Raspadskaya announces IFRS results for H1 2021

Moscow, 20 August 2021 – PAO Raspadskaya (MOEX: RASP; "Raspadskaya" or "the Company") today announces its consolidated results for H1 2021 in accordance with International Financial Reporting Standards (IFRS). Data for H1 2021 includes consolidated assets of Yuzhkuzbassugol (hereafter Yuzhkuzbassugol or Novokuznetsk site).

Financial performance	**H1 2021**	**H1 2020**	**Change**	**Change, %**
		US$ million		
Revenue	683	333	350	n/a
Cost of sales	(371)	(219)	(152)	69
Gross profit	**312**	**114**	**198**	**n/a**
Gross profit margin	*46%*	*34%*		
Selling and distribution expenses	(40)	(7)	(33)	n/a
General and administrative expenses	(36)	(14)	(22)	n/a
Social expenses	(1)	(1)	-	-
Gain / (loss) on disposal of property, plant and equipment	(1)	1	(2)	n/a
Impairment of assets	(2)	-	(2)	n/a
Foreign-exchange gain	25	44	(19)	(43)
Other operating income	1	1	-	-
Other operating expenses	(9)	(7)	(2)	29
Operating profit	**249**	**131**	**118**	**90**
Interest income	1	5	(4)	(80)
Interest expense	(19)	(3)	(16)	n/a
Other non-operating expenses	(1)	-	(1)	n/a
Profit before income tax	**230**	**133**	**97**	**73**
Income tax expense	(49)	(29)	(20)	69
Profit for the period	**181**	**104**	**77**	**74**
Earnings per share, *cents*	**26.9**	**15.2**		
EBIT	**228**	**87**	**141**	**n/a**
EBITDA	**310**	**124**	**186**	**n/a**
EBITDA margin	*45.4%*	*37.2%*		
Capital expenditure (CAPEX)	**113**	**28**	**85**	**n/a**
	30/06/21	**31/12/20**		
Debt	**405**	**-**	**405**	**100**
Net debt / (net cash and equivalents)	**172**	**(578)**	**750**	**n/a**

OPERATIONAL HIGHLIGHTS

- Revenues totalled US$683 million, up US$350 million year-on-year, including an increase of US$384 million from consolidation of Novokuznetsk site.
- EBITDA climbed to US$310 million, compared with US$124 million in H1 2020, including an increase of US$181 million from consolidation of Novokuznetsk site.
- The EBITDA margin rose to 45.4%, compared with 37.2% in H1 2020.
- Net operating cash flow amounted to US$314 million, compared with US$118 million in H1 2020.
- Net profit was US$181 million, compared with US$104 million in H1 2020. Earnings per share increased from 15.2 cents to 26.9 cents.
- Overall raw coal production (all grades) totalled 11.6 million tonnes, compared with 5.1 million tonnes in H1 2020, including an increase of 6.7 million tonnes from consolidation of Novokuznetsk site.
- The cash cost of coal concentrate rose by 33% year-on-year to US$36 per tonne, including an increase of US$6 per tonne from consolidation of Novokuznetsk site.
- CAPEX was US$113 million, compared with US$28 million in H1 2020, including an increase of US$73 million from consolidation of Novokuznetsk site.
- As of 30 June 2021, the Company had cash and cash equivalents of US$233 million.
- The weighted average sale price of coal concentrate, rebased to common delivery terms (FCA), amounted to US$76.8 across all regional markets. The sale price of coal concentrate on various markets, including the domestic, European and Asia-Pacific markets, may differ depending on specific civil and legal obligations with counterparties in accordance with the applicable trade and marketing policy.

ACQUISITION OF YUZHKUZBASSUGOL AND DEMERGER OF EVRAZ COAL ASSETS

- Raspadskaya has consolidated Yuzhkuzbassugol' assets since 30 December 2020.
- In the consolidated financial statements for H1 2021, the acquisition of Yuzhkuzbassugol is accounted for based on provisional values. During 2021, Raspadskaya plans to complete the valuation of the acquired company's individual assets and liabilities and restate the financial statements accordingly.
- Further to the announcements from 26 January 2021 and 15 April 2021, the management of EVRAZ announced on 5 August 2021 that it continues to work on a structure for the potential demerger of the coal business.
- Upon completion of the potential demerger of the coal business, EVRAZ plans to continue to meet the majority of its needs for coal supplies by purchasing coal from Raspadskaya on arm's length terms.
- The potential demerger of EVRAZ coal business is currently expected to be completed by December 2021, subject to the receipt of all necessary approvals; the exact timeframe will be duly announced to shareholders. There is no guarantee that the potential demerger of EVRAZ coal business will take place and the Board of Directors will, if necessary, inform shareholders as appropriate.
- Regardless of whether the potential demerger of EVRAZ coal business takes place, Raspadskaya is expected to remain listed on the Moscow Exchange.

DIVIDENDS

- At its meeting on 19 August 2021, the Board of Directors discussed the Company's performance in H1 2021 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:
    - Improvements in market conditions in the global economy and the coal industry;
    - Growth in Raspadskaya's business after Yuzhkuzbassugol`s assets consolidation;
    - Volatility in coal prices;
    - High sectoral and production risks, which grow with the annual increase in the depth of reserves` development and rise in the gas content of the work;
    - Risks associated with the COVID-19 pandemic.
- In order to increase the investment attractiveness of the Company and ensure maximum transparency to all stakeholders regarding its financial policy, the Board of Directors has adopted a dividend and leverage guidance:
    - The dividend payout recommendation will be based on the actual financial performance and strength of the balance sheet of PAO Raspadskaya and its subsidiaries, taking into account the outlook for coal prices, the Board of Directors' view of the long-term stability and growth prospects of the business as well as future capital investment requirements.
    - The Company intends to declare dividends semi-annually on the basis of the consolidated IFRS financial statements in the amount of:
        - not less than 100% of free cash flow if net debt/EBITDA is less than 1.0x
        - not less than 50% of free cash flow if net debt/EBITDA is above 1.0x
    - In order to ensure the strength of the balance sheet and long term stability, the Company will target to maintain net debt/EBITDA below 2.0x throughout the cycle.
- The Board of Directors recommended to pay dividends of RUB23.0 per share for H1 2021.

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

"After the difficulties experienced in 2020, in the first half of 2021, we saw a recovery in demand for coal both globally and in Russia. In addition, production volumes recovered despite challenging mining and geological conditions. Most importantly, the successful merger with Yuzhkuzbassugol's assets allowed us to deliver strong financial results for the reporting period.

The health and safety of our employees and subcontractors is our core value. Unfortunately, we have to report two fatalities at our facilities during the reporting period. We consider this unacceptable and continue making every possible effort so that such tragedies do not reoccur. The Company has thoroughly investigated the causes of these incidents and has put corrective measures in place to mitigate these risks in the future. Our main goal is zero fatalities. In the first half of 2021, we were also able to reduce the LTIFR (lost time injury frequency rate) by 18% year-on-year. In addition, steps to combat COVID-19 were implemented, including an active vaccination campaign among our employees. This helped to hold the spread of the disease.

Given the new dividend payment guidance that the Board of Directors approved on 19 August 2021, as well as the favourable conditions in the coal industry and the expansion of our business following the consolidation of Yuzhkuzbassugol's assets, the Board of Directors has recommended that shareholders approve dividends for H1 2021 at the Extraordinary General Meeting in the amount of RUB23.0 per share or a total amount of around RUB15.3 billion (around US$208 million)."

Management discussion and analysis of financial standing and operational results for H1 2021

This discussion and analysis should be read in conjunction with the interim condensed consolidated financial statements of Raspadskaya for H1 2021, prepared in accordance with IAS 34 Interim 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 Russian coal market. The Company is located in the town of Mezhdurechensk, in the Kemerovo region of Russia, and includes: the Raspadskaya mine, MUK-96 (merged with Razrez Raspadsky since 1 August 2017) and Raspadskaya-Koksovaya underground mines; the Razrez Raspadsky and Raspadsky-Koksovy open-pit operations; a coal preparation plant; several coal production and transportation infrastructure enterprises; and RUK, trading and management company.

In December 2020, Raspadskaya completed an acquisition of Yuzhkuzbassugol`s assets, which includes the Uskovskaya, Erunakovskaya 8, Alardinskaya, Osinnikovskaya and Esaulskaya mines and two coal preparation plants in the Kemerovo region; and the Mezhegeyugol 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 to extract coking coal at Raspadskaya entities 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 acquisition of Yuzhkuzbassugol`s assets, which increased its proved and probable reserves by 551 million tonnes.

Raspadskaya coking coal reserves are presented in JORC-equivalent in the tables below, as of 31 December 2020.

Mezhdurechensk site

Mine	**Proved and probable** *mln t*
Raspadskaya	906
Raspadskaya-Koksovaya	204
MUK-96	113
Razrez Raspadsky open-pit mine	100
Raspadsky-Koksovy open-pit mine	23
Total	**1,346**

Novokuznetsk site

Mine	**Proved and probable** *mln t*
Uskovskaya	182
Erunakovskaya 8	111
Alardinskaya	80
Osinnikovskaya	71
Esaulskaya	21
Total	**465**

Tyva site

Mine	**Proved and probable** *mln t*
Mezhegeyugol	86
Total	**86**

In H1 2021, the Company extracted 11.6 million tonnes of coking coal.

Key factors and risks affecting Raspadskaya's business

Global economic factors, industry conditions and cost efficiency

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

The Group has an investment policy, which aims to reduce and manage the cost base with the objective of increasing cost efficiency. Cost-reduction programmes designed to improve assets` competitiveness are actively implemented. Moreover, ambitious target-setting system is being improved. With the development of digital technologies we see automation and robotization of production and commercial processes. This will provide the opportunity to analyse more diverse scenarios and to choose the most optimal ones.

The COVID-19 pandemic and the associated market turbulence have encouraged Raspadskaya to focus more on risks that could impact the business.

Overall, after a challenging 2020, the Company saw improved demand for coal in the domestic market. While external demand remained significant, there were problems with logistics. The Company also faced complex geological conditions during the reporting period, which had a minor impact on production volumes.

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 its enterprises, Raspadskaya has introduced numerous additional measures to safeguard its employees, including mass testing, mandatory mask wearing and outdoor clothes` disinfection upon entering facilities, etc.

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 using advanced directional drilling. As part of the "Ventilation" programme, equipment for drilling wells from the surface with a diameter of 2,400 millimetres has been introduced.

As part of a programme to prevent the spontaneous combustion of coal an uninterrupted on-line monitoring of the open area atmosphere of 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 that are equipped with a hydraulic mechanised covering to protect personnel from falling pieces of rock or coal are being introduced. 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 to automatically cut power to tunnelling machines that are dangerously approaching personnel are being installed.

The conditions and technologies of cargo delivering 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 Secure Personnel Transportation at Mining Facilities" programme is being implemented: at primary mining sites safe gangways, crossing bridges, landing and exit platforms and ventilation hatches are being installed, LED lighting in mines is being introduced. 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.

Injury data is being analysed to develop and implement programmes to train personnel and foster a safe working culture. For example, the "5 Golden Safety Rules" communications programme for electrical fitters, miners, dump-truck drivers and washing plant workers is focusing employees' attention on five essential rules defining their profession, adherence to which greatly reduces the risk of injury or death. In addition, focus groups are regularly

held to talk with workers about the risks inherent in carrying out mining works. At these sessions, specially trained administrative personnel get first-hand information about problems and risks in the production process. The obtained information and suggestions are used in the day-to-day management of the production process, submitted to problem-solving boards and used to plan and implement safety programmes.

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 which include building and modernising treatment facilities to improve the quality of mine wastewater as well as to recultivate land.

In 2020, two new environmental initiatives were launched: a programme to control dust during coal storage and transportation, and a programme to utilise the methane from preliminary mine degassing. In 2021, new environmental targets 2030 were published: a 75% reduction in greenhouse gas emissions generated during degassing, as well as a 1.5-fold reduction in dust emissions during coal transportation and storage.

Potential government actions

Raspadskaya operates in Russia, and there is a risk that the Russian government or public agencies could introduce new laws, regulations or duties 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 put under the sanctions of a number of foreign countries 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 rates volatility, liquidity, limitations on availability of borrowings 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 position 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. The risk mitigation measures include methane monitoring and degassing systems, timely maintenance and mining equipment maintenance, 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 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 Company's IT strategy seeks to use digital transformation to improve the enhance the quality (improve the efficiency) of internal procedures and reduce the risks of inefficient use of IT capabilities. To reduce information security risks, an external assessment is performed on a regular basis, 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 COVID-19 pandemic.

The management is continuously developing and implementing additional measures aimed at minimising IT risks.

In 2021, the Company continues improving its operational efficiency, as well as using digital tools.

Risks related to COVID-19

To minimise the chance of negative scenarios Raspadskaya has developeda system of measures aimed at reducing infection, as well as promptly identifying and isolating deseased 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 has been moved to remote working, face-to-face meetings have been minimised and vaccination points have been established. 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 qualifications required, 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 changes. The Company's functional currency is the Russian ruble, and its assets, liabilities, 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.

	H1 2021	H1 2020	Change, %
Average exchange rate, RUB/US$	74.2781	69.3714	7
	30.06.21	**31.12.20**	**Change, %**
Exchange rate, RUB/US$	72.3723	73.8757	(2)

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. Thus the availability and preparation of mineral reserves for the subsequent processing, the level of maintenance of mining equipment and overall facilities, 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.

Among the key factors affecting the supply-demand balance were the recovery in steel production and the growth in prices for steel products in H1 2021, China's ongoing ban on Australian coal imports, as well as local COVID-19 lockdowns in India, Mongolia and Indonesia.

A factor on the supply side was competitor activity.

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 sale 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 H1 2021, the Company supplied coking coal products to all main Russian customers under long-term contracts.

In H1 2021, prices for export sales depended on international quarterly and spot benchmarks for hard and semi-soft coking coal using 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 delivery terms (FCA).

	H1 2021	H1 2020	Change, %
	US$/tonne		
Weighted average sale price	76.8	56.7	35

The sale price of coal concentrate on markets where Raspadskaya is present, including the domestic, European and Asia-Pacific markets, may differ depending on specific civil and legal obligations with counterparties in accordance with the applicable trade and marketing policy.

In H1 2021, 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 responsible for overseeing and confirming the arms-length market terms of these related-party contracts.

Sales volumes

The table below shows the Company's sales volumes of coal concentrate and raw coal by market.

	H1 2021	H1 2020	Change, total	Change, Novokuznetsk site	Change. Mezhdurechensk site
	kt				
Coal concentrate, Russia	**3,812**	**1,264**	**2,548**	**2,178**	**370**
Incl. EVRAZ	*2,050*	*811*	*1,239*	*1,390*	*(151)*
Coal concentrate, export	**3,588**	**2,880**	**708**	**1,516**	**(808)**
Europe	807	211	596	494	102
Asia-Pacific	2,781	2,669	112	1,022	(910)
Coal concentrate, total	**7,400**	**4,144**	**3,256**	**3,694**	**(438)**
Raw coal, Russia	1,259	544	715	917	(202)
Incl. EVRAZ	*1,144*	*542*	*602*	*811*	*(209)*
Raw coal, export	70	-	70	70	-
Concentrate and raw coal	**8,729**	**4,688**	**4,041**	**4,681**	**(640)**

In H1 2021, total coal product sales jumped by 86% year-on-year to 8.7 million tonnes. The growth was primarily caused by consolidation of 4.7 million tonnes in sales of coal products from the Novokuznetsk site. Excluding the sales of coal products from the Novokuznetsk site, sales were down by 0.64 million tonnes. The latter reduction was because of a longwall transition at the Raspadskaya mine, as well as logistical restrictions on shipments to the Russian Far East.

The total volume of domestic coal concentrate sales was 3.8 million tonnes. Sales volumes from the Mezhdurechensk site climbed by 29% year-on-year to 1.6 million tonnes because of improvements in the product portfolio and increased shipments outside of the EVRAZ group. Total raw coal sales volumes were 1.3 million tonnes, of which products from the Mezhdurechensk site accounted for 0.3 million tonnes.

The share of exports in the total volume of sales was 48%, or 3.6 million tonnes, of which 78% went to the Asia-Pacific region and 22% to Europe. Excluding sales from the Novokuznetsk site, shipments to Europe surged

by 48% year-on-year, primarily because demand for coal began to recover as countries lifted their COVID-19 restrictions. The Company continues to develop its customer base and foster relationships with existing clients.

Shipments to EVRAZ steel mills accounted for a 37% share of total coal product sales volumes. Raspadskaya conducts coal sales to EVRAZ plants on market terms based on normal pricing mechanisms, including discounts or surcharges for coal grade.

In H1 2021, 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.

	1П2021	1П2020	Change, total	Change, Novokuznetsk site	Change, Mezhdurechensk. site
			US$ million		
Coal concentrate, Russia	349	106	243	210	33
Coal concentrate, export	215	129	86	101	(15)
	564	**235**	**329**	**311**	**18**
Raw coal, Russia [(1)]	67	30	37	41	(4)
Raw coal, Europe [(1)]	3	-	3	3	-
	634	**265**	**369**	**355**	**14**
Transport costs in sales price [(2)]	34	5	29	25	4
Sales of other goods	12	43	(31)	4	(35)
Rendering of services	3	20	(17)	-	(17)
Revenues	**683**	**333**	**350**	**384**	**(34)**

(1) Excluding sales of associated coal of 172 thousand tonnes in H1 2021 and 81 thousand tonnes in H1 2020.
(2) Consists of the costs of railway shipment, handling and other port services, as well as freight forwarding services, that are included in the sales price of the Company's coal concentrate under delivery terms other than FCA.

In H1 2021 revenues from the sale of coal products rebased to common delivery terms (FCA), jumped by US$369 million, or by 139% year-on-year, because of an increase in prices (FCA) of an average 35%, as well as because of a surge in overall sales volumes of 86% year-on-year.

The transport component in the sales price climbed by US$29 million. The growth was caused by greater sales volumes under DAP terms and CPT terms, as well as the consolidation of the Novokuznetsk site.

In H1 2021, the sales of other goods fell by US$31 million year-on-year because of a reduction in revenues from the resale of coal purchased from third parties.

In H1 2020, revenues from the rendering of services consisted largely of services for the Novokuznetsk site, coal product transport services for other coal enterprises in the region, as well as the commission for RUK from the resale of coal from the Novokuznetsk site. Revenues from the rendering of services dropped by US$17 million because of the consolidation of the Novokuznetsk site in December 2020.

Amid greater revenues from coal products (FCA) and lower revenues from the sales of other goods and rendering of services in H1 2021, total revenues climbed by US$350 million year-on-year.

Production volumes

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

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

	H1 2021	H1 2020	Change	Change, %
		kt		
Raw coal extraction	11,590	5,065	6,525	n/a
Raw coal preparation	9,767	5,244	4,523	86
Coal concentrate production	7,249	3,676	3,573	97
Concentrate yield	74.2%	70.1%		

	H1 2021	H1 2020	Change	Change, %
		kt		
Raspadskaya (GZh)	2,312	3,222	(910)	(28)
Razrez Raspadsky (GZh, GZhO)	1,280	607	673	n/a
Razrez Raspadsky (oxidised)	55	1	55	n/a
Raspadskaya-Koksovaya (K, KO)	609	436	173	40
Raspadskaya-Koksovaya, open-pit mine (OS, KS)	649	790	(141)	(18)
Raspadskaya-Koksovaya, open-pit mine (oxidised)	15	9	6	64
Mezhdurechensk site	**4,920**	**5,065**	**(144)**	**(3)**
Alardinskaya (KS)	1,409	1,242	166	13
Osinnikovskaya (Zh)	879	749	129	17
Erunakovskaya-8 (Zh)	1,555	944	611	65
Esaulskaya (GZh)	1,092	479	613	n/a
Uskovskaya (GZh)	1,736	1,328	409	31
Novokuznetsk site	**6,670**	**4,743**	**1,928**	**41**
Mezhegeyugol (2Zh)	-	36	(36)	(100)
Total	**11,590**	**9,843**	**1,747**	**18**

In H1 2021, the total raw coal extraction at all of the Company's facilities was 11.6 million tonnes, a year-on-year increase of 6.5 million tonnes. The growth was primarily caused by the consolidation of the Novokuznetsk site's facilities (6.7 million tonnes).

Concentrate yield rose by 4.1 percentage points to 74.2% in the period. The improvement in concentrate yield was related to a reduction in the ash content of raw material inputs at the Raspadskaya washing plant, as well as a change in the structure of the coal being processed following inclusion of the washing plants at the Novokuznetsk site into calculation.

Cost of production and sales

The level of 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 presents cash costs for coal concentrate.

	H1 2021	H1 2020	Change	Change, %
		US$		
Cash cost per tonne of concentrate (1)	36	27	9	33

(1) From the management accounts

In H1 2021, the cash cost per tonne of concentrate climbed by 33% (up US$9) year-on-year. This was primarily because of the consolidation of the Novokuznetsk site. Excluding the Novokuznetsk site, the cash cost per tonne of concentrate rose by US$2 because of a 28% reduction in production volumes at the Raspadskaya mine.

The table below gives a breakdown of the Company's cash cost of production and sales. Data for H1 2021 includes the consolidated assets of Novokuznetsk site and Mezhdurechensk site, data for H1 2020 includes only assets of Mezhdurechensk site.

	H1 2021		**H1 2020**				
	Amount	**Share**	**Amount**	**Share**	**Change, total**	**Change, Novokuznetsk site**	**Change, Mezhdurechensk site**
			US$ million				
Payroll and payroll taxes	110	*34%*	43	*30%*	67	70	(3)
Taxes	8	*3%*	4	*3%*	4	4	-
Materials	63	*19%*	32	*23%*	31	33	(2)
Electricity	24	*7%*	9	*6%*	15	15	-
Other costs	35	*11%*	24	*17%*	11	20	(9)
Cash cost of production	**240**	***74%***	**112**	***79%***	**128**	**142**	**(14)**
Depreciation	52	*16%*	25	*18%*	27	31	(4)
Depletion of mining assets	33	*10%*	5	*3%*	28	28	-
Cost of production	**325**	***100%***	**142**	***100%***	**183**	**201**	**(18)**
Transport expenses	45		17		28	26	2
Cost of goods resold	2		40		(38)	-	(38)
Changes in work in progress and finished goods	(1)		20		(21)	(7)	(14)
Cost of sales	**371**		**219**		**152**	**220**	**(68)**

Payroll and payroll taxes

Payroll and payroll taxes are one of the most significant items in the Company's cost of production: 34% in H1 2021 and 30% in H1 2020.

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

	H1 2021	**H1 2020**			
	US$ million		**Change, total**	**Change, Novokuznetsk site**	**Change, Mezhdurechensk site**
Payroll in the cost of production	110	43	67	70	(3)
Payroll in general and administrative costs	20	9	11	6	5
Payroll in other operating expenses	1	1	0	0	0
Total payroll	**131**	**53**	**78**	**76**	**2**
Average headcount	**15,602**	**6,063**	**9,539**	**9,434**	**105**

In H1 2021, the average headcount rose by 9,539 people, including as a result of the consolidation of the Novokuznetsk site's headcount of 9,434 people. In January 2021, wages for all categories of employees were increased by 4.91%. Excluding exchange-rate factors and the increase in payroll after consolidation of the Novokuznetsk site, payroll in the cost of production at the Mezhdurechensk site remained at the level of H1 2020. The payroll in general and administrative costs at the Mezhdurechensk site increased by US$5 million due to the reclassification of costs for operating the Novokuznetsk site, since Yuzhkuzbassugol is now consolidated in the financial statements of Raspadskaya.

Taxes

In H1 2021, excluding the Novokuznetsk site, taxes remained unchanged year-on-year.

Materials and electricity

In H1 2021, materials` costs, excluding the Novokuznetsk site, fell by US$2 million year-on-year, primarily because of exchange-rate factors.

Excluding exchange-rate factors, spending on electricity, excluding the Novokuznetsk site, rose by 3% year-on-year. This was primarily because of an average increase in tariff of 6% year-on-year.

Depreciation

In H1 2021, excluding the Novokuznetsk site and exchange-rate factors, depreciation dropped by US$2 million year-on-year mainly due to exchange-rate factors.

Transport expenses

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

In H1 2021, excluding the Novokuznetsk site, transport expenses climbed by US$2 million year-on-year because of higher road freightage tariffs in the period.

Cost of goods resold

In H1 2021, the cost of goods resold fell year-on-year mainly because of a reduction in the price for goods for resale to Novokuznetsk site since Yuzhkuzbassugol is now consolidated in the financial statements of Raspadskaya.

Changes in work in progress and finished goods

The change in work in progress and finished goods in H1 2021 was caused by Mezhdurechensk site (+US$6 million) due to utilisation of capitalised longwall preparation expense at Raspadskaya-Koksovaya mine. In addition, effect from Novokuznetsk site amounted to US$(7) million due to increase in coal inventories (Erunakovskaya-VIII, Uskovskaya mines and Abashevskaya and Kuznetskaya washing plants).

Other expenses

Other expenses consist mainly of spending on industrial services. Excluding Novokuznetsk site and exchange-rate factors, other expenses decreased by US$8 million year-on-year, of which US$2 million was attributable to the reclassification of costs for operating the Novokuznetsk site, since Yuzhkuzbassugol is now consolidated in the financial statements of Raspadskaya.

Other income and expenses

Selling and distribution expenses

Selling and distribution costs consist mainly of railways costs that the Company incurs under CPT and DAP terms. These expenses are included in revenues from the sale of coal products and amounted to US$34 million in H1 2021 and US$5 million in H1 2020. Excluding exchange-rate factors, the increase in selling and distribution costs was US$33 million, of which US$28 million was attributable to the consolidation of the Novokuznetsk site and greater sales under CPT terms.

General and administrative expenses

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

	H1 2021		H1 2020				
	Amount	**Share**	**Amount**	**Share**	**Change, total**	**Change, Novokuznetsk site**	**Change, Mezhdurechensk site**
		US$ million					
Payroll and payroll taxes	20	*56%*	9	*64%*	11	6	5
Taxes	1	*3%*	-	-	1	1	-
Materials	1	*3%*	1	*7%*	-	-	-
Depreciation and depletion	1	*3%*	-	-	1	-	1
Other expenses	13	36%	4	29%	9	3	6
Total	**36**	**100%**	**14**	**100%**	**22**	**10**	**12**

In H1 2021, the Company's general and administrative expenses climbed by US$22 million year-on-year, of which US$10 million was attributable to the consolidation of the Novokuznetsk site, US$6 million was related to the implementation of the digital transformation project in the period, and US$6 million was attributed to the reclassification of costs for operating the Novokuznetsk site, since Yuzhkuzbassugol is now consolidated in the financial statements of Raspadskaya.

Impairment

In H1 2021, the Company analysed its property, plant and equipment for functional obsolescence on an individual basis, as a result of which it recognised an impairment loss of US$2 million.

Foreign-exchange gain

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 H1 2021, a foreign exchange gain of US$25 million was recorded following mainly the revaluation of borrowings in foreign currency due to decrease in the US dollar exchange rate as at the reporting date as compared with the exchange rates when this borrowings were received.

Other operating income and expenses

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

Interest expense

In H1 2021, the interest expense totalled US$19 million, including the interest for the balance of debt on the acquisition of a 100% share in Yuzhkuzbassugol, as well as interest on bank loans from SberBank and Alfabank.

Income tax

In H1 2021, income tax amounted to US$49 million and consisted of US$53 million in accrued tax, as well as change in deferred tax of US$(4) million.

EBITDA

The table below gives the Company's EBITDA.

	H12021	**H1 2020**	**Change, total**	**Change, Novokuznetsk site**	**Change, Mezhdurechensk site**
			US$ million		
Profit for the period	**181**	**104**	**77**	**89**	**(12)**
Adjusted for:					
Social expenses	1	1	-	-	-
Foreign exchange gain/(loss)	(25)	(44)	19	2	17
Interest income	(1)	(5)	4	-	4
Interest expense	19	3	16	4	12
Other non-operating expenses	1	-	1	-	1
Gain/(loss) from disposal of property, plant and equipment	1	(1)	2	5	(3)
Impairment of assets	2	0	2	1	1
Income tax	49	29	20	27	(7)
EBIT	**228**	**87**	**141**	**128**	**13**
Adjusted for:					
Depreciation and depletion of mining assets	82	37	45	53	(8)
EBITDA	**310**	**124**	**186**	**181**	**5**
EBITDA margin	45.4%	37.2%			

Debt

The table below gives the Company's debt.

	30.06.21	**31.12.20**	**Change**	**Change, %**
	US$ million			
Long-term loans and credits	400	-	400	100
Finance lease liabilities, non-current portion	4	-	4	100
Finance lease liabilities, current portion	1	-	1	100
Debt	**405**	**-**	**405**	**100**
Less:				
Cash and cash equivalents	(233)	(578)	345	(60)
Net debt	**172**	**(578)**	**750**	**n/a**

In H1 2021, the Company received loans from Alfa Bank and SberBank, each in the amount of US$200 million.

Liquidity

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

	H1 2021	H1 2020	Change	Change, %
	US$ million			
Cash and cash equivalents at beginning of period	**578**	**571**	**7**	**1**
Cash from operating activities	314	118	196	n/a
Purchases of property, plant and equipment	(113)	(28)	(85)	n/a
Sales of property, plant and equipment	-	1	(1)	(100)
Loans issued to related parties	(100)	(312)	212	(68)
Repayment of loans issued to related parties	100	290	(190)	(66)
Proceeds from loans issued by related parties	-	1	(1)	(100)
Share buyback	(38)	-	(38)	n/a
Dividend payments	(4)	(3)	(1)	33
Acquisition of subsidiaries	(906)	-	(906)	n/a
Proceeds from bank loans	400	-	400	100
Repayment of bank loans	(2)	-	(2)	n/a
Other types of investment activity	1	-	1	100
Effect of foreign exchange rate changes on cash and cash equivalents	3	(9)	12	n/a
Cash and cash equivalents at end of period	**233**	**629**	**(396)**	**(63)**

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

Working capital

The table below summarises the Company's working capital.

	30.06.21	31.12.20	Change	Change, %
	US$ million			
Inventories	96	85	11	13
Accounts receivable (including receivables from related parties)	117	190	(73)	(38)
Prepayments	8	7	1	14
Taxes recoverable	63	58	5	9
Less:				
Accounts payable (including payables to related parties)	(240)	(222)	(18)	8
Taxes payable	(80)	(52)	(28)	54
Contract liabilities	(1)	(2)	1	(50)
Working capital	**(37)**	**64**	**(101)**	**n/a**

Capital expenditure

The table below summarises the Company's capital expenditure.

	H1 2021	H1 2020	Change, total	Change, Novokuznetsk site	Change, Mezhdurechensk site
Financing of capital investments, US$ million	113	28	85	73	12

In H1 2021, financing of capital investments increased by US$85 million year-on-year. The growth was primarily caused by the consolidation of Novokuznetsk site for US$73 million, as well as the acquisition of mining equipment as part of an investment project at the Koksovy open pit for US$5 million.

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.