-	-
Cash and short-term bank deposits	1,159	1,375	(216)	(16)%

Total debt

Total debt represents the nominal value of loans and borrowings plus unpaid interest, finance lease liabilities, loans of assets classified as held for sale, and the nominal effect of cross-currency swaps on principal of rouble-denominated notes. Total debt is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ' calculation of total debt may be different from the calculation used by other companies and therefore comparability may be limited. The current calculation is different from that used for covenant compliance calculations.

Calculation of total debt, US\$ million

	31 December 2016	31 December 2015	Change	Change, %
Long-term loans, net of current portion	5,502	5,850	(348)	(6)
Short-term loans and current portion of long-term loans	392	497	(105)	(21)
Add back: Unamortised debt issue costs and fair value adjustment to liabilities assumed in business combination	43	47	(4)	(9)
Nominal effect of cross-currency swaps on principal of rouble-denominated notes	19	325	(306)	(94)
Finance lease liabilities, including current portion	5	5	-	-
Total debt	5,961	6,724	(763)	(11)

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.

Calculation of net debt, US\$ million

	31 December 2016	31 December 2015	Change	Change, %
Total debt	5,961	6,724	(763)	(11)
Short-term bank deposits	-	-	-	-
Cash and cash equivalents	(1,157)	(1,375)	218	(16)
Cash of assets classified as held for sale	(2)	-	(2)	n/a
Collateral under swaps	-	-	-	-
Net debt	4,802	5,349	(547)	(10)

Labor productivity, US\$/t

$P = S/V$

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

V - production volume, tn. (for steel assets:

V - metal products shipped.

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, EVRAZ ZSMK are then weighted averaged by the total saleable semi-finished products production volume.

LTIFR

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

$LTIFR = X \cdot 1000000/Y$

X is the total number of occupational injuries resulted in lost time among the company employees in the reporting period. Fatalities are not included.

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

Coking coal concentrate cash cost, 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.

Number of EBS transformations

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

Semi-finished products cash costs, US\$/t

Cash cost of semi-finished products is defined as the production cost less depreciation, the result is divided by production volumes of steel semi-products.

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.