CAPEX and key projects

In 2019, EVRAZ capital expenditure increased to US$762 million, compared with US$527 million a year earlier. Capital expenditures for 2019 in millions of US dollars can be summarised as follows.

Financing and liquidity

EVRAZ began 2019 with total debt of US$4,638 million. By the end of the year, the Group had completed several transactions to extend its maturity profile and build up a liquidity cushion in view of coming maturities through 2021.

In March, EVRAZ completed an issuer substitution, a capital markets transaction intended to substitute EVRAZ plc in place of Evraz Group S.A. as the issuer of the outstanding Eurobonds in accordance with their terms. Upon substitution, three major international rating agencies assigned EVRAZ plc and its notes credit ratings in line with those of Evraz Group S.A. prior to the transaction.

In April, EVRAZ plc issued a US$700 million Eurobond due in 2024 with a semi-annual coupon of 5.25%. The proceeds were used to fund the tender offer for the Eurobonds due in 2020 that was completed in April and the make whole call for the residual outstanding balance of these notes that was completed in May. As a result of these transactions, EVRAZ effectively shifted 2020 maturities to 2024.

In April, EVRAZ repaid US$50 million in loans from Sberbank due in 2019.

In June, the Group repaid RUB15,000 million of 12.95% rouble bonds due in 2019 and respective cross-currency swaps, which economically hedged the Group's exposure to currency risk.

Capital expenditures in 2019, US$ million

DEVELOPMENT PROJECTS	
Steel segment	
Tashtagol iron ore mine upgrade at EVRAZ ZSMK mining site The project aim is to increase annual ore production of Tashtakolsky deposit with partial switch to sublevel caving using mobile equipment	21
Sobstvenno-Kachkanarsky deposit greenfield project The project aim is to maintain raw ore production	2
Integrated flat casting and rolling facility at EVRAZ ZSMK The project aim is to improve the profitability of EVRAZ product portfolio by replacing semi-finished products with hot-rolled sheets and coils	0.6
Rail and beam mill modernisation at EVRAZ NTMK The project aim is to increase production of beams and of sheet piles	0.5
Steel, North America segment	
Long rail mill at EVRAZ Pueblo The project aim is to replace the existing rail facility and meet customers' interest in long rail	19
Electric arc furnace (EAF) repowering at EVRAZ Regina The project aim is to increase EVRAZ Regina's prime coil and plate production and reduce electrode consumption	15
Heat treatment at EVRAZ Red Deer The project aim is to develop heat treatment capability to access a higher margin market	6
Seamless threading at EVRAZ Pueblo The project aim is to in-source seamless threading and coupling process from third-party providers to improve cost competitiveness	2
Coal segment	
Access and development of reserves in the Uskovskaya mine's seam No. 48 The project aim is to prepare the reserves in seam No. 48 for mining	30
Access and development of reserves in the Esaulskaya mine's seam No. 29a The project aim is to relocate mining operations from seam No. 26 to seam No. 29a	10
Other development projects	75
MAINTENANCE PROJECTS	
Steel segment	
Blast furnace No. 6 major overhaul at EVRAZ NTMK	74
Converter No.4 technical performance improvement at EVRAZ ZSMK	6
Steel, North America segment	
Steel reheat furnace at EVRAZ Regina	4
Other maintenance projects	497
Total	**762**

In August, EvrazHolding Finance LLC, a finance subsidiary of the Group, issued RUB20,000 million (around US$317 million at the exchange rate on the transaction date) in five-year, exchange-traded bonds due in 2024 with a 7.95% coupon payable semi-annually. To manage the currency exposure on the rouble-denominated bonds, the Group was able to economically hedge these transactions using cross-currency interest rate swaps, effectively converting the liability exposure to US dollars.

In October and November, EVRAZ raised two term loans of US$85 million and US$265 million from Sberbank, both due in 2025. Part of the proceeds were used to refinance an existing US$85 million loan from Alfa Bank.

Further, in November, EVRAZ obtained a new loan from Alfa Bank of US$535 million due in 2025. The Group used some of the proceeds from this borrowing to refinance an existing US$300 million loan from the same bank with maturity in 2023.

At 1 January 2019, as a result of the application of a new accounting standard, the Group recognised US$118 million of lease liabilities, which at recognition increased total debt of the Group. Under the previous accounting standard, these contracts were accounted for as operating leases and were not recognised as either assets or liabilities in the Group's Statement of Financial Position.

These transactions and accounting change, together with several less significant borrowings, resulted in an increase of total debt in 2019 by US$230 million to US$4,868 million.

During the reporting period, EVRAZ paid an interim dividend to its shareholders in the amount of US$577 million (US$0.40 per share) in H1 2019 and an interim dividend in the amount of US$508 million (US$0.35 per share) in H2 2019.

Despite the increase in total debt, net debt decreased in 2019 by US$126 million to US$3,445 million, compared with US$3,571 million as at 31 December 2018.

Interest expense accrued in respect of loans, bonds and notes amounted to US$231 million in the period, compared with US$248 million in 2018. The lower interest expense was mainly due to the management's efforts to refinance existing indebtedness at more favourable terms amid a strong performance of the debt markets.

The reduction of EBITDA in 2019 resulted in a slight increase of the Group's major leverage metric, the ratio of net debt to EBITDA, which was 1.3 times as at 31 December 2019, compared with 0.9 times as at 31 December 2018.

As at 31 December 2019, debt with financial maintenance covenants comprised various bilateral facilities with a total outstanding principal of around US$1,191 million. Maintenance covenants under these facilities include two key ratios calculated using EVRAZ plc's consolidated financials: a maximum net leverage and a minimum EBITDA interest cover.

As at 31 December 2019, EVRAZ was in full compliance with its financial covenants.

As at 31 December 2019, cash amounted to US$1,423 million, while short-term loans and the current portion of long-term loans stood at US$140 million. Total scheduled debt maturities during 2020 do not exceed US$52 million. The first sizeable maturities are due in Q1 2021 and are comfortably covered by cash balances.