

Definitions of selected alternative performance measures

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

Definition of Free Cash Flow

Free Cash Flow represents EBITDA, net of noncash 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.

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.

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.

See note 3 of the consolidated financial statement on page 180 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. →

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. →

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. →

→ CASH AND SHORT-TERM BANK DEPOSITS CALCULATION, US\$ million

	31 December 2017	31 December 2016
Cash and cash equivalents	1,466	1,157
Cash of disposal groups classified as held for sale	-	2
Collateral under swaps	-	-
Cash and short-term bank deposits	1,466	1,159

→ CALCULATION OF TOTAL DEBT, US\$ million

	31 December 2017	31 December 2016
Long-term loans, net of current portion	5,243	5,502
Short-term loans and current portion of long-term loans	148	392
Add back: Unamortised debt issue costs and fair value adjustment to liabilities assumed in business combination	28	43
Nominal effect of cross-currency swaps on principal of rouble-denominated notes	5	19
Finance lease liabilities, including current portion	8	5
Total debt	5,432	5,961

→ CALCULATION OF NET DEBT, US\$ million

	31 December 2017	31 December 2016
Total debt	5,432	5,961
Short-term bank deposits	-	-
Cash and cash equivalents	(1,466)	(1,157)
Cash of assets classified as held for sale	-	(2)
Collateral under swaps	-	-
Net debt	3,966	4,802

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)

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.

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. 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.

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.

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.

Data on mineral reserves

In 2017, EVRAZ conducted valuation of the mineral reserves in compliance with JORC Code. The valuation was conducted as of 1 July 2017 by IMC Montan.

Coal

➔ YUZHКУZBASSUGOL JORC EQUIVALENT COAL PROVED AND PROBABLE RESERVES, kt

Mine	As of 31 December 2017
Alardinskaya	89,623
Yesaulskaya	13,558
Erunakovskaya-8	117,506
Osinnikovskaya	75,989
Uskovskaya	120,160
Total	416,836

➔ RASPADSKAYA JORC EQUIVALENT COAL PROVED AND PROBABLE RESERVES, kt

Mine	As of 31 December 2017
Raspadsкая	924,637
Raspadsкая Koksovaya (incl. Razrez Koksovy)	208,372
MUK-96	113,058
Razrez Raspadskiy	109,357
Total	1,355,424

➔ MEZHEGEYUGOL JORC EQUIVALENT COAL PROVED AND PROBABLE RESERVES, kt

Mine	As of 31 December 2017
Mezhegeyugol	88,026

Iron ore

➔ EVRAZRUDA JORC EQUIVALENT COAL PROVED AND PROBABLE RESERVES, kt

Mine	As of 31 December 2017	Fe, %	S, %
Kaz	7,257		
Tashtagol	66,554		
Sheregesh	93,200		
Total	167,011	31.90	1.39

➔ KACHKANARSKY GOK (EVRAZ KGOK) JORC EQUIVALENT COAL PROVED AND PROBABLE RESERVES, kt

Mine	As of 31 December 2017	Fe, %	V ₂ O ₅ , %
Gusevogorskoe	3,136,320		
Kachkanar Proper (Sobstvenno-Kachkanarskoye)	6,743,222		
Total	9,879,542	15.9	0.13