



Raspadskaya Announces IFRS Results for 2020

Moscow, 30 March 2021 – PAO Raspadskaya (MOEX: RASP; hereinafter, “Raspadskaya” or “the Company”) today announces its consolidated results for 2020 in accordance with International Financial Reporting Standards (IFRS).

Financial performance	2020	2019	Change	Change, %
	<i>US\$ million</i>			
Revenues	619	996	(377)	(38)
Cost of sales	(435)	(502)	67	(13)
Gross profit	184	494	(310)	(63)
<i>Gross profit margin</i>	<i>30%</i>	<i>50%</i>		
Selling and distribution costs	(17)	(30)	13	(43)
General and administrative expenses	(29)	(33)	4	(12)
Social expenses	(2)	(2)	-	-
Gain on disposal of property, plant and equipment	1	-	1	100
Impairment of assets	-	(155)	155	(100)
Foreign-exchange gain/(loss)	93	(24)	117	n/a
Other operating income	2	1	1	100
Other operating expenses	(12)	(8)	(4)	50
Operating profit	220	243	(23)	(9)
Interest income	8	25	(17)	(68)
Interest expense	(4)	(2)	(2)	100
Other non-operating expenses	-	(1)	1	(100)
Profit before income tax	224	265	(41)	(16)
Income tax	(47)	(57)	10	(18)
Profit for the period	177	208	(31)	(15)
Earnings per share, cents	25.9	30.0		
EBIT	128	424	(296)	(70)
EBITDA	197	478	(281)	(59)
<i>EBITDA margin</i>	<i>31.8%</i>	<i>48.0%</i>		
Capital expenditure (CAPEX)	60	76	(16)	(21)
	31/12/20	31/12/19		
Debt	-	-	-	-
Cash and cash equivalents	578	571	7	1

OPERATIONAL HIGHLIGHTS

- In 2020, revenues totalled US\$619 million, down 38% year-on-year
- EBITDA fell to US\$197 million, compared with US\$478 million in 2019
- The EBITDA margin declined to 31.8%, compared with 48.0% in 2019
- Net operating cash flow amounted to US\$183 million, compared with US\$362 million in 2019
- Net profit was US\$177 million, compared with US\$208 million in 2019. Earnings per share stood at 25.9

cents, compared with 30.0 cents in the previous year.

- Overall coal production (all grades) totalled 9.3 million tonnes, compared with 12.8 million tonnes in 2019
- The cash cost of coal concentrate stood at US\$27 per tonne, down 13% year-on-year
- CAPEX was US\$60 million, compared with US\$76 million in 2019
- As of 31 December 2020, the Company had cash and cash equivalents of US\$578 million
- The actual average selling price of coal concentrate, rebased to common delivery terms (FCA Mezhdurechensk), amounted to US\$52.6 across all regional markets. The selling price of coal concentrate may differ depending on specific civil obligations with counterparties in accordance with the applicable trade and marketing policy according to the markets of presence: the domestic market, the European market, the market of Asia-Pacific countries.

ACQUISITION OF YUZHKUZBASSUGOL' ASSETS

- The Transaction was considered and unanimously supported by the Strategy Committee of Raspadskaya's Board comprised of the majority of Independent Directors (the "Strategy Committee"). KPMG provided the Strategy Committee with the independent appraisal of fair value of 100% of the equity capital of Yuzhkuzbassugol. The Strategy Committee was separately advised by Renaissance Capital as to the financial terms of the Transaction, which it considered fair and reasonable.
- At 13 November 2020 Raspadskaya announced the Transaction and issued a notification to its non-controlling shareholders asking them to vote on the potential acquisition of Yuzhkuzbassugol on the extraordinary shareholders meeting (EGM).
- At 18 December 2020 an EGM was held and the majority of the non-controlling shareholders approved the transaction.
- At 30 December, 2020, Raspadskaya acquired a 100% ownership interest in Yuzhkuzbassugol from EVRAZ NTMK, an entity under common control, for cash consideration of RUB 67.7bln (\$920m at the acquisition date).
- This transaction is an important milestone for Raspadskaya to strengthen its position as a major Russian coking coal producer. Increased production volumes, operational diversification and the technical expertise of Yuzhkuzbassugol' employees have become an important pillars driving further value creation for Raspadskaya shareholders.
- At 31 December 2020 the purchase consideration amounting to US\$917 million was unpaid. The consideration is payable within a 6-month period after the acquisition date, the Group incurs interest at a 4.25% per annum on this liability.
- In the consolidated financial statements for 2020 the acquisition of Yuzhkuzbassugol is accounted for based on provisional values. During the 2021 the company plans to complete the valuation of individual assets and liabilities of the Yuzhkuzbassugol and will restate 2020 financial statements accordingly.

DIVIDENDS

- At its meeting on 29 March 2021, the Board of Directors discussed the Company's performance in 2020 and the distribution of profit. In its discussion of the amount of dividends, the Board of Directors reviewed the following factors and trends in the global economy and coal industry:
 - Moderately favorable conditions in the global economy and the coal industry;
 - Business growth of the Raspadskaya Group after the consolidation of the JSC OUK Yuzhkuzbassugol's assets;
 - Liability to pay the purchase consideration for the acquisition of JSC OUK Yuzhkuzbassugol's assets within six months;
 - Volatility of coal prices;
 - High sectoral and operational risks, which increases along with the annual increase in the reserves mining depth and gas content;
 - Risks associated with the COVID-19 pandemic;
 - Limited access to capital markets for coal companies as ESG matters continues to grow in importance on the global agenda.
- The Board of Directors recommended to pay dividends of RUB5.7 per share for 2020.

Commenting on the results, Andrey Davydov, General Director of Raspadskaya, said:

“The year was an interesting and complex one. The COVID-19 pandemic caused a significant reduction in demand for metallurgical coal from large steelmaking plants due to the restrictive measures which led to pressure on prices. However, despite the difficult market situation the Company delivered a decent result. Most importantly, we were able to maintain production at all of our main enterprises.

During the reporting period, the Company continued its focus on the safety of its employees and contractors. On the basis of a risk-oriented approach, a set of initiatives were approved and adopted to reduce injuries and the risk of accidents. In 2020, we succeeded in reducing the LTIFR indicator (Lost Time Injury Frequency Rate), by 27%. In addition, serious, effective and timely measures have been taken against COVID-19.

I am also pleased to note that at 30 December 2020, the Company successfully completed a deal to acquire Yuzhkuzbassugol. As a result, we have become the largest producer of coking coal in Russia with a high-quality portfolio of assets with low production costs.

Based on the principles of dividend payments approved in March 2019, a moderately favourable conditions in the coal industry and business growth of the Raspadskaya Group the Board of Directors has recommended to the Annual General Meeting of shareholders dividends for 2020 in the amount of RUB5.7 per share or a total amount of around RUB3.8 billion (around US\$50 million).”

Management discussion and analysis of financial standing and operational results for 2020

This discussion and analysis should be read in conjunction with the consolidated financial statements of Raspadskaya for 2020, prepared in accordance with International Financial Reporting Standards.

This discussion and analysis contain forward-looking statements that involve risks and uncertainties. The actual results may differ essentially from those discussed in the forward-looking statements due to several factors.

Raspadskaya is a group of integrated companies that specialises in the production and sale of coking coal and has leading positions in the Russian coal market. The Company is located in the town of Mezhdurechensk, in the Kemerovo region of Russia, and includes: the Raspadskaya, MUK-96 (merged with Razrez Raspadsky since 1 August 2017) and Raspadskaya-Koksovaya underground mines; the Razrez Raspadsky and Raspadskaya-Koksovaya open-pit operations; a coal preparation plant; several coal production and transportation infrastructure enterprises; and RUK, a trading and management company.

In December 2020, Raspadskaya concluded a transaction to acquire the assets of Yuzhkuzbassugol. They include the Uskovskaya, Erunakovskaya 8, Alardinskaya, Osinnikovskaya and Esaulskaya mines and two coal preparation plants in the Kemerovo region; and the Mezhegyugol mine in the Tyva region.

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Mineral reserves and resources

Raspadskaya has reserves of 1.9 billion tonnes of high-quality semi-hard coking coal of the Zh and GZh grades, as well as hard coking coal of the K, KO and OS grades. At current rates of production, its reserves and resources will allow it to extract coking coal for more than 90 years.

In 2017, the Company had its reserves audited in accordance with the JORC Code. The audit was conducted as of 1 July 2017 by IMC Montan.

In December 2020, Raspadskaya completed the deal to acquire the assets of Yuzhkuzbassugol, which increased its proved and probable reserves by 551 million tonnes.

The table below details Raspadskaya's JORC-equivalent reserves of coking coal as at 31 December 2020.

Mezhdurechensk site

Mine	Proved and probable <i>mln t</i>
Raspadskaya	906
Raspadskaya-Koksovaya	204
MUK-96	113
Razrez Rapsadsky open-pit mine	100
Rapsadsky-Koksovy open-pit mine	23
Total	1,346

Novokuznetsk site

Mine	Proved and probable <i>mln t</i>
Uskovskaya	182
Erunakovskaya 8	111
Alardinskaya	80
Osinnikovskaya	71
Esaulskaya	21
Total	465

Tyva site

Mine	Proved and probable <i>mln t</i>
Mezhegeyugol	86
Total	86

Key factors and risks affecting Raspadskaya's business

Global economic factors, industry conditions and cost effectiveness

Raspadskaya's operations, which have a high level of fixed costs, are exposed to various risks and, to a great extent, global macroeconomic environment and economic conditions, which significantly affect product prices and volumes. Risk mitigation is a key element of the Company's strategy and day-to-day activities.

The Company has an investment policy, which aims to reduce and manage the cost base with the objective of increasing cost efficiency; actively implements cost-reduction programmes designed to make its assets more competitive; and continues to streamline its approach to setting ambitious goals. As digital technologies advance, it is also automating and robotising production and commercial processes, which enables more diverse scenarios to be analysed and the most optimal ones to be chosen.

COVID-19 and the associated market turbulence has prompted Raspadskaya to focus even more closely on risks that could impact the business.

Health, safety and environmental (HSE) issues

As part of its focus on risk management, the Company has adopted and is implementing a range of initiatives to reduce the number of injuries and risks of potential accidents.

In response to the threat of COVID-19 outbreaks at enterprises, Raspadskaya introduced numerous additional measures to safeguard its employees, including mass testing, mandatory mask wearing, and disinfection of outer clothing on entry to facilities, among others.

To improve air and gas monitoring, analogue methane sensors at working faces are being replaced with digital sensors. These can transmit methane concentration data in real time from portable gas analysers worn by mining personnel to multifunctional safety systems. In addition, a degasification programme is being actively implemented and degasification wells are being drilled, including the use of advanced directional drilling. As part of the Ventilation programme, equipment has been introduced for drilling wells from the surface with a diameter of 2,400mm.

As part of a programme to prevent the spontaneous combustion of coal, uninterrupted, on-line monitoring of the atmosphere of an area with active longwalls (risk zones) has been implemented. Each longwall on a rockbed subject to spontaneous combustion is kept under the protection of nitrogen stations: nitrogen gas is introduced into the space with active longwalls from the surface through the wells to reduce oxygen content.

Modern tunnelling machines are being introduced and are equipped with a hydraulic, mechanised covering to protect personnel from falling pieces of rock or coal. The tunnelling machines feature video monitoring systems and recordings are regularly analysed to check compliance with technological work standards and identify risks. In addition, protective systems are being installed to automatically cut power to tunnelling machines that are dangerously close to personnel.

In addition to the Lock-Out/Tag-Out (LOTO) programme for energy isolation, the Electronic Device Permitted system allows more effective quality control when preparing for work in an environment of elevated risk.

The conditions and technology governing cargo deliveries to mine facilities are being improved. The secure cargo doors of ventilation hatches are equipped with automatic remote opening systems. Express transfers are being introduced using a remote-controlled monorail, with standard-sized delivery containers that can be towed by tunnelling machines.

The Safe Movement of Personnel at Mining Facilities programme continues to be implemented. At primary mining sites, safe gangways, crossing bridges, landing and exit platforms and ventilation hatches are being installed, as is LED lighting. Systems are constantly monitored and analysed to prevent personnel from entering conveyer belt areas, and in those where there are often alerts, video monitoring systems are being installed.

As part of the drive to enhance production safety, a risk management system dedicated to health and safety is being implemented (the Risk Management project). It is based on international best practice in risk management and has been adjusted to take into account local legislation and approaches. The project aims to:

- enhance safety culture

- introduce a systemic risk-based approach to occupational health and safety management
- develop risk management leadership, teamwork and expertise
- ensure a high level of engagement among workers and managers regarding risk management processes

Raspadskaya also continues to implement environmental programmes, including to build and modernise treatment facilities to improve the quality of mine wastewater, as well as to recultivate land.

Potential government action

Raspadskaya operates in Russia, and there is a risk that the Russian government or public agencies could adopt new laws and regulations that could affect the Company's operations. New laws, regulations or other requirements could impact its activities, limit its ability to attract financing in international markets, sell its products or purchase equipment.

Raspadskaya may also be adversely affected by select foreign government sanctions against Russian businesses, reducing its ability to conduct business with potential or existing counterparties.

Although these risks are beyond the Company's control, Raspadskaya and its management are members of various national industry bodies and, as a result, contribute to decision making where appropriate. Compliance with regulatory requirements is continuously monitored, regulatory changes are tracked, and appropriate control procedures are implemented as necessary.

Financial risks

In its activities, Raspadskaya faces various financial risks, including foreign-exchange, liquidity, credit access and tax compliance risks. It may be impacted by the introduction of limitations on repatriation of foreign-currency proceeds from exports, as well as additional regulations or limitations on cross-border capital flows.

In addition, the risk of inflation could affect operating costs and free cash flow. This risk is managed by programmes to optimise net working capital, CAPEX and costs.

The Company's performance could also be impacted by limited access to refinancing.

Business disruption

Prolonged outages or production delays could have a material adverse effect on Raspadskaya's operating performance, financial standing and business prospects. In addition, long-term business disruption may result in a loss of customers and competitive advantages, as well as damage to the Company's reputation.

To mitigate such risks, Raspadskaya has established and implements procedures to ensure continuous operations that are subject to regular review. Business disruptions in mining mainly relate to production safety. Measures to mitigate these risks include methane monitoring and degassing systems, timely maintenance of mining equipment, employee safety training and development of a geodynamic monitoring system. Detailed analysis of the causes of work disruption is performed to develop and implement preventative action. Records of minor disruptions are regularly reviewed to identify any more significant underlying issues.

Information security and IT system availability

Failure to actively use IT capabilities to improve business process efficiency can lead to a loss of competitive advantage and profit.

Risks related to IT systems and information security can also potentially affect production activities. At the same time, digitalisation increases companies' information security vulnerabilities.

The Company's IT strategy seeks to use digital transformation to reduce the risks of inefficient use of IT capabilities. To reduce information security risks, they regularly undergo an external assessment, reaction measures are developed, and their implementation is monitored. The most critical IT systems are tested regularly, and employees are trained in IT security and effective organisation of remote working during the pandemic.

The management is continuously developing and implementing additional measures aimed at minimising IT risks. In 2021, the Company will continue seeking to enhance operational efficiency, including by using digital tools.

Risks regarding COVID-19

To minimise the chance of events developing adversely, Raspadskaya has devised a system of measures aimed at reducing infection and isolating and treating ill employees rapidly. All of the necessary equipment and materials were bought quickly and new rules and processes have been introduced. To reduce the risk of infection, most office staff were moved to remote working. In these new conditions, numerous processes have been adapted to increase efficiency.

Other risks

Raspadskaya continues to monitor and evaluate risks and factors that are not critical in terms of potential business impact. Among others, these include potential logistical bottlenecks, which could influence access to export markets, availability of personnel with the required qualifications, and the Company's ability to comply with legal requirements.

Exchange rates

When reviewing this discussion and analysis, it is important to consider fluctuations in the US dollar/Russian ruble exchange rate. Raspadskaya's performance may be significantly affected by these. The Company's functional currency is the Russian ruble, and its assets, obligations, revenues and expenses are denominated mostly in rubles, while the presentational currency in the financial statements is the US dollar.

The table below gives some exchange rates used to prepare Raspadskaya's consolidated financial information.

	2020	2019	Change, %
Average exchange rate, RUB/US\$	72.1464	64.7362	11
	31.12.20	31.12.19	Change, %
Exchange rate, RUB/US\$	73.8757	61.9057	19

Production capacity

The production capacity of Raspadskaya's mines is a factor that sets an upper limit to production and, consequently, sales volumes. Many factors influence the Company's production capacity, including equipment productivity and mining conditions.

Raspadskaya's business activity depends on its ability to maintain a stable production level. As such, the availability and development of mineral reserves, level of maintenance of mining equipment and overall facilities, and provision of safe working conditions significantly affect the Company's activities.

Coking coal supply and demand

Raspadskaya's operating and financial results are highly dependent on the balance of coking coal supply and demand on domestic and international markets. This balance determines the prices of coking coal, affects sales volumes, and is primarily driven by fluctuations in steel and coke production volumes, changes in coal production capacities and other related factors. These in turn are dependent on domestic and global macroeconomic conditions.

The Company's end consumers are large domestic and foreign steel and coke producers. As such, Raspadskaya's sales are influenced by Russian and international steel markets. Domestic sales remain the priority.

In 2020, one key factor affecting the supply-demand balance was the slump in business activity globally due to COVID-19. Most enterprises worldwide had to reduce capacity load, while steel production and demand for coal declined. The imbalance on the market caused coal prices to fall. Another key driver was China’s ban on Australian coal imports. A factor on the supply side was the activities of competitors.

Raspadskaya intends to remain competitive primarily by implementing cost reduction programs, maintaining an optimal price to quality ratio, concluding long-term contracts and developing relations with current and potential customers.

Coking coal sale prices

Both domestic and export prices for coking coal have a material impact on Raspadskaya’s revenues and therefore financial results.

Coking coal is sold either under long-term contracts or on spot markets. The price for coal is set according to its coking characteristics because coking coal is a product that varies in quality. The Company’s export selling prices are within regional market trends.

Raspadskaya’s contract prices are set in Russian rubles for domestic sales and US dollars for export sales.

In 2020, the Company supplied coking coal products to all main Russian customers under long-term contracts. List prices are primarily set quarterly based on global trends. Prices for export sales depended on international quarterly and spot benchmarks for hard and semi-soft coking coal using appropriate premiums or discounts.

In 2020, the bulk of domestic sales and exports to Southeast Asia and Europe were made under FCA Mezhdurechensk delivery terms. Other terms used were CPT and DAP. Except for FCA, transportation and other related costs are included in the contract price.

The table below gives the weighted average sale prices of the Company’s coal concentrate rebased to common delivery terms (FCA Mezhdurechensk).

	2020	2019	Change,%
	<i>US\$/tonne</i>		
Weighted average sale price	52.6	89.9	(41)

The sale price of coal concentrate on markets where Raspadskaya is present, including Russia, Europe and Asia-Pacific, can vary due to specific civil and legal obligations to counterparties depending on trading and sales policies in place.

In 2020, all of the Company’s sale prices continued to follow international benchmarks and indexes.

Sales through East Metals AG

To expand the customer base and promote products on export markets, Raspadskaya makes most of its export sales of concentrate (with the exception of Ukraine and Kazakhstan) through the East Metals AG (EMAG) trading company, in Switzerland, which is part of the EVRAZ group. All sales contracts with EMAG are on arms-length market terms.

Sales through EMAG enable the Company to reduce inventories and the need for working capital due to the reduction of railway costs and freight-forwarding support (freight). Raspadskaya’s Audit Committee is tasked with overseeing and confirming the arms-length market terms of these related-party contracts.

Sales of Yuzhkuzbassugol and Mezhegeyugol coal products

In 2020, as part of its authority as a trading agent, RUK re-sold 10.2 million tonnes of coal products from Yuzhkuzbassugol/Mezhegeyugol for a total of US\$582 million, with cost of sales of US\$571 million.

As RUK does not act as a principal, it reflects only the commission from these sales of US\$11 million, as included in “Rendering of services” in the Statement of Comprehensive Income.

Sales volumes

The table below details the Company's sales volumes of coal concentrate and raw coal

	2020		2019		Change	Change, %
	Vol	Share	Vol	Share		
	'000 t		'000 t		'000 t	
Coal concentrate, Russia	2,616	33%	2,334	31%	282	12
Incl. EVRAZ	1,628	20%	1,591	21%	37	2
Coal concentrate, export	5,413	67%	5,309	69%	104	2
Europe	474	6%	1,182	15%	(708)	(60)
Asia-Pacific	4,939	61%	4,127	54%	812	20
Coal concentrate, total	8,029	100%	7,643	100%	386	5
<i>Raw coal, Russia</i>	875		2,040		(1,165)	(57)
Incl. EVRAZ	856	96%	1,949	92%	(1,093)	(56)
<i>Raw coal, Europe</i>	19		84		(65)	(77)
Concentrate and raw coal	8,923		9,767		(844)	(9)

In 2020, overall coal product sales stood at 8.9 million tonnes, down 9% year-on-year. The decline was mainly due to a decrease in the use of raw coal at EVRAZ preparation plants (Yuzhkuzbassugol). At the same time, concentrate sales rose by 5% year-on-year.

Domestic coal concentrate sales totalled 2.6 million tonnes, up 12% year-on-year, due to the expansion of the product portfolio and an increase in shipments to EVRAZ enterprises. Overall raw coal sales totalled 0.9 million tonnes.

The share of exports in the total volume of sales fell to 67% or 5.4 million tonnes (up 2% year-on-year). Of this, 91% went to the Asia-Pacific region and 9% to Europe. Sales to Europe plummeted by 60% year-on-year due to lower demand amid the COVID-19 restrictions, as well as volumes being redirected to Asia-Pacific markets. The Company continues to develop its client base and foster relationships with existing clients.

The share of coal products sold to EVRAZ steel mills stood at 28% of total coal production. Rospadskaya conducts coal sales to EVRAZ plants on market terms based on normal pricing mechanisms, including discounts or surcharges for coal grade.

In 2020, the Company remained focused on the geographical diversification of sales, as well as maintaining a balance between long-term contracts and spot deliveries.

Revenues

The table below gives a breakdown of the Company's revenues.

	2020		2019		Change	Chg, %
	Amount	Share	Amount	Share		
	<i>US\$ million</i>					
Coal concentrate, Russia	203	43%	285	35%	(82)	(29)
Coal concentrate, export	219	46%	401	49%	(182)	(45)
	422	89%	686	84%	(264)	(38)
Raw coal, Russia ⁽¹⁾	51	11%	128	16%	(77)	(60)
Raw coal, Europe ⁽¹⁾	-	0%	1	0%	(1)	(100)
	473	100%	815	100%	(342)	(42)
Transport costs in sales price ⁽²⁾	16		26		(10)	(38)
Sales of other goods	90		107		(17)	(16)
Rendering of services	40		48		(8)	(17)
Revenues	619		996		(377)	(38)

(1) Excluding sales of associated coal of 138 thousand tonnes in 2020 and 154 thousand tonnes in 2019

(2) Consists of railway costs, handling and other services in ports that are included in the sales price of the Company's coal concentrate under delivery terms other than FCA Mezhdurechensk

In 2020, revenues from the sale of coal products, rebased to common delivery terms (FCA Mezhdurechensk) totalled US\$377 million, down 38% year-on-year, due to a fall in prices (FCA) of 41% on average, as well as a decline in volumes of 9%.

The transport component in the sales price fell by 38% year-on-year. Excluding exchange-rate factors, the fall amounted to 31% due to a decrease in sales volumes on DAP terms (to Ukraine) and CPT ones.

In 2020, the sales of other goods was lower year-on-year, due to a reduction in revenues from the resale of coal purchased from third-party enterprises (due to volume and price factors).

Services provided consist largely of services for Yuzhkuzbassugol, which is part of the EVRAZ group, and coal product transport services for other coal enterprises in the region. Also included is the commission for RUK from resales of coal from Yuzhkuzbassugol, a decrease in which was driven by a decline in coal product prices.

Amid lower revenues from coal products (FCA) and from sales of other goods and services, total revenues fell by 38% year-on-year in 2020.

Production volumes

The Company's production volumes depend on capacity and demand.

The table below gives the production volumes for its coal products

	2020	2019	Change	Change,%
		<i>'000 t</i>		
Raw coal extraction	9,263	12,824	(3,561)	(28)
Raw coal preparation	10,667	11,042	(375)	(3)
Coal concentrate production	7,549	7,724	(175)	(2)
Concentrate yield	70.8%	70.0%		

	2020	2019	Change	Chg,%
		<i>'000 t</i>		
Raspadskaya (GZh)	5,857	6,892	(1,035)	(15)
Razrez Rapsadsky (GZh, GZhO)	875	3,537	(2,662)	(75)
Raspadskaya-Koksovaya (K, KO)	846	831	15	2
Raspadskaya-Koksovaya, open-pit mine (OS, KS)	1,685	1,564	121	8
Total	9,263	12,824	(3,561)	(28)

In 2020, the total raw coal mined at all of the Company's facilities was 9.3 million tonnes, down 28% year on year. The decline was mainly due to a suspension of production at the Raspadskaya mine from May to September amid poor market conditions, as well as lower output from the underground mine at Razrez Rapsadsky in Q3 2020 due to difficult mining conditions.

During the reporting period, the open-pit mine at Raspadskaya-Koksovaya boosted production to 1.7 million tonnes of raw coal (up 121,000 tonnes year-on-year) by deploying some of the idle equipment from Razrez Rapsadsky.

Concentrate yield rose slightly to 70.8% due to lower ash content in the coal mined.

Cost of production and sales

Production is an important factor in determining the Company's competitiveness in terms of cost of sales, as a substantial part of its costs are fixed, as is typical in the mining industry.

The table below gives Raspadskaya's cash costs for coal concentrate.

	2020	2019	Change	Chg, %
		<i>US\$</i>		
Cash cost per tonne of concentrate ⁽¹⁾	27	31	(4)	(13)

(1) From the management accounts

In 2020, the cash cost per tonne of concentrate fell by 13% (down US\$4) year-on-year. This was primarily due to ruble devaluation during the reporting period.

The table below gives a breakdown of the Company's cash cost of production and sales.

	2020		2019		Change	Chg, %
	Amount	Share	Amount	Share		
	<i>US\$ million</i>					
Payroll and payroll taxes	82	29%	98	28%	(16)	(16)
Taxes	7	3%	17	5%	(10)	(59)
Material	67	24%	100	29%	(33)	(33)
Electricity	17	6%	18	5%	(1)	(6)
Other costs	47	18%	60	17%	(13)	(22)
Cash cost of production	220	79%	293	84%	(73)	(25)
Depreciation	49	18%	41	12%	8	20
Depletion of mining assets	9	3%	13	4%	(4)	(31)
Cost of production	278	100%	347	100%	(69)	(20)
Transport expenses	32		59		(27)	(46)
Cost of goods resold	81		103		(22)	(21)
Changes in work in progress and finished goods	44		(7)		51	n/a
Cost of sales	435		502		(67)	(13)

Payroll and payroll taxes

Payroll and payroll taxes are one of the largest items in the Company's cost of production: 29% in 2020 and 28% in 2019.

The table below details the Company's overall staff costs and headcount.

	2020	2019	Change	Chg, %
	<i>US\$ million</i>			
Payroll in the cost of production	82	98	(16)	(16)
Payroll in the general and administrative costs	16	18	(2)	(11)
Payroll in other operating expenses	3	-	3	100
Total payroll	101	116	(15)	(13)
Average headcount	6,003	6,087	(84)	(1)

In 2020, the average headcount fell by 1% year-on-year. In April, salaries for all employees were increased by 3%. Excluding exchange-rate factors, total payroll declined by 3% due to lower output.

Taxes

In 2020, taxes amounted to US\$7 million, down US\$10 million, or 59% year-on-year. Excluding exchange-rate factors, taxes declined by 54%, largely due to a reduction in the mineral extraction tax amid lower production and prices for coal.

Materials and electricity

In 2020, material costs dropped by 33% year-on-year. Excluding exchange-rate factors, material costs fell by 25% due to less consumption of flammable materials at Razrez Rospadsky amid the suspension in production, as well as less use of third-party coal to make mixed concentrate.

Excluding exchange-rate factors, spending on electricity increased by 5% year-on-year. This was primarily due to an average tariff hike of 7% year-on-year

Depreciation and depletion of mining assets

In 2020, excluding exchange-rate factors, depreciation and depletion of mining assets rose by 20% year-on-year. This was due to the installation of new equipment (US\$26 million) with a shorter average useful life (5 years) than average useful life in this group at Rospadskaya and Rospadskaya-Koksovaya mines and an increase in capital repairs by US\$9 million during 2020 with a shorter average useful life (2 years) than the average useful life (7 years) in this group at Rospadskaya and Rospadskaya-Koksovaya mines and Razrez Rospadsky open-pit.

Transport expenses

Transport expenses consist of domestic road freightage, as well as coal shipments to the Rospadskaya washing plant by both rail and road.

In 2020, excluding exchange-rate factors, transport expenses declined by 40%, as the Company used fewer external contractors amid lower output.

Cost of goods resold

In 2020, the cost of goods resold fell year-on-year, due to a reduction in purchases of coal from third parties for resale.

Changes in work in progress and finished goods

The change in work in progress and finished goods in 2020 was due to a fall in inventories of raw GZh-grade coal at Razrez Rapsadsky and of GZh-grade concentrate at the Rapsadskaya washing plant.

Other expenses

Other expenses consist mainly of spending on industrial services. Excluding exchange-rate factors, other expenses decreased by 13% year-on-year in 2020, as the Company used fewer contractors amid lower production.

Other income and expenses

Selling and distribution costs

Selling and distribution costs consist mainly of railway costs that Rapsadskaya incurs under CPT and DAP terms. They are included in revenues from sales of coal products and totalled US\$17 million in 2020, compared with US\$30 million in 2019. Excluding exchange-rate factors, selling and distribution costs declined by 37% year-on-year in 2020, mainly due to a slump in sales on CPT terms in Russia and DAP terms to Ukraine.

General and administrative expenses

The table below gives a breakdown of the Company's general and administrative expenses.

	2020		2019		Change	Chg, %
	Amount	Share	Amount	Share		
	<i>US\$ million</i>					
Payroll and payroll taxes	16	55%	18	55%	(2)	(11)
Taxes	-	0%	1	3%	(1)	(100)
Materials	1	3%	1	3%	-	-
Depreciations and depletion	1	3%	1	3%	-	-
Other expenses	11	38%	12	36%	(1)	(8)
	29	100%	33	100%	(4)	(12)

In 2020, general and administrative expenses fell by 12% year-on-year. This was largely due to a decline in other expenses, after projects completed in 2019 to enhance operational efficiency were implemented, among other factors.

Impairment

Based on the Company's assessment, in 2020, there were no indications of impairment at cash-generating units.

Foreign-exchange gain/(loss)

Foreign-exchange differences, whether positive or negative, arise from the revaluation of assets and liabilities in foreign currencies (primarily US dollars), as well as the purchase and sale of foreign currencies.

In 2020, a foreign-exchange gain of US\$93 million was incurred due to a revaluation of cash held in foreign currency and accounts receivable linked to an increase in the US dollar exchange rate in the reporting period.

Other operating income and expenses

Other operating income and expenses consist of atypical, non-recurring income and expenses.

Interest expenses

In 2020, interest expenses totalled US\$4 million, including those from discounting reserves and net interest expenses on obligations regarding fixed-payment plans.

Income tax

In 2020, income tax amounted to US\$46 million and consisted of accrued tax.

EBITDA

The table below gives the Company's EBITDA.

	2020	2019	Change	Chg, %
	<i>US\$ million</i>			
Profit for the period	177	208	(31)	(15)
<i>Adjusted for:</i>				
Social expenses	2	2	-	-
Foreign-exchange gain/(loss)	(93)	24	(117)	n/a
Interest income	(8)	(25)	17	(68)
Interest expense	4	2	2	n/a
Other non-operating losses	-	1	(1)	(100)
Gain from disposal of property, plant and equipment	(1)	-	(1)	(100)
Impairment of assets	-	155	(155)	(100)
Income tax	47	57	(10)	(18)
EBIT	128	424	(296)	(70)
<i>Adjusted for:</i>				
Amortisation and depletion of mineral reserves	69	54	15	28
EBITDA	197	478	(281)	(59)
<i>EBITDA margin</i>	31.8%	48.0%		

Liquidity

The Company's primary source of liquidity is cash generated from operating activities.

The table below gives the Company's cash flow statement.

	31.12.2020	31.12.2019	Change	Chg, %
	<i>US\$ million</i>			
Cash and cash equivalents at beginning of period	571	67	504	n/a
Cash from operating activities	183	362	(179)	(49)
Purchases of property, plant and equipment	(60)	(76)	16	(21)
Sales of property, plant and equipment	2	3	(1)	(33)
Loans issued to related parties	(537)	(332)	(205)	62
Loans repaid by related parties	455	618	(163)	(26)
Proceeds from loans to related parties	5	2	3	150
Repayment of loans by related parties, including interest	-	(2)	2	(100)
Share buyback	-	(46)	46	(100)
Dividend payments	(51)	(27)	(24)	89
Other types of investment activity	2	1	1	100
Effect of foreign-exchange rates on cash and cash equivalents	8	1	7	700
Cash and cash equivalents at end of period	578	571	7	1

Raspadsкая intends to maintain sufficient liquidity to continue its activities in the changing economic environment.

Working capital

The table below details the Company's working capital.

	31.12.20	31.12.19	Change	Chg, %
	<i>US\$ million</i>			
Inventories	85	86	(1)	(1)
Accounts receivable (including receivables from related parties)	190	354	(164)	(46)
Prepayments	7	24	(17)	(71)
Taxes recoverable	58	58	-	-
<i>Less:</i>				
Accounts payable (including payables to related parties)	(222)	(300)	78	(26)
Taxes payable	(52)	(22)	(30)	136
Contract liabilities	(2)	(1)	(1)	100
Working capital*	64	199	(135)	(68)

For reference:

<i>Payables due to EVRAZ NTMK for Yuzhkuzbassugol's shares</i>	(917)
<i>Amounts payable under put options for own shares</i>	(65)
<i>Unsettled payables for the acquisition of Mezhegeyugol</i>	(38)
<i>Working capital including liabilities related to business combination</i>	(956)

* Working capital is shown excluding the amounts relating to the acquisition of Yuzhkuzbassugol: payables due to EVRAZ NTMK for Yuzhkuzbassugol's shares, amounts payable under put options for own shares, and unsettled payables for the acquisition of Mezhegeyugol. These amounts are one-off items: they will not recur once the deal is completed.

Capital expenditure

The table below summarises the Company's capital expenditure

	2020	2019		
	Total	Total	Change	Change, %
Financing of investments, US\$ million	60	76	(16)	(21)
Financing of investments per tonne of coal mined, US\$	6.5	5.9	0.6	10

In 2020, financing for capital expenditures decreased by 21% year-on-year. This was due to the implementation of the equipment replacement programme at Razrez Rapsadsky in 2019 and the acquisition of cleaning equipment for the Rapsadskaya mine to replace worn-out equipment.

Off-balance-sheet arrangements

Rapsadskaya does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its financial standing or the results of its business activity.

Glossary

CPT (carriage paid to): The seller pays for the carriage of the goods to the named place of destination. The buyer pays for insurance, import duties and delivery from the place of destination.

DAP (delivered at place): The seller pays for delivery to the named destination.

FCA (free carrier): The seller pays for export duties at the named place of departure.