

Strategic priorities



Prudent CAPEX strategy

The Coal segment's main investments in 2017 were directed towards maintaining stable production and improving efficiency. Maintenance CAPEX totalled US\$124 million. Spending priorities included replacing and repairing worn out equipment, upgrading existing production processes with more modern and efficient equipment (to accelerate tunnelling rates, improve degassing volumes, and increase concentrate output from plants), as well as reserving new blocks and seams for future work.

A total of US\$2 million was spent to develop coal production in 2017.

➔ Key investment projects

Mezhegey project

The project aim is to add 1.5 mtpa of coking coal capacity (grade Zh under Russian classification).

Status

- In January 2017, Mezhegeyugol launched commercial production;
- Since then, it has been operating with commercial mining volumes of up to 1.3 million tonnes of coal per year;
- The mine uses the board-and-pillar technique;
- In 2017, the mine set a new tunnelling rate record for the Group of 1,046 linear metres per month by a single team.

CAPEX in 2017 **US\$1.0 million**

Raspadskaya-Koksovaya open-pit

The project aim is to begin open-pit mining of the valuable OS (premium low-vol HCC) grade coal at the Raspadskaya-Koksovaya site.

Status

- Approval received, and commercial coal production launched;
- Positive samples with customers prompted a review with an aim to increase mining plans and grow production in 2018.

CAPEX in 2017 **US\$0.5 million**

➔ Maintenance project

Preparation of a new blocks and seams at Osinnikovskaya, Yesaulskaya and Uskovskaya mines

The project aim is to prepare reserves for future mining at Osinnikovskaya, Yesaulskaya and Uskovskaya sites.

- Fourth block at Osinnikovskaya mine:
 - conducted capital mining and preparation work for face 4-1-5-6;
 - communications, degassing and gas management equipment were installed;
- Seam 29a at Yesaulskaya mine:
 - restored and worked seams 26a and 29a to launch longwall 29-37;
 - tunnelling equipment was acquired;
 - project documentation was prepared for work at seam 29a;
- Seam 48 at Uskovskaya mine:
 - working options for seam 48 were prepared, optimal solution was chosen;
 - geological survey was conducted in order to determine seam 48 quality.

CAPEX in 2017 **US\$11.1 million**

➔ Outlook for 2018

In 2018, the Group aims to continue improving productivity and coal mining volumes, gain experience on working coal seams, and optimise its technological cycle. In following years, EVRAZ plans to invest primarily in maintaining production volumes.

