



Raspadskaya Announces IFRS Results for 2021

Moscow, 23 March 2022 – PJSC Raspadskaya (MOEX: RASP; hereinafter, “Raspadskaya” or “the Company”) today announces its consolidated results for 2021 in accordance with International Financial Reporting Standards (IFRS). The 2021 data includes the consolidated assets of Yuzhkuzbassugol (hereinafter, “Yuzhkuzbassugol” or “Novokuznetsk site”).

Financial performance	2021	2020	Change	Change, Nvk site	Change, Mzhk site
	<i>US\$ million</i>				
Revenue	2,098	619	1,479	1 128	351
Cost of sales	(807)	(435)	(372)	(521)	149
Gross profit	1,291	184	1,107	607	500
Selling and distribution costs	(82)	(17)	(65)	(57)	(8)
General and administrative expenses	(74)	(29)	(45)	(21)	(24)
Social expenses	(4)	(2)	(2)	-	(2)
Gain/(loss) on disposal of property, plant and equipment	(5)	1	(6)	(4)	(2)
Impairment of assets	(11)	-	(11)	-	(11)
Foreign exchange gain/(loss)	23	93	(70)	5	(75)
Other operating income	10	2	8	8	-
Other operating expenses	(27)	(12)	(15)	(22)	7
Operating profit	1,121	220	901	516	385
Interest income	2	8	(6)	-	(6)
Interest expense	(33)	(4)	(29)	(7)	(22)
Profit before income tax	1,090	224	866	509	357
Income tax expense	(215)	(47)	(168)	(107)	(61)
Profit for the year	875	177	698	402	296
<i>Net profit margin</i>	<i>42%</i>	<i>29%</i>			
Earnings per share, cents	130.8	25.9	104.8		
EBIT	1,118	128	990	515	475
EBITDA	1,332	197	1,135	677	458
Capital expenditure (CAPEX)	228	60	168	135	33
	31/12/2021	31/12/2020			
Debt	421	-	421		
Cash and cash equivalents	400	578	(178)		

GEOPOLITICAL TENSIONS AND SANCTIONS

- In February 2022, the aggravation of geopolitical tensions and the conflict related to Ukraine had a negative impact on the economy of the Russian Federation. The United States, European Union and several other countries have imposed new sanctions against certain Russian state and commercial organizations, including banks, and individuals, certain sectors of the economy, as well as restrictions on certain types of transactions. Certain foreign enterprises announced the suspension of activities in Russia or the termination of the supply of products to Russia.
- This led to increased volatility in the stock and currency markets. The ruble has significantly devalued against foreign currencies. The Bank of Russia has increased the key rate to 20%.
- In March 2022, temporary restrictive economic measures were introduced in the Russian Federation, including a ban on residents providing loans to non-residents in foreign currency and on residents transferring foreign currency to their accounts in foreign banks, restrictions on payments on securities to foreign investors, restrictions on transactions with counterparties a number of foreign countries.
- It is expected that these events may affect the activities of Russian enterprises in various sectors of the economy. Specifically, export and import trade limitations for Russia introduced by certain countries may affect Company's future revenues and purchases. In addition, sanctions were introduced against one of the non-controlling EVRAZ plc shareholders.
- These events represent events after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence. Currently, the Company's management is analysing the possible impact of changing micro- and macroeconomic conditions on the Company's financial position and results of operations.

DEMERGER OF EVRAZ' COAL ASSETS

- On 11 March 2022, EVRAZ announced that it was indefinitely suspending the demerger of the coal assets consolidated at Rapsadskaya. EVRAZ announced that it is waiting for clarifications from the Office of Financial Sanctions Implementation (HM Treasury), which issued a notice about financial sanctions on 10 March 2022, and from the Russian authorities about regulatory restrictions on the rights of EVRAZ shareholders to dispose of the Rapsadskaya shares that they are to receive in the demerger process.

DIVIDENDS

- Due to the current geopolitical situation, the Board of Directors does not believe that the payment of a dividend will serve the best interests of the Company and its shareholders.
- Although international sanctions against Russia and restrictions imposed by Russia have not to date had a material impact on the Company's operations or its trading and financial position, given the current uncertainty over Russia-Ukraine relations, the Board has decided not to recommend the payment of a dividend for 2021.
- This decision will provide the Company with a liquidity cushion during a volatile geopolitical situation.

OPERATIONAL PERFORMANCE IN 2021:

- Revenues totalled US\$2,098 million, up US\$1,479 million from 2020, including US\$1,128 million from the consolidation of the Novokuznetsk site. In addition, revenue increased yoy amid higher sales prices.
- EBITDA grew to US\$1,332 million, up from US\$197 million in 2020, including an increase of US\$682 million from the consolidation of the Novokuznetsk site
- Net operating cash flow amounted to US\$869 million, compared with US\$183 million in 2020
- The Company generated net profit of US\$875 million, compared with US\$177 million in 2020. Earnings per share increased from 25.9 cents to 130.8 cents.
- The net profit margin improved to 42%, up from 29% in 2020
- Overall coal production (all grades) amounted to 22.8 million tonnes, compared with 9.3 million tonnes in 2020, including an increase of 12.3 million tonnes from the consolidation of the Novokuznetsk site
- The cash cost of coal concentrate per tonne increased by 21% (US\$7) year-on-year to US\$39/tonne, including a US\$4 increase resulting from the consolidation of the Novokuznetsk site
- CAPEX was US\$228 million, compared with US\$60 million in 2020, including an increase of US\$90 million from the consolidation of the Novokuznetsk site
- As of 31 December 2021, the Company's cash and cash equivalents amounted to US\$400 million
- The actual FCA weighted average selling price of coal concentrate in all regional markets was US\$123.5. The sale price of coal concentrate on markets where Rapsadskaya is present (Russia, Europe and Asia-Pacific) can vary because of specific civil and legal obligations to counterparties, depending on trading and sales policies in place.

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

“In 2021, China’s ban on coal imports from Australia significantly affected global demand and altered trade flows, substantially increasing price volatility. In addition, there was a shortage of coking coal on China’s domestic market, as well as interruptions in imports throughout the year, which, combined with other factors, resulted in global quotations soaring to record levels. I am happy to note that demand for domestic coal in Russia has noticeably improved amid a recovery in consumption by steelmakers. All this, as well as an increase in production volumes, despite difficult mining and geological conditions, plus the successful consolidation of the Yuzhkuzbassugol assets, enabled us to demonstrate solid financial results in the reporting period.

The health and safety of our employees, as well as our contractors, remains a key priority for us. Unfortunately, there were two deaths at our production facilities during the reporting period. We consider this to be unacceptable and are trying to do everything possible so that such tragedies do not happen again. The Company has carefully investigated the causes of these incidents and taken the appropriate corrective measures to prevent similar risks from occurring in the future. Our top goal is zero deaths. In 2021, the Lost Time Injury Frequency Rate (LTIFR) decreased by 14.6% year-on-year to 2.99¹.

During the reporting period, we also focused on environmental issues, including reduction of greenhouse gas emissions to tackle climate change. In particular, the Company increased its utilisation of methane from degassing, launching four units: two per Erunakovskaya-VIII and Alardinskaya mines. By 2026, the plan is to commission another 24 units. By 2030, we are aiming to utilise up to 75% of methane from degassing.

In addition, the Company made major achievements in its digital transformation. Predictive technologies, video analytics and other IT capabilities are helping to monitor the production process more effectively and enhance occupational safety.

Due to the current geopolitical situation, the Board of Directors considers that paying dividends is not in the best interests of the Company and its shareholders. As such, it had decided not to recommend to the Annual General Meeting of Shareholders that a dividend be paid for 2021.”

¹ The number of lost time injuries occurring in a workplace per 1 million hours worked.

Management's discussion and analysis of financial condition and operational results for 2021

This discussion and analysis should be read in conjunction with the consolidated financial statements of PJSC Rospadskaya for 2021, 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.

Rospadskaya 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. It is located in the town of Mezhdurechensk and also in the Novokuznetsky district of the Kemerovo region and the Tyva Republic.

The Rospadskaya group includes the following mining enterprises (Rospadskaya, Rospadskaya-Koksovaya, Uskovskaya, Erunakovskaya-VIII, Alardinskaya, Osinnikovskaya, Esaulskaya and Mezhegeyugol mines and the Razrez Rospadsky and Rospadskaya-Koksovaya open-pit operations); three coal washing plants; several coal production and transportation infrastructure enterprises; and RUK, a trading and management company.

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Mineral reserves and resources

Raspadskaya has reserves of 1.8 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 2021, the Company had its reserves audited in accordance with the JORC Code. The audit was conducted as of 1 July 2021 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 of 31 December 2021.

Mezhdurechensk site

Mine	Proved and probable <i>mln t</i>
Raspadskaya (including reserves of MUK-96 planned for development)	905
Raspadskaya-Koksovaya	145
Razrez Rapsdsky open-pit mine	97
Raspadsky-Koksovy open-pit mine	23
Total	1,170

Novokuznetsk site

Mine	Proved and probable <i>mln t</i>
Uskovskaya	183
Alardinskaya	126
Erunakovskaya-VIII	113
Osinnikovskaya	70
Tomsky-Yuzhny open-pit mine	54
Esaulskaya	8
Total	554

Tyva site

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

Coking coal production amounted to 22.8 million tonnes in 2021.

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.

Raspadskaya 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.

Coal prices were high in 2021. Logistical constraints combined with an overall increase in coal production in Russia impacted sales margins on the domestic market. During the reporting period, Raspadskaya also had to deal with difficult geological conditions and irregular deliveries of equipment from abroad for reassembly, which had a slight effect on production volumes.

Given the growing importance of the environmental agenda and other ESG factors, there is a risk that access to capital markets could become more complicated. In this regard, Raspadskaya devotes great attention to the development of ESG aspects to maintain its competitiveness and investment appeal. Thanks to its ongoing efforts, in 2021, the Company managed to raise the first ESG loan issued to a coal company from Sberbank.

However, current circumstances could have a significant economic impact on the global economy as a whole and on the Company in particular. The present situation is difficult to predict and creates substantial economic risks. As a result of this, the Company's prices and sales volumes may change. The restrictions introduced on international activities may cause the Company's supply chains to change, which could affect the Company's day-to-day operations.

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.

Raspadskaya continues to implement every possible measure to prevent COVID-19 outbreaks at its enterprises, including mass testing, mandatory mask wearing and disinfection of outer clothing on entry to facilities, among others. An active campaign is under way to vaccinate and re-vaccinate the employees. 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 2,400 mm.

As part of a programme to prevent the spontaneous combustion of coal, uninterrupted, on-line monitoring of the atmosphere of the 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 working standards and identify risks. In addition, protective systems are being installed to automatically cut power to tunnelling machines that are dangerously close to personnel.

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 Transportation 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, equipped with LED lighting. Systems are constantly monitored and analysed to prevent personnel from entering conveyor belt areas, and in those where there are often alerts, video monitoring systems are being installed.

Based on an analysis of injury data, the Company has prepared and is implementing programmes to train staff and develop a safe working culture. In 2021, the LTIFR declined to 2.99x (from 3.50x in 2020) due to the implementation of such projects as 'Risk Management' and 'Improving Safety Culture' in addition to several digitalisation projects.

In 2021, new environmental targets were set for the year 2030: a 75% reduction in methane emissions from degassing, as well as a 1.5x reduction in dust emissions from coal transportation and storage. This strategy resulted in the launch of four methane utilisation units in 2021, which helped to reduce gas emissions by 7%. In addition, as part of a programme to reduce dust emissions, three dust suppression units were put into operation at coal depots, mine water treatment facilities at the Alardinskaya mine were reconstructed, and storm water treatment facilities were installed at the Rapsadskaya mine. In addition, the Company continued work to recultivate disturbed lands at the Rapsadskaya mine and the Rapsadsky open-pit mine.

Potential government action

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

Rapsadskaya may also be adversely affected by international restrictions from certain foreign governments against Russian businesses, reducing its ability to conduct business with potential or existing counterparties.

Although these risks are beyond the Company's control, Rapsadskaya 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. The Company is promptly responding to the international restrictions that have been imposed and Russia's retaliatory measures and taking the necessary actions within its control to minimise the damage. However, the long-term effects of existing international and domestic restrictions, as well as the threat of new restrictions, are difficult to predict.

Financial risks

In its activities, the Company faces various financial risks, including foreign-exchange, liquidity, credit access and tax compliance risks.

As a result of the restrictions imposed on Russia and the growing economic uncertainty, including greater volatility on capital markets, the depreciation of the Russian ruble, the reduction in foreign and domestic direct investment and a significant decrease in the availability of debt financing sources, Russia may impose temporary restrictive measures to protect the country's economy and financial stability. Such measures may include restrictions on the turnover of foreign exchange earnings from exports, regulating the capital flow, including the non-residents, payments on obligations and other actions. The long-term effects of such international and domestic restrictions, as well as the threat of new restrictions, are difficult to predict.

In addition, sharp growth in inflation, the falling Russian stock indices and the significant depreciation of the Russian ruble could adversely affect the Company's operating costs and free cash flow. This risk is managed by programmes to optimise net working capital, CAPEX and costs. The Company is assessing the impact of these market changes on its financial position, financial results and future cash flows.

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. Measures to mitigate these risks include methane monitoring and degassing systems, timely maintenance and repairs of mining equipment, employee safety training and the 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 and industrial safety.

The IT strategy seeks to use digital transformation to improve the quality (enhance the efficiency) of procedures at the Company and reduce the risks of inefficient use of IT capabilities. To reduce information security risks, they regularly undergo an external assessment, response 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 continued to enhance operational efficiency, including the use of digital tools and mobile applications to monitor operations online.

Given the current situation and the introduction of restrictions on international activities, there are risks that service and support for Raspadskaya's existing information systems could be disrupted. In these conditions, the Company is assessing risks and studying alternative sources for the purchase of IT systems. At present, it is difficult to assess the impact of such restrictions on the Company's production activities and industrial safety.

Risks regarding COVID-19

To minimise the chance of events developing adversely, the Company has devised a system of measures that aim to reduce infection and rapidly isolate and treat ill employees. All of the necessary equipment and materials were bought quickly, and new rules and processes have been introduced. To reduce the risk of infection, office staff were moved to remote working, face-to-face meetings and meetings were minimised and vaccination points were set up. In these new conditions, numerous processes have been adapted to increase efficiency.

Other risks

The Company 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, an upturn in inflation 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:

	2021	2020	Change, %
Average exchange rate, <i>RUB/US\$</i>	73.6541	72.1464	2
	31/12/21	31/12/20	Change, %
Exchange rate, <i>RUB/US\$</i>	74.2926	73.8757	0.5

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. Thus, Raspadskaya's sales are influenced by Russian and international steel markets. Domestic sales remain the priority.

Key factors that affect the balance of supply and demand include the recovery of steel production and rising prices for steel and coal products, China's ongoing ban on the import of Australian coal, as well as localised COVID-19 lockdowns (India, Mongolia, Indonesia and Australia).

The activities of our competitors impact the market balance on the supply side.

Raspadskaya intends to remain competitive primarily by implementing cost reduction programmes, 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 2021, the Company supplied coking coal products to all its main Russian customers under the long-term contracts.

In 2021, prices for export sales depended on international quarterly and spot benchmarks for hard and semi-soft coking coal using the appropriate premiums or discounts.

The bulk of domestic sales and exports to Southeast Asia and Europe were made under FCA 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 FCA delivery terms:

	2021	2020	Change, %
	<i>US\$/tonne</i>		
Weighted average sale price	123.5	52.6	n/a

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 2021, all of the Company's sale prices continued to follow the international benchmarks and indices.

Significant contractual arrangements between EVRAZ and Raspadskaya

Demerger agreement

On 15 December 2021, EVRAZ and the Raspadskaya group signed a demerger agreement to spin off and manage their obligations after the demerger with regard to, among other things, the parties' respective indemnification obligations to one another. Under the demerger agreement, the Raspadskaya group and EVRAZ mutually guarantee indemnification as it pertains to the assets and losses of the coal and steel businesses of the Raspadskaya group and EVRAZ, respectively.

EVRAZ and the Raspadskaya group have agreed to ensure that after the demerger, historical obligations (as well as any future obligations that may arise prior to the finalisation of the demerger) associated with the steel and coal businesses will be borne by the EVRAZ and Raspadskaya group entities that are established after the demerger, respectively. The maximum amount of such indemnification obligations for each party is US\$100 million.

Strategic cooperation agreement

On 15 December 2021, EVRAZ and the Raspadskaya group signed a strategic cooperation agreement in which they acknowledge that they will continue to provide certain services and goods to each other in accordance with the agreements that they had concluded prior to the demerger.

Under the strategic cooperation agreement, EVRAZ and the Raspadskaya group pledge, and confirm that their subsidiaries pledge, to provide services and fulfil certain other agreements that they concluded in accordance with the terms of such agreements until 31 December 2022 inclusive. Unless they agree otherwise, both parties shall make efforts to terminate all such service agreements and other arrangements by 1 January 2023 (unless the Raspadskaya group requests the early termination of any of them, in which case the parties shall seek to terminate the relevant agreements as necessary).

The maximum amount of liability for either of the parties under the strategic cooperation agreement is limited to US\$20 million. This limitation does not depend on the amount of the parties' obligations under the respective basic agreements.

Off-take agreement

On 1 November 2021, EVRAZ NTMK and EVRAZ ZSMK concluded separate supply agreements with the Raspadskaya group, which will become effective immediately upon conclusion of the demerger and remain in effect until 31 December 2026. Under the supply agreements, EVRAZ NTMK and EVRAZ ZSMK will purchase coal from the Raspadskaya group to cover approximately 60% of EVRAZ' coal needs for steel production following the demerger. The price that EVRAZ NTMK and EVRAZ ZSMK will pay will be determined based on the coordinated formula that is linked to global coal price indices that EVRAZ has no control over and takes into account changes in exchange rates and quality.

On 8 November 2021, the Raspadskaya group and East Metals AG (EMAG), the trading subsidiary of EVRAZ, signed a trade agreement on the sale of bituminous coal. Under the agreement, the coal will be shipped to South Korea, China, Japan, Taiwan, Vietnam, Slovakia, Turkey, Romania, Serbia, Poland, Lithuania, the Czech Republic and India. The agreement with EMAG will remain valid until 31 December 2022, with a possible extension to 31 March 2023.

For more information on the demerger, strategic cooperation and trade agreements concluded by EVRAZ and the Raspadskaya group, please see the shareholder circular at <https://www.evraz.com/files/en/demerger/circular.pdf>.

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 responsible for overseeing and confirming the arms-length market terms of these related-party contracts.

Sales volumes

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

	2021	2020	Change total	Change Novokuznetsk site	Change Mezhdurechensk site
	'000 t				
Coal concentrate, Russia	7,055	2,616	4,439	4,186	253
<i>Including EVRAZ</i>	3,996	1,628	2,368	2,574	(206)
Coal concentrate, export	7,418	5,413	2,005	3,045	(1,040)
Europe	1,461	474	987	900	87
Asia-Pacific	5,957	4,939	1,018	2,145	(1,127)
Coal concentrate, total	14,473	8,029	6,444	7,231	(787)
Raw coal, Russia	2,353	875	1,478	1,642	(164)
<i>Including EVRAZ</i>	2,172	856	1,316	1,490	(174)
Raw coal, export	131	19	112	131	(19)
Coal concentrate and raw coal	16,957	8,923	8,034	9,004	(970)

In 2021, overall coal product sales soared by 90% year-on-year to 17 million tonnes. The growth in sales was mainly driven by the consolidation of coal product sales from the Novokuznetsk site, which amounted to 9 million tonnes. Excluding coal product sales from the Novokuznetsk site, sales decreased by 1 million tonnes. The decrease was the result of production restrictions at the Raspadskaya mine, logistical constraints in deliveries to the Far East and the sale of warehouse inventory in 2020.

Domestic coal concentrate sales amounted to 7.1 million tonnes. Sales from the Mezhdurechensk site increased 10% year-on-year to 2.9 million tonnes due to increased supplies outside of EVRAZ enterprises. Total raw coal sales amounted to 2.4 million tonnes, with the Mezhdurechensk site accounting for 0.7 million tonnes of that amount.

Exports accounted for 51% of total concentrate sales, or 7.4 million tonnes. Of this, 80% went to the Asia-Pacific region and 20% to Europe. Exports to Europe, excluding sales from the Novokuznetsk site, grew 18% year-on-year, mainly due to a recovery in demand for coal after the lifting of COVID-19 restrictions that governments had imposed in 2020. The Company continues to develop its client base and foster relationships with the existing clients.

The share of coal products sold to EVRAZ steel mills stood at 36% of total coal production. Raspadskaya conducts coal sales to EVRAZ plants on market terms based on normal pricing mechanisms, including discounts or surcharges for coal grade.

In 2021, the Company remained focused on the geographical diversification of sales, as well as maintaining a balance between long-term contracts and spot deliveries.

Revenue

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

	2021	2020	Change total	Change Novokuznetsk site	Change Mezhdurechensk site
	<i>US\$ million</i>				
Coal concentrate, Russia	936	203	733	576	157
Coal concentrate, export	844	219	625	355	270
	1,780	422	1,358	931	427
Raw coal, Russia ⁽¹⁾	202	51	151	123	28
Raw coal, Europe ⁽¹⁾	12	-	12	12	-
	1,994	473	1,521	1,066	455
Transport costs in sales price ⁽²⁾	74	16	58	54	4
Sales of other goods	24	90	(66)	4	(70)
Rendering of services	6	40	(34)	4	(38)
Revenues	2,098	619	1,479	1,128	351

(1) Excluding sales of associated coal of 327,000 tonnes in 2021 and 138,000 tonnes in 2020.

(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.

In 2021, revenues from the sale of coal products rebased to common delivery terms (FCA) increased by US\$1.521 billion, up 322% year-on-year, due to growth in prices (FCA) of 135% on average, as well as a 90% increase in sales volumes.

The transport component in the sales price increased by US\$58 million year-on-year due to growth in sales volumes on DAP and CPT terms, and also as a result of the consolidation of the Novokuznetsk site.

Sales of other goods declined by US\$66 million in 2021 due to elimination of material resale revenues at the Novokuznetsk site, as Yuzhkuzbassugol is now consolidated in Raspadskaya's financial reporting.

In 2020, services provisions consisted mainly of services for the enterprises of the Novokuznetsk site, and coal product transport services for other coal enterprises in the region. Also included is the commission for RUK from resales of coal from the Novokuznetsk site. In 2021, revenues from services fell by US\$34 million due to the consolidation of the Novokuznetsk site in December 2020.

Amid higher revenues from coal products (FCA) and a decrease in sales of other goods and services, total revenues increased by US\$1.479 billion in 2021.

Production volumes

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

The table below gives the production volumes for its coal products:

	2021	2020	Change	Change, %
	<i>'000 t</i>			
Raw coal extraction	22,820	9,263	13,558	n/a
Raw coal preparation	19,618	10,667	8,951	84
Coal concentrate production	14,447	7,549	6,898	91
Concentrate yield	73.6%	70.8%		
	2021	2020	Change	Change, %
	<i>'000 t</i>			
Raspadskaya (GZh)	4,618	5,857	(1,239)	-21
Razrez Raspadsky (GZh, GZhO)	3,168	875	2,293	n/a
Razrez Raspadsky, open-pit mine (oxidised)	70	1	69	n/a
Raspadskaya-Koksovaya (K, KO)	1,097	846	251	30
Raspadskaya-Koksovaya, open-pit mine (OS, KS)	1,521	1,674	(153)	(9)
Raspadskaya-Koksovaya, open-pit mine (oxidised)	56	11	45	n/a
Mezhdurechensk site, total	10,530	9,264	1,266	14
Alardinskaya (KS)	3,232	3,319	(87)	(3)
Osinnikovskaya (Zh)	1,382	1,888	(506)	(27)
Erunakovskaya-VIII (Zh)	2,305	1,975	330	17
Esaulskaya (GZh)	2,532	1,694	838	50
Uskovskaya (GZh)	2,840	2,464	376	15
Novokuznetsk site, total	12,291	11,340	951	8
Mezhegeyugol (ZZh)	-	52	(52)	(100)
Total	22,821	20,656	2,165	10

In 2021, the Company's enterprises produced a total of 22.8 million tonnes of raw coal, an increase of 13.6 million tonnes year-on-year. This growth was driven by the consolidation of enterprises at the Novokuznetsk site (+12.3 million tonnes). In addition, production volumes grew as a result of production resuming at the Razrez Raspadsky open-pit mine, which had been suspended in 2020 from May to September amid negative market conditions, as well as the Esaulskaya mine switching to the new coal bed 29.

The Erunakovskaya-VIII, Uskovskaya and Raspadskaya-Koksovaya mines also increased output with measures to improve production efficiency. However, production decreased at the Raspadskaya mine, as the mine moved to operating from three longwalls to two from mid 2020, with a view to enhancing safety. Production at the Osinnikovskaya mine also declined due to an increase in the production cycle amid more difficult mining and geological conditions in longwall 4-1-5-8.

Concentrate output in 2021 increased by 2.8 percentage points year-on-year and amounted to 73.6%. The higher yield can be attributed to a change in the structure of washed coal due to the inclusion of the Novokuznetsk site's washing plants in calculations, as well as an increase in the share of coal from the Razrez Raspadsky open-pit mine (with a low ash content) combined with an increase in its production volumes in 2021.

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, which is typical for the mining industry.

The table below details cash costs for coal concentrate:

	2021	2020	Change	Change, %
	<i>US\$</i>			
Cash cost per tonne of concentrate ⁽¹⁾	39	32	7	21

(1) From management accounts

In 2021, the cash cost of a tonne of concentrate increased by 21% (US\$7) year-on-year mainly due to structural changes on account of the Novokuznetsk site enterprises. If the effect of the Novokuznetsk site is excluded, the cash cost per tonne of concentrate increased by US\$2, driven by a 21% decrease in production at the Raspadskaya mine and higher resource prices.

The table below gives a breakdown of the Company's cost of production and sales. The 2021 data includes the consolidated assets of the Novokuznetsk site, while the 2020 data only includes the sites of the Mezhdurechensk site:

	2021		2020		Change	Change	Change
	Amount	Share	Amount	Share	Total	Novokuznetsk site	Mezhdurechensk site
	<i>US\$ million</i>						
Payroll and payroll taxes	226	31%	82	29%	144	142	2
Taxes	21	3%	7	3%	14	11	3
Material	145	20%	67	24%	78	86	(8)
Electricity	46	6%	17	6%	29	29	
Other costs	75	10%	47	17%	28	41	(13)
Cash cost of production	513	71%	220	79%	293	309	(16)
Depreciation	139	19%	49	18%	90	92	(3)
Depletion of mining assets	68	10%	9	3%	59	58	2
Cost of production	720	100%	278	100%	442	459	(17)
Transport expenses	97		32		65	55	10
Cost of goods resold	6		81		(75)	-	(75)
Changes in work in progress and finished goods	(16)		44		(60)	7	(67)
Cost of sales	807		435		372	521	(149)

Payroll and payroll taxes

Payroll and payroll taxes are one of the largest items in the Company's cost of production and amounted to 31% in 2021 and 29% in 2020.

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

	2021	2020	Change	Change	Change
	<i>US\$ million</i>		Total	Novokuznetsk site	Mezhdurechensk site
Payroll in the cost of production	226	82	144	142	2
Payroll in general and administrative costs	40	16	24	12	12
Payroll in other operating expenses	2	3	(1)	2	(3)
Total payroll	268	101	167	156	11
Average headcount	15,778	6,003	9,775		

In 2021, the average headcount increased by 9,775 people compared with the previous year, including the addition of 9,553 people at the Novokuznetsk site to the headcount. In January 2021, salaries for all employees were increased by 4.91%. Excluding exchange rate factors and the increase in payroll as a result of the Novokuznetsk site, the payroll in the production costs of the Mezhdurechensk site remained almost at the level of 2020. The payroll in general and administrative expenses at the Mezhdurechensk site increased by US\$12 million, including by US\$9 million due to the reclassification of the Novokuznetsk site's management expenses, since Yuzhkuzbassugol is now consolidated in Raspadskaya's financial reporting.

Taxes

In 2021, taxes increased by US\$3 million, or 46%, compared with 2020, excluding the Novokuznetsk site and exchange rate factors, mainly because of an increase in the mineral extraction tax due to growth in production volumes and rising coal prices.

Materials and electricity

In 2021, material costs, excluding those at the Novokuznetsk site, declined by US\$8 million compared with 2020. This consisted of a decrease of US\$18 million due to elimination of materials purchases from the Novokuznetsk site, as Yuzhkuzbassugol is now consolidated in Raspadskaya's financial statements; and an increase of US\$10 million, primarily due to greater consumption of fuels and lubricants at the Razrez Raspadsky open-pit mine after resumption of production, which was suspended in 2020 from May to September.

Excluding exchange rate factors and the Novokuznetsk site, electricity costs were 2% higher in 2021 than in 2020. This was primarily due to an average tariff hike of 4% year-on-year.

Depreciation and depletion of mining assets

In 2021, depreciation and the depletion of mining assets, excluding the Novokuznetsk site, decreased by US\$1 million, primarily because of exchange rate factors.

Transport expenses

Transport expenses consist of internal road freightage, as well as coal transportation to Raspadskaya, Abashevskaya and Kuznetskaya washing plants by both rail and road.

In 2021, transport expenses increased by US\$10 million, excluding the Novokuznetsk site. The higher costs are attributable to a hike in road freightage prices in 2021 and growth in transportation volume due to increased output.

Cost of goods resold

In 2021, the cost of goods resold fell year-on-year, mainly due to exclusion of cost of goods resold to the Novokuznetsk site, since Yuzhkuzbassugol is now consolidated in Raspadskaya's financial statements.

Changes in work in progress and finished goods

Changes in the cost of work in progress and finished goods, excluding the Novokuznetsk site, amounted to US\$(67) million, including US\$(19) million for finished goods that accumulated at the Raspadskaya washing plant and US\$(44) million for the reduction in residual GZh raw coal at the Razrez Raspadsky open-pit mine and a decrease in GZh concentrate stockpiles at the Raspadskaya washing plant in 2020.

Other expenses

Industrial services make up the bulk of other expenses. Excluding the Novokuznetsk site, other expenses in 2021 decreased by US\$13 million year-on-year, of which US\$4 million resulted from the reclassification of the Novokuznetsk site's management costs, since Yuzhkuzbassugol is now consolidated in Raspadskaya's financial reporting.

Other income and expenses

Selling and distribution costs

Selling and distribution costs consist mainly of railway costs that Raspadskaya incurs under CPT and DAP terms. They are included in revenues from sales of coal products and totalled US\$82 million in 2021, compared with US\$17 million in 2020. Of the US\$65 million increase in selling and distribution costs, US\$57 million resulted from the consolidation of the Novokuznetsk site and increased sales on DAP and CPT terms, US\$10 million from the increase in CPT-based sales to CIS countries, and US\$(2) million from an effect of foreign exchange difference.

General and administrative expenses

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

	2021		2020		Change Total	Change Novokuznetsk site	Change Mezhdurechensk site
	Amount	Share	Amount	Share			
	<i>US\$ million</i>						
Payroll and payroll taxes	40	54%	16	55%	24	12	12
Taxes	1	1%			1		1
Materials	2	3%	1	3%	1	1	
Depreciations and depletion	3	4%	1	3%	2	2	
Other expenses	28	38%	11	38%	17	6	11
	74	100%	29	100%	45	21	24

In 2021, the Company's general and administrative expenses increased by US\$45 million. Of this amount, US\$21 million were associated with the consolidation of the Novokuznetsk site. Excluding the Novokuznetsk site, general and administrative expenses increased by US\$24 million year-on-year in 2021, of which US\$18 million resulted from the reclassification of the Novokuznetsk site's management costs, since Yuzhkuzbassugol is now consolidated in Rapsadskaya's financial reporting, including US\$9 million in staff costs, which also includes social security taxes. The growth in other expenses is attributable to the implementation of a digital transformation project in 2021 with a price tag of US\$11 million.

Impairment

The Company impaired the asset that has been recognised from revaluation of site restoration provision of closed mine MUK-96 in the amount of US\$11 million.

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 2021, foreign exchange gains amounted to US\$23 million, including US\$7.5 million from the revaluation of cash at hand, US\$7.1 million from loans and US\$6.5 million from accounts payable.

Other operating income and expenses

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

Interest expense

In 2021, interest expense amounted to US\$33 million and included US\$12 million of accrued interest on the outstanding payables for the acquisition of a 100% share in Yuzhkuzbassugol, as well as US\$8 million of interest on bank loans from Sberbank and Alfa Bank and US\$8 million of interest on unwinding of discount on the site restoration provision.

Income tax

In 2021, income tax amounted to US\$215 million and consisted of current income tax charge tax of US\$244 million, income tax adjustments of US\$(3) million for previous years and a change in deferred tax of US\$(26) million.

EBITDA

The table below gives the Company's EBITDA:

	2021	2020	Change	Change,	Change,
	<i>US\$ million</i>		Total	Novokuznetsk site	Mezhdurechensk site
Profit for the year	875	177	698	402	296
<i>Adjusted for:</i>					
Social expenses	4	2	2	-	2
Foreign exchange (gain)/loss	(23)	(93)	70	(5)	75
Interest income	(2)	(8)	6	-	6
Interest expense	33	4	29	7	22
(Gain)/loss on disposal of property, plant and equipment	5	(1)	6	4	2
Impairment of assets	11	-	11	-	11
Income tax	215	47	168	107	61
EBIT	1,118	128	990	515	475
<i>Adjusted for:</i>					
Amortisation and depletion of mineral reserves	214	69	145	162	(17)
EBITDA	1,332	197	1,135	677	458

Indebtedness

The table below gives the Company's debt:

	31/12/21	31/12/20	Change	Change, %
	<i>US\$ million</i>			
Long-term loans and credits	400	-	400	100
Finance lease liabilities, non-current portion	15	-	15	100
Finance lease liabilities, current portion	6	-	6	100
Debt	421	-	421	100
<i>Less:</i>				
Cash and cash equivalents	(400)	(578)	178	(31)
Net debt	21	(578)	599	n/a

In 2021, the Company received loans of US\$200 million each from Alfa Bank and Sberbank.

Liquidity

The Company's primary source of liquidity is cash generated from operating activities. The table below gives the Company's cash flow statement:

	2021	2020	Change	Change, %
	<i>US\$ million</i>			
Cash and cash equivalents at beginning of period	578	571	7	1
Cash from operating activities	869	183	686	n/a
Purchases of property, plant and equipment	(218)	(60)	(158)	n/a
Proceeds from sales of property, plant and equipment	-	2	(2)	(100)
Loans issued to related parties	(100)	(537)	437	(81)
Loans repaid by related parties	100	455	(355)	(78)
Proceeds from loans to related parties	-	5	(5)	(100)
Share buyback	(38)	-	(38)	(100)
Dividend payments from the parent to shareholders	(266)	(51)	(215)	n/a
Purchase of subsidiaries	(906)	-	(906)	n/a
Proceeds from bank loans	400	-	400	n/a
Repayment of bank loans	(8)	-	(8)	n/a
Other types of investment activity	1	2	(1)	(50)
Deferred payments for acquisitions	(10)	-	(10)	n/a
Financial leasing payments, including interest	(2)	-	(2)	n/a
Effect of foreign exchange rates on cash and cash equivalents	-	8	(8)	(100)
Cash and cash equivalents at end of period	400	578	(178)	(31)

Raspidskaya 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:

	31/12/21	31/12/20	Change	Change, %
	<i>US\$ million</i>			
Inventories	106	85	21	25
Accounts receivable (including receivables from related parties)	436	190	246	n/a
Prepayments	14	7	7	100
Taxes recoverable	116	58	58	100
<i>Less:</i>				
Accounts payable (including payables to related parties)	(434)	(222)	(212)	95
Taxes payable	(205)	(52)	(153)	n/a
Contract liabilities	(1)	(2)	1	(50)
Working capital	32	64	(32)	(50)

Capital expenditure

The table below summarises the Company's capital expenditure:

	2021	2020	Change, Total	Change, Novokuznetsk site	Change, Mezhdurechensk site
Financing of investments, US\$ million	228	60	168	135	33

In 2021, financing of investments increased by US\$168 million compared with 2020, of which US\$135 million was associated with the consolidation of the Novokuznetsk site. Of the remaining US\$33 million, US\$21 million went on purchasing equipment for the Koksovy open-pit mine and the Koksovaya mine as part of investment projects. Capital expenditures on maintenance increased by US\$12 million, which went on health, safety and environmental maintenance initiatives.

Off-balance-sheet arrangements

Raspadskaya 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.