

PJSC “KOKS”

**International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor’s Report**

For the year ended 31 December 2021

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Independent Auditor's Report

To the Shareholders and Board of Directors of PUBLIC JOINT STOCK COMPANY «KOKS»:

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PUBLIC JOINT STOCK COMPANY «KOKS» (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2021, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Compliance with debt covenants

Refer to Notes 20, 35 to the consolidated financial statements

As of 31 December 2021, the Group carried long-term borrowings and long-term bonds in the amount of RUB 55,701 million.

The underlying loan agreements contain financial and non-financial covenants that the Group must comply with. Breach of certain debt covenants would entitle the Group's lenders to demand early repayment. If one lender exercises its right to demand early repayment, it could trigger cross-default clauses with certain other lenders.

The variety of covenants attached to the Group's underlying loan agreements increases the risk of potential non-compliance with existing covenant terms.

We focused on the Group's potential non-compliance with debt covenants due to materiality of potential reclassification of long-term borrowings and long-term bonds to short-term borrowings and short-term bonds. Also, early repayment of long-term borrowings and long-term bonds may cause liquidity problems for the Group.

We reviewed the Group's process of monitoring compliance with debt covenants and confirmed how management monitors the execution of loan contract terms and whether management is able to receive a consent from respective lenders to waive their right for early demand of loans repayment before the potential breach occurs.

We verified completeness of the covenant terms attached to the Group's loan agreements and bond prospectuses by examining terms of loan agreements, bond prospectus, communicating with banks and reviewing confirmation letters obtained directly from the banks for all underlying borrowings balances.

We recalculated financial covenants and obtained evidence to support the compliance with non-financial covenants by referencing to the results of our other audit procedures and information obtained from finance credit department personnel.

Fair value valuation of loans issued to LLC "TULACHERMET-STAL"

Refer to Notes 5, 32, 34 to the consolidated financial statements

The Group classified loans issued to LLC "TULACHERMET-STAL" as financial assets measured at fair value through profit or loss.

We focused on the matter due to materiality of the amount of loans issued to LLC "TULACHERMET-STAL" at the reporting date (26,563 mln rubles as at 31 December 2021) and critical accounting estimates and judgements applied by management of the Group.

For the purpose of fair value measurement the following inputs were used by the management of the Group: average interest rate for Group's long-term RR-denominated bank loans and LLC "TULACHERMET-STAL"'s free cash flows projections.

Given the high sensitivity of the loans issued to LLC "TULACHERMET-STAL" valuation to the key assumptions disclosed in note 34 we focused our procedures on these assumptions and also on adequacy of related disclosures.

We assessed the methodology applied by the internal experts of the Group in preparation of forecasted cash flows and tested mathematical accuracy of the calculations.

Key assumptions used by management of the Group in the forecasted cash flows were confirmed as follows:

- Projected production capacity were confirmed by internal expert of LLC "TULACHERMET-STAL";
- Prices for finished goods and main raw materials were compared to current market prices;



Key audit matter	How our audit addressed the key audit matter
<p>The most critical estimates and judgements relate to applied interest rate, as well as assumptions supporting relevant forecasted cash flows of LLC “TULACHERMET-STAL”, in particular those concerning projected production capacity, projected main raw materials and finished goods prices dynamics.</p>	<ul style="list-style-type: none"> Main raw materials and finished goods prices dynamics were compared to forecasts by independent recognised analysts. <p>We compared interest rates used in fair value measurement of loans issued to LLC “TULACHERMET-STAL” with interest rates for long-term bank loans denominated in Russian roubles obtained by the Group.</p> <p>In addition, we reperformed a sensitivity analysis around the key assumptions within a reasonably foreseeable range to ascertain the influence of any change in those assumptions to the estimated fair value of loans issued.</p>

Other matter – Materiality and Group audit scope

Overview

Materiality	<p>Overall Group materiality: Russian Roubles (“RUB”) 611 million, which represents 2.5% of average profit/(loss) before income tax adjusted for interest income and interest expense, depreciation, amortisation and impairment, any extraordinary gains and losses, and foreign exchange gains and losses (“Adjusted EBITDA”, as disclosed in Note 6) for the last three years.</p>
Group scoping	<ul style="list-style-type: none"> We conducted audit work at two reporting units, located in Russia. The Group engagement team visited the following locations: Kemerovo and Tula (Russia). Our audit scope addressed 84% of the Group’s revenues, excluding intercompany sales.

Materiality

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.



Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	RUB 611 million
How we determined it	2.5% of average Adjusted EBITDA for the last three years. Adjusted EBITDA is a non-GAAP measure. It is determined differently by different companies. Management is responsible for its calculation. The calculation of Adjusted EBITDA is disclosed in Note 6.
Rationale for the materiality benchmark applied	As profit before taxes was affected by significant expenses (for example, by foreign exchange gains and losses or impairment of property, plant and equipment), which caused significant fluctuations of it, we concluded this was not the most suitable benchmark for materiality calculation. Instead, we chose Adjusted EBITDA as the benchmark because, in our view, it is the benchmark which is also used by the management and users of the consolidated financial statements and it is not affected by some abovementioned expenses. Since the Adjusted EBITDA level varies between periods significantly, we decided to use the average from the last three years.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Considering our ultimate responsibility for the opinion on the Group's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In establishing the scope of our audit work, we have determined the nature and extent of the audit procedures to be performed at the reporting units to ensure that sufficient evidence has been obtained to support our opinion on the consolidated financial statements as a whole.

In establishing our overall approach to the Group audit, we considered the significance of the Group components to the consolidated financial statements, our assessment of risk within each component, the overall coverage across the Group achieved by our procedures, as well as the risk associated with insignificant components not brought into the full scope of our audit.

Our approach to determining the scope of the Group audit is a process whereby reporting units are deemed to be within the scope for audit testing based on significant contribution, the presence of a significant risk, or to add elements of unpredictability.

Based on the above we determined the nature and extent of work to be performed both at the reporting units and at the consolidated level.

Based on this process, we identified subsidiaries of the Group, located in Tula and Kemerovo (Russia) that required full scope audit procedures. Together, these reporting units accounted for 84% of the Group revenue, excluding intercompany sales. The group audit team performed all audit procedures.



Other information

Management is responsible for the other information. The other information comprises Securities Issuer's Report for the 12 months 2021 (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read Securities Issuer's Report for the 12 months 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

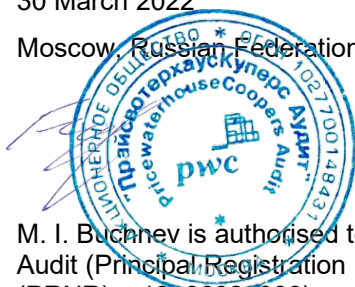
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report is M. I. Buchnev.

AO PricewaterhouseCoopers Audit

30 March 2022

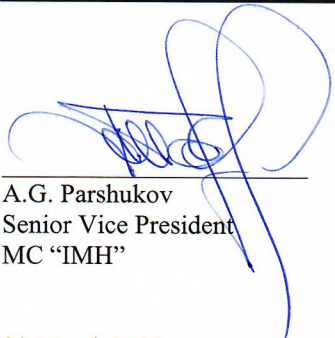
Moscow, Russian Federation




M. I. Buchnev is authorised to sign on behalf of the general director of AO PricewaterhouseCoopers Audit (Principal Registration Number of the Record in the Register of Auditors and Audit Organizations (PRNR) – 12006020338), certified auditor (PRNR – 21906099044)

PJSC "KOKS"**Consolidated Statement of Financial Position as at 31 December 2021***(in millions of RR unless stated otherwise)*

	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets:			
Property, plant and equipment	7	72,357	60,789
Goodwill	9	4,497	4,497
Other intangible assets	8	4,203	4,240
Deferred income tax asset	31	467	378
Non-current loans issued	12	26,567	25,500
Other non-current assets	11	224	138
Total non-current assets		108,315	95,542
Current assets:			
Inventories	13	12,562	7,766
Trade and other receivables	14	15,988	8,900
VAT recoverable		2,528	1,885
Advances issued	14	7,181	510
Current loans issued	15	479	32
Cash, cash equivalents and restricted cash	16	8,061	6,101
Total current assets		46,799	25,194
Total assets		155,114	120,736
EQUITY			
Share capital	17	213	213
Treasury shares	17	(11)	(11)
Retained earnings	18	44,365	18,414
Revaluation reserve		312	349
Currency translation reserve		(20)	(12)
Equity attributable to the Company's equity holders		44,859	18,953
Non-controlling interest		262	300
Total equity		45,121	19,253
LIABILITIES			
Non-current liabilities:			
Provision for restoration liability	19	323	82
Deferred income tax liability	31	2,537	1,770
Long-term borrowings	20	24,928	32,570
Long-term bonds	20	30,773	30,628
Long-term lease obligation		-	9
Trade and other long-term payables	21	507	1,090
Total non-current liabilities		59,068	66,149
Current liabilities:			
Trade and other short-term payables	21	26,038	21,675
Current income tax payable		322	212
Other taxes payable	22	2,708	1,276
Provision for restoration liability	19	856	-
Short-term borrowings and current portion of long-term borrowings	20	20,236	11,239
Short-term bonds	20	642	596
Short-term lease obligation		9	76
Other current financial liabilities	34	111	255
Provisions and other current non-financial liabilities		3	5
Total current liabilities		50,925	35,334
Total liabilities		109,993	101,483
Total liabilities and equity		155,114	120,736



A.G. Parshukov
Senior Vice President
MC "IMH"



L.V. Arincheva
Chief Accountant
MC "IMH"

30 March 2022

PJSC “KOKS”**Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2021***(in millions of RR unless stated otherwise)*

	Note	2021	2020
Revenue	23	152,394	91,919
Cost of sales	24	(100,620)	(66,336)
Gross profit		51,774	25,583
Distribution costs	26	(3,047)	(3,012)
General and administrative expenses	27	(8,832)	(7,471)
Taxes other than income tax	25	(1,484)	(1,120)
Reversals of impairment/(Impairment) of property, plant and equipment	7	37	(11,385)
Loss on disposal of investment in subsidiary		(7)	-
Gain on disposal of other financial assets		-	1
Accrual of reclamation and mine technical liquidation reserve	19	(1,086)	-
Net impairment losses on financial and contract assets	35	(389)	(544)
Other operating expenses, net	28	(60)	(893)
Operating profit		36,906	1,159
Finance income	29	1,727	2,135
Finance expenses	30	(4,817)	(12,784)
Loss on remeasurement of financial instruments	34	(52)	(1,205)
Profit/(Loss) before income tax		33,764	(10,695)
Income tax expense	31	(7,878)	(3,693)
Profit/(Loss) for the year		25,886	(14,388)
Profit/(Loss) is attributable to:			
Shareholders of the parent Company		25,923	(14,426)
Non-controlling interest		(37)	38
Profit/(Loss) for the year		25,886	(14,388)
Other comprehensive (loss)/income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Translation of financial information of foreign operations to presentation currency		(8)	31
Income tax relating to components of other comprehensive (loss)/income		-	23
		(8)	54
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of post-employment benefit obligations		(12)	(21)
Income tax relating to components of other comprehensive loss		2	4
		(10)	(17)
Total other comprehensive (loss)/income for the year		(18)	37
Total comprehensive income/(loss) for the year		25,868	(14,351)
Total comprehensive income/(loss) attributable to:			
Shareholders of the parent company		25,905	(14,389)
Non-controlling interest	38	(37)	38
Total comprehensive income/(loss) for the year		25,868	(14,351)
Basic and diluted profit/(loss) per ordinary share (in RR per share)	37	78.58	(43.73)

The accompanying notes are an integral part of these consolidated financial statements.

PJSC “KOKS”**Consolidated Statement of Cash Flows for the year ended 31 December 2021***(in millions of RR unless stated otherwise)*

	Note	2021	2020
Cash flows from operating activities			
Profit/(Loss) before income tax		33,764	(10,695)
Adjustments for:			
Depreciation of property, plant and equipment	24, 27	4,271	4,203
Amortisation of other intangible assets	24	165	148
(Reversals of impairment)/Impairment of property, plant and equipment	7	(37)	11,385
Loss on disposal of investment in subsidiary		7	-
Gain on disposal of other financial assets		-	(1)
Interest income	29	(1,726)	(1,731)
Interest expense	30	4,422	6,566
Loss on remeasurement of financial instruments		52	1,205
Accrual of reclamation and mine technical liquidation reserve	19	1,086	-
(Reverse)/Accrual of vacation reserve		(31)	245
Write-down of inventories to net realisable value	28	47	151
Net impairment losses on financial and contract assets	35	389	544
Exchange loss, net	28, 29, 30	360	6,121
Loss on disposal of property, plant and equipment and other intangible assets	28	200	335
Inventories surplus	28	(319)	(143)
Dividend income	28	(50)	(23)
Other effects		(49)	(11)
Operating cash flows before working capital changes		42,551	18,299
Changes in working capital			
Increase in trade and other receivables, advances issued and VAT recoverable		(8,270)	(6,894)
Increase in inventories		(4,481)	(1,028)
Increase in trade and other payables		3,525	2,295
Increase in taxes other than income tax payable		1,429	22
Decrease/(Increase) in restricted cash	16	69	(69)
Cash from operating activities		34,823	12,625
Income tax paid		(7,455)	(1,523)
Net cash from operating activities		27,368	11,102
Cash flows from investing activities			
Purchase of property, plant and equipment		(14,839)	(8,210)
Payment of capitalized interest	7	(927)	(828)
Proceeds from sale of property, plant and equipment		28	50
Proceeds from sale of other financial assets		-	1
Loans issued		(475)	(313)
Repayment of loans issued		289	3
Interest received on loans issued		174	73
Dividend received		50	23
Acquisition of other intangible assets and other non-current assets		(130)	(33)
Net cash used in investing activities		(15,830)	(9,234)
Cash flows from financing activities			
Proceeds from borrowings and bonds	20	27,632	73,629
Repayment of borrowings and bonds	20	(26,575)	(73,427)
Repayment of other financial liability	34	(135)	(635)
Interest paid on borrowings and bonds		(4,247)	(6,492)
Advances issued for treasury shares	14	(6,110)	-
Net cash used in financing activities		(9,435)	(6,925)
Net increase/(decrease) in cash and cash equivalents		2,103	(5,057)
Effects of exchange rate changes on cash and cash equivalents		(74)	1,238
Net cash and cash equivalents at the beginning of the year, including		6,032	9,851
Cash and cash equivalents	16	6,032	9,851
Net cash and cash equivalents at the end of the year, including		8,061	6,032
Cash and cash equivalents	16	8,061	6,032

The accompanying notes are an integral part of these consolidated financial statements.

PJSC “KOKS”**Consolidated Statement of Changes in Equity for the year ended 31 December 2021***(in millions of RR unless stated otherwise)*

	Share capital	Treasury shares	Currency translation reserve	Revaluation reserve	Retained earnings	Total attributable to equity holders of the Company	Non-controlling interest	Total equity
Balance at 31 December 2019	213	(11)	(66)	388	32,818	33,342	262	33,604
(Loss)/Profit for the year	-	-	-	-	(14,426)	(14,426)	38	(14,388)
Other comprehensive income/(loss) for the year	-	-	54	-	(17)	37	-	37
Total comprehensive income/(loss) for the year	-	-	54	-	(14,443)	(14,389)	38	(14,351)
Revaluation reserve written-off to retained earnings	-	-	-	(39)	39	-	-	-
	-	-	-	(39)	39	-	-	-
Balance at 31 December 2020	213	(11)	(12)	349	18,414	18,953	300	19,253
Profit/(Loss) for the year	-	-	-	-	25,923	25,923	(37)	25,886
Other comprehensive loss for the year	-	-	(8)	-	(10)	(18)	-	(18)
Total comprehensive (loss)/income for the year	-	-	(8)	-	25,913	25,905	(37)	25,868
Purchase of non-controlling interest in subsidiary, net	-	-	-	-	1	1	(1)	-
Revaluation reserve written-off to retained earnings	-	-	-	(37)	37	-	-	-
	-	-	-	(37)	38	1	(1)	-
Balance at 31 December 2021	213	(11)	(20)	312	44,365	44,859	262	45,121

The accompanying notes are an integral part of these consolidated financial statements.

PJSC “KOKS”**Notes to the Consolidated Financial Statements for the year ended 31 December 2021***(in millions of RR unless stated otherwise)***1. General information about PJSC “KOKS” and its subsidiaries**

PUBLIC JOINT STOCK COMPANY «KOKS» (PJSC “KOKS” or the “Company”) was initially established in 1924 as Kemerovski Koksokhimicheski Kombinat, a state-owned enterprise. It was incorporated as an open joint stock company on 30 July 1993 as part of Russia’s privatisation programme. The legal form was changed from open joint-stock company to public joint-stock company on 23 June 2016 in accordance with the current legislation of the Russian Federation. The Company’s registered office is located at 6, 1st Stakhanovskaya Street, Kemerovo, Kemerovo Region, Russian Federation, 650021.

The principal activities of PJSC “KOKS” and its subsidiaries (jointly referred to as the “Group”) include coal mining and the production of coke and coal concentrate, iron-ore concentrate and pig iron, metal powder (high-purity chrome products), as well as the recycling of waste and scrap of ferrous metals. The Group’s manufacturing facilities are primarily based in the city of Kemerovo, Kemerovo Region, and the city of Tula, Tula Region, in the Russian Federation. Its products are sold in Russia as well as in other countries.

As at 31 December 2021 and at 31 December 2020 the Company’s beneficial controlling owner is Evgeny B. Zubitskiy.

The Group’s main subsidiaries are:

Name	Country of incorporation	Type of activity	Note	Percentage of voting shares held by the Group as at	
				31 December 2021	31 December 2020
JSC “CPP “Berezovskaya”	Russia	Production of coal concentrate		98.7 %	98.7 %
LLC “Uchastok “Koksoviy”	Russia	Coal mining		100.0%	100.0%
LLC “Butovskaya mine”	Russia	Coal mining		100.0%	100.0%
LLC “Tikhova mine”	Russia	Coal mining		100.0%	100.0%
JSC “TULACHERMET”	Russia	Pig-iron production		97.9%	97.9%
JSC “Kombinat KMARuda”	Russia	Mining and concentration of iron-ore		100.0%	100.0%
JSC “POLEMA”	Russia	Production of chrome		100.0%	100.0%
JSC “SCHZ”	Russia	Production of cast-iron ware		100.0%	100.0%
PTW Ltd.	China	Sales activities		100.0%	100.0%
LLC “Consultinvest 2000”	Russia	Lease of property		100.0%	100.0%
MC “IMH”	Russia	Management services		100.0%	100.0%
LLC “BKF “Gorizont”	Russia	Transactions with securities		100.0%	100.0%
LLC “Koks-Mining”	Russia	Management services for coal mines	(1.1)	100.0%	100.0%
Koks Finance DAC	Ireland	Structured entity	(1.2)	-	-
PKR Ltd	Korea	Sales activities		100.0%	100.0%
IMH Finance DAC	Ireland	Issue of euro-commercial papers	(1.3)	100.0%	100.0%
Polema (Qingdao)					
Import&Export Co., LTD	China	Sales activities		100.0%	100.0%
		Procurement, storage, recycling and sale of ferrous and non-ferrous scrap			
LLC “PMH-VTORMET”	Russia	metal		97.9%	97.9%
IMH Capital DAC	Ireland	Structured entity	(1.4)	-	-

1.1. As at 31 December 2021 LLC “Koks-Mining” is in the process of liquidation.

1.2. In April 2011, Koks Finance Limited was incorporated in Dublin, Ireland. The main activity of Koks Finance Limited is an issue of loan participation notes for the sole purpose of financing a loan to the Company (note 20). The legal form was changed from Limited Liability Company to Designated Activity Company on 15 September 2016 in accordance with the current legislation of Ireland. The Group has the current ability to direct the relevant activities of this subsidiary through contractual arrangements. Activities of Koks Finance DAC are funded by the Group. Koks Finance DAC is consolidated in the Group’s financial statements.

As at 31 December 2021 and 31 December 2020 Koks Finance DAC is placed into liquidation, loan participation notes, issued by this entity, are repaid in full (note 20).

1.3. In April 2016, the Group finalized the establishment of IMH Finance DAC (Dublin, Ireland). The main activity of IMH Finance DAC is an issue of euro-commercial papers for the sole purpose of financing a loan to the Company. In May 2017 the Group repaid USD 14,560,000 12% Discount Notes in full.

1.4. In August 2020, IMH Capital DAC was incorporated in Dublin, Ireland. The main activity of IMH Capital DAC is an issue of loan participation notes for the sole purpose of financing a loan to the Company (note 20). The Group has the current ability to direct the relevant activities of this subsidiary through contractual arrangements. Activities of IMH Capital DAC are funded by the Group. IMH Capital DAC is consolidated in the Group’s financial statements.

1. General information about PJSC “KOKS” and its subsidiaries (continued)

Since April 2017 management services for coal-mining and coal-processing subsidiaries of the Group are carried out by MC “IMH”.

As at 31 December 2021 and 31 December 2020, the percentage of the Group’s ownership interest in its subsidiaries was equal to the percentage of its voting interest.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of financial instruments categorised at fair value through profit or loss (“FVTPL”).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

Each Group company incorporated in Russia maintains its own accounting records and prepares financial statements in accordance with Russian Accounting Standards (RAS). The consolidated financial statements have been prepared using RAS records and reports that have been adjusted and reclassified to ensure accurate presentation in compliance with IFRS.

Each Group company incorporated outside of Russia maintains its own accounting records and prepares financial statements in accordance with the local generally accepted accounting principles (GAAP) in its home jurisdiction. The financial statements of companies outside of Russia have been adjusted and reclassified to ensure accurate presentation and compliance with IFRS.

As at 31 December 2021, the official Central Bank of the Russian Federation (CBRF) exchange rates for transactions denominated in foreign currencies were RR 74.2926 / USD 1 (as at 31 December 2020: RR 73.8757 / USD 1) and RR 84.0695 / EUR 1 (as at 31 December 2020: RR 90.6824 / EUR 1).

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

3.1. Consolidated financial statements

(a) Subsidiaries

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor’s returns. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that such control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group applies IFRS 10 and IFRS 3. In accordance with these standards, acquisition-related costs are to be expensed as incurred. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the proportionate share of the non-controlling interest in the acquiree’s net assets. Any excess of the consideration transferred above the amount of any non-controlling interest in the acquiree and the fair value as of the acquisition date of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. Any excess of the acquiree’s interest in the fair value of the identifiable net assets acquired above the consideration transferred is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group’s policies.

3. Summary of significant accounting policies (continued)

(b) Purchases and sales of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

3.2. Foreign currency transactions

(a) Functional and presentation currency

The functional currency of each of the Group’s consolidated entities is the currency of the primary economic environment in which the entity operates. The Company’s functional currency and the Group’s presentation currency is the national currency of the Russian Federation, the Russian rouble (RR).

(b) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into each entity’s functional currency at the official exchange rate of the Central Bank at the respective reporting dates. Foreign exchange gains and losses resulting from transaction settlements, and from the translation of monetary assets and liabilities into each entity’s functional currency at the Central Bank’s official year-end exchange rates, are recognised in the consolidated statement of profit or loss and other comprehensive income. Foreign exchange gains and losses related to loans issued, deposits, borrowings, bonds are classified as finance income and expenses in the consolidated statement of profit or loss and other comprehensive income. Other foreign exchange gains and losses are classified as other operating income and expenses.

Translation at year-end exchange rates does not apply to non-monetary items, including equity investments.

(c) Operations of Group companies, the functional currency of which differs from the Group’s presentation currency

The assets, liabilities and financial results of those Group companies (none of which operates in a hyperinflationary economy) the functional currency of which differs from the Group’s presentation currency are translated into the presentation currency in the following way:

- assets and liabilities are translated into the Group’s presentation currency using the exchange rate as at the reporting date;
- income and expenses are translated to the Group’s presentation currency using the average exchange rate for the month of transaction; and
- exchange differences calculated as a result of the translations described in points above are recognised initially as a separate component in the consolidated statement of profit or loss and other comprehensive income and are reclassified to profit or loss upon disposal of the of foreign company.

Goodwill related to acquisitions of foreign entity is translated into Russian roubles at the reporting date exchange rate. Exchange differences arising are recognised in other comprehensive income.

3.3. Property, plant and equipment

Property, plant and equipment items are recorded at cost, less accumulated depreciation and impairment, if any. Cost includes expenditures that are directly attributable to an item’s acquisition. Subsequent costs, including overhaul expenses, are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the value of the item can be measured reliably. All other repairs and maintenance are recognized in the consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Mining assets consist of mine development and construction costs, which represent expenditures incurred in developing access to mineral reserves and preparations for commercial production, including sinking shafts and underground drifts, roads, infrastructure, etc.

3. Summary of significant accounting policies (continued)

At each reporting date, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds against the carrying amount and are recognised as other operating income and expenses in the consolidated statement of profit or loss and other comprehensive income.

Depreciation. Land and construction in progress are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method (except for underground mines mining assets) to allocate their depreciable amounts (cost less residual values) over their estimated useful lives:

	Useful lives in years
Buildings	20-80
Installations	8-60
Plant and equipment	2-30
Transport vehicles	2-20
Other	2-25

Depreciation of mining assets. Depreciation of underground mines mining assets is calculated using the units-of-production method based upon quantity of material extracted from the mine and estimation of recovered reserves. Depreciation of open-pit mine mining assets is calculated using the straight-line method.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. Assets' residual values and useful lives are reviewed, and adjusted if needed, at each reporting date.

3.4. Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisitions of associates is included in investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. Gains or losses on disposal of group of assets within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit that is retained.

3.5. Other intangible assets

Group's intangible assets have definite and indefinite useful lives and primarily include production licences. Acquired licences are capitalised on the basis of the costs incurred to acquire them.

All groups of intangible assets with definite useful lives are amortised using the straight-line method over their remaining useful lives (see notes 8 and 33).

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal. Prior impairments of intangible assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3. Summary of significant accounting policies (continued)

3.6. Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is assigned using the weighted average basis. The cost of finished goods and work in progress includes raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

3.7. Prepayments

Prepayments in the consolidated financial statements are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the reporting period.

3.8. Financial instruments

Financial instruments – initial recognition. Financial instruments at fair value through profit or loss (“FVTPL”) are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an expected credit losses (“ECL”) allowance is recognised for financial assets measured at amortised cost (“AC”), resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group’s business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group’s objective is: (i) solely to collect the contractual cash flows from the assets (“hold to collect contractual cash flows”), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets (“hold to collect contractual cash flows and sell”) or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of “other” business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed and how the assets’ performance is assessed.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest (“SPPI”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes.

3. Summary of significant accounting policies (continued)

Financial assets impairment – credit loss allowance for ECL. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position.

For trade receivables and contract assets, the loss allowance is determined at initial recognition and throughout its life at an amount equal to the lifetime. The Group uses a provision matrix to estimate ECL for trade receivables. For other financial assets, the Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 Months ECL”). If the Group identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”). Refer to Note 35 for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group’s definition of credit impaired assets and definition of default is explained in Note 35. For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured as a Lifetime ECL.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for financial guarantee contracts.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3. Summary of significant accounting policies (continued)

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial liabilities – modification. Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of Group’s cash management are included as a component of cash and cash equivalents in the consolidated statement of cash flows.

Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows and consolidated statement of financial position. Balances restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date are included in other non-current assets.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at AC using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the costs of those assets.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

All other borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

Repayment of interest expenses for the period is recognised in the consolidated statement of cash flows within financing activities, except for capitalized interest recognized within investing activities.

Financial Guarantees. Financial guarantees require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition.

3. Summary of significant accounting policies (continued)

3.9. Value added tax

Value added tax (VAT) related to sales is payable to the Russian federal tax authorities at the earlier of two dates: the date of dispatch (transfer) of goods (services, work, property rights), or the date of collection of receivables from customers for the future supply of goods (work, services, property rights). VAT included in the cost of purchased goods (work, services, property rights) generally can be reclaimed by offsetting it against VAT on sales once the goods (work, services, property rights) have been accounted for, except for VAT on export sales, which is reclaimable once export transactions have been confirmed.

Where provision has been made for the ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

3.10. Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

3.11. Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Right-of-use assets are included in property, plant and equipment. Assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Variable payments not included in the calculation of lease liability:

- payments under land lease agreements, the calculation of which depends on the cadastral value of the land plot and other coefficients established by government decrees,
- payments for utilities and other services, determined upon the fact of consumption,
- payments that depend on the use of the asset (per unit of volume or revenue received using the asset).

The lease payments are discounted using the interest rate implicit in the lease.

Payments associated with short-term leases of property, plant and equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

3. Summary of significant accounting policies (continued)**3.12. Income tax**

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss unless it relates to transactions that are recognised, in the same or in a different period, in other comprehensive income or directly in equity.

Current tax is the amount that is expected to be paid to or recovered from the tax authorities on taxable profits or losses for the current and prior periods. Taxes other than income taxes are recorded within operating expenses.

Deferred income tax is accrued using the balance sheet liability method for tax loss carry forwards and for temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Deferred income tax is provided on post-acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

3.13. Employee benefits

Wages, salaries, contributions to state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group.

3.14. Post-employment obligations

Some Group's subsidiaries provide retirement benefits to their retired employees. Entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of such benefits are accrued over the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as other comprehensive income in the period they arise.

3.15. Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are reassessed annually and changes in provisions resulting from the passage of time are reflected in the consolidated statement of profit or loss and other comprehensive income each year within interest expense. Other changes in provisions related to a change in the expected repayment plan, in the estimated amount of the obligation or in the discount rates, are treated as a change in an accounting estimate in the period of the change and, with the exception of provision for restoration liabilities, reflected in the consolidated statement of profit or loss and other comprehensive income.

Provisions for restoration liability are recognised when the Group has a present legal or constructive obligation to dismantle, remove and restore items of property, plant and equipment. The amount of the provision is the present value of the estimated expenditures expected to be required to settle the liability, determined using pre-tax risk free discount rates adjusted for risks specific to the liability. Changes in the provision resulting from the passage of time are recognised as interest expense. Changes in the provision, which is reassessed at each reporting date, related to a change in the expected pattern of settlement of the liability, or in the estimated amount of the provision or in the discount rates, are treated as a change in an accounting estimate in the period of change. Such changes are reflected as adjustments to the carrying value of property, plant and equipment and the corresponding liability, if decrease in the liability exceeds the carrying value of property, plant and equipment, the excess is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

3. Summary of significant accounting policies (continued)**3.16. Uncertain tax positions**

The Group’s uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge. Adjustments for uncertain income tax positions in respect of interest and fines are recorded within finance expenses and other gains/(losses), net, respectively.

3.17. Revenue recognition

Revenue from the sale of goods (primarily coke products, pig iron, coal, chrome and powder metallurgy products) and services is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognised net of value-added tax, rebates and discounts.

Contracts with customers do not contain a significant financing component. A significant portion of products is sold under one-year contracts with prices determined for each shipment. Group’s contracts with customers are fixed-price contracts and may include advance payment or deferred payment terms. Generally the sales are made with a credit term of 30-60 days under contracts with deferred payment terms, which is consistent with the market practice and consequently trade receivables are classified as current assets.

A receivable is recognised when the goods are delivered or dispatched based on delivery terms as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Contracts assets are immaterial and therefore not presented separately in the consolidated financial statements.

A contract liability is a Group’s obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. Contract liabilities are included in trade and other payables line as advances received.

Sales of goods are recognized when control of the products has transferred in accordance with each contract’s terms. If the Group provides any additional services (such as carriage) to a customer after the control over goods has passed, the revenue from such services is considered to arise from a separate performance obligation, stated in the contract with a reference to delivery terms, and is recognized over the time that the service is rendered. All shipping and handling costs incurred by the Group in respect of carriage services that represent a separate performance obligation are recognised as cost of sales. All other shipping and handling costs incurred by the Group are recognised as distribution costs.

3.18. Share capital and reserves***Ordinary shares***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented as a share premium in equity.

Treasury shares

Own shares reacquired by the Company or its subsidiaries (treasury shares) are deducted from equity in the amount of the consideration paid until further cancellation or reissue. Where such shares are subsequently reissued or resold, the consideration received is recognised directly in equity. Any gain or loss arising from these transactions is recognised in the consolidated statement of changes in equity.

Revaluation reserve

Prior to adoption of IFRS 3(R), revaluation of assets held by associates, where control was subsequently obtained and fair value adjustments were performed as of the date of obtaining control, was recorded in the revaluation reserve. During the period of control, the Group transfers the revaluation reserve directly to retained earnings in proportion to the depreciation of property, plant and equipment of the subsidiary.

Currency translation reserve

The currency translation reserve was created following the consolidation of entities, whose functional currency is not the Russian rouble.

3. Summary of significant accounting policies (continued)

3.19. Segment reporting

An operating segment is a component of the Group that:

- (a) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with any of the Group’s other components);
- (b) whose operating results are regularly reviewed by the Group’s chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance; and
- (c) for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group’s chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. Reportable segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

4. Adoption of new or revised standards and interpretations

The following amended standards became effective from 1 January 2021, but did not have any material impact on the Group:

- COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020;
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2022 or later, and which the Group has not early adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB);
- IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021, the effective date subsequently modified to 1 January 2023 by the Amendments to IFRS 17);
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023);
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022);
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023);
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021);
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 17: Transition option to insurers applying IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).

The new standards and interpretations are not expected to affect significantly the Group’s consolidated financial statements.

5. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that could cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include the following:

5.1. Determining of control over entities

The Group includes subsidiaries and other special purpose entities controlled by the Group in these consolidated financial statements. When determining whether there is control over entities, the Group management makes professional judgements regarding risks and benefits, as well as about the possibility of making operational decisions in relation to the entity in question. In some cases, elements are present that, considered in isolation, indicate control or lack of control over an entity, but when considered together make it difficult to reach a clear conclusion. In cases where more arguments are in place towards the existence of control, the entity is consolidated.

LLC “TULACHERMET-STAL” is a related party of the Group and is controlled by the Group’s beneficial controlling owner. As at 31 December 2021 and 2020 the Group is not a participant of LLC “TULACHERMET-STAL” and it does not have power to direct relevant activities of this entity.

The Group performs the following operations with LLC “TULACHERMET-STAL”:

- As of 31 December 2021 the Group recorded loans issued to LLC “TULACHERMET-STAL” carrying amount RR 26,563 million (31 December 2020: RR 25,084 million). (Note 32).
- The Group together with companies under common control of the Group’s beneficial controlling owner entered into a number of agreements in connection with LLC “TULACHERMET-STAL” obligations under bank loan facility agreements. As a result, under these agreements, the Group together with Sipko B.V. and LLC “METALL-FINANS” (companies are under common control of the Group’s beneficial controlling owner) have committed jointly and severally to finance LLC “TULACHERMET-STAL” project funding shortfall, if any, in the amount of up to the outstanding debt under the loan facility (Note 32, 34, 35). Besides the Group may incur additional obligations in case LLC “TULACHERMET-STAL” does not fulfill the restrictive conditions under bank loan facility agreements. Obligations of LLC “TULACHERMET-STAL” under the bank loan facility agreements as at 31 December 2021 amounted to RR 32,603 million, without interest accrued (31 December 2020: RR 35,169 million).
- In 2021 the Group sold to LLC “TULACHERMET-STAL” pig iron, crushed pig iron and cast-iron ware for RR 41,736 million (2020: RR 26,996 million), scrap metal for RR 9,237 million (2020: RR 5,242 million) and other products, materials and services for RR 614 million (2020: other products and services for RR 799 million). As at 31 December 2021, the Group had an outstanding balance of trade and other receivables from LLC “TULACHERMET-STAL” in the amount of RR 9,809 million, net of expected credit loss amounting to RR 346 million (31 December 2020: trade and other receivables in the amount of RR 6,656 million, net of expected credit loss amounting to RR 235 million).

Management applied its professional judgement to determine whether the Group exercises control over LLC “TULACHERMET-STAL” in accordance with IFRS 10 “Consolidated Financial Statements”.

In accordance with the professional judgement of the Group management, the Group does not have control over LLC “TULACHERMET-STAL”, because, despite the existing relationships, the Group does not have the power to direct relevant activities of LLC “TULACHERMET-STAL”, the Group is not a participant of LLC “TULACHERMET-STAL” and there are no contractual or other relations between the Group and LLC “TULACHERMET-STAL” that would provide the Group with the power to direct the relevant activities of LLC “TULACHERMET-STAL”.

5.2. Estimated useful lives of property, plant, equipment and licences

The Group applies a range of useful lives to buildings, installations, plant and equipment, transport vehicles and other assets classified as property, plant and equipment. Significant judgement is required in estimating the useful lives of such assets.

When determining economic life, assumptions that were valid at the time of estimation, may change when new information becomes available. Factors that could affect estimation include:

- changes in environmental and other legislation applicable to the Group’s operations;
- development of new technologies and equipment; and
- changes in the terms of licences.

5. Critical accounting estimates and judgements in applying accounting policies (continued)

Significant judgement is required in estimating the useful lives of other intangible assets, which primarily include production licences. When determining economic life, assumptions that were valid at the time of estimation, may change when new information becomes available. Factors that could affect estimation include:

- changes in environmental and other legislation applicable to the Group’s operations;
- development of new technologies and equipment;
- changes in the terms of licences;
- plans and abilities of the Group to renew existing production licences at a low cost.

Information about the impact of changes in useful lives of property, plant and equipment and other intangible assets on profit/(loss) before income tax is presented in Notes 7 and 8.

5.3. Recognition of deferred tax assets

The deferred tax asset represents income taxes, recoverable through future deductions from taxable profits. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. This includes temporary difference expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised (see Note 31).

In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and applies estimates based on taxable profits of the previous three years and expectations of future operating results that are believed to be reasonable under the circumstances.

5.4. Fair value of loans issued measured at fair value through profit or loss

As of 31 December 2021 the Group recorded loans issued to LLC “TULACHERMET-STAL” carrying amount RR 26,563 million (31 December 2020: RR 25,084 million). According to IFRS 9 they are measured at fair value through profit or loss. For the purpose of fair value measurement following inputs were used: average interest rate for Group’s long-term RR-denominated bank loans and LLC “TULACHERMET-STAL”’s free cash flows projections.

Concerning interest rate management’s judgments are based on the assumption that terms of bank credit facilities for LLC “TULACHERMET-STAL” will be similar to those for the Group. Sensitivity analysis of fair value measurement model is disclosed in Note 34.

5.5. Expected credit losses measurement

Measurement of ECL is a significant estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 35. The Group regularly reviews and validates the model and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

5.6. Estimated impairment of goodwill

The Group tests goodwill for impairment on an annual basis. The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on a budget for 2022 and financial forecasts for CGU, approved by management, covering ten-year period through 2031 inclusive. Cash flows beyond the related forecast period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the sector of the economy in which the relevant CGU operates.

Assumptions used in the value-in-use calculations include:

	31 December 2021	31 December 2020
Long-term growth rate	4% p.a.	4% p.a.
Post-tax discount rate	14.76% p.a.	13.08% p.a.

5. Critical accounting estimates and judgements in applying accounting policies (continued)

Other key expectations used in the impairment test model are as follows:

- sales volumes for pig iron products forecast: 12% growth for 2022 due to the launch of the blast furnace No.1, 5% decline for 2023 due to the blast furnace No.2 shutdown, 3% decline for 2024 and 19% decline for 2025 due to the preparing for maintenance and maintenance of blast furnace No.3, 58% growth for 2026 due to achievement of the blast furnace No.3 full production capacity, 3% growth for 2027 due to achievement of the blast furnace No.1 full production capacity, 3% decline for 2028, 4% growth for 2029, 10% decline for 2030 due to the scheduled maintenance of the blast furnace No.1, 7% growth for 2031;
- sales volumes for iron ore products forecast: 8% growth for 2022, 2% growth for 2023, 9% decline for 2024, 2% growth for 2025, 12% growth for 2026 and further stable growth due to the planned increase of mining volumes from the new mining level with achievement of full production capacity in 2029;
- sales volumes for powder products forecast: 4% decline for 2022 and without changes for the period 2023-2031;
- sales prices for pig iron products forecast: 2% growth for 2022, 4% decline for 2023, 1% decline for 2024, 4% growth for 2025 and inflation forecast thereafter to 2031;
- sales prices for coke products forecast: 5% growth for 2022, 30% decline for 2023, without changes in 2024, 4% growth for 2025 and inflation forecast thereafter to 2031;
- sales prices for iron ore products forecast: 19% decline for 2022, 8% decline for 2023, 13% decline for 2024, 4% growth for 2025 and inflation forecast thereafter to 2031;
- sales prices for powder products forecast: 6% growth for 2022, 4% p.a. growth for the period 2023-2025 and inflation forecast thereafter to 2031;
- foreign exchange rates forecast: 2% decline for 2022, 1% growth for 2023 and average 2% p.a. growth thereafter to 2031.

Management determined a cash operating return based on past performance and its market expectations. Weighted average growth rates used are consistent with forecasts in industry reports.

As of 31 December 2021 the value-in-use amount calculated for all CGUs based on the above assumptions exceeds the book value of assets (including allocated goodwill) and no impairment is recognized.

Management believes that a reasonable change in the post-tax discount rate, production volumes, sales prices and long-term growth rate would not impair goodwill for the year ended 31 December 2021 and 2020, excluding goodwill allocated to CGU JSC “POLEMA”. Discount rates used in the impairment test model are post-tax discount rates and reflect risks specific to the relevant CGU. If management's estimate of post-tax discount rate used to calculate discounted cash flow was 1% higher, the Group would have to impair goodwill allocated to JSC “POLEMA” by RR 152 million. If management's estimate of forecasted sales prices for JSC “POLEMA” products was 5% lower, goodwill would have to be impaired by RR 807 million.

6. Segment information

The Group operates as a vertically integrated business. The chief executive officer of MC “IMH” is considered to be the chief operating decision-maker (CODM). The CODM is responsible for decision-making, estimating results and distributing resources, relying on internal financial information prepared using IFRS principles.

The Group's management has determined the following operating segments based on nature of production:

- Coal – coal mining;
- Coke – coke production;
- Ore & Pig Iron – mining of iron ore, production of iron ore products, pig iron, crushed pig iron, cast iron ware and procurement, storage, recycling, sale of ferrous and non-ferrous scrap metal;
- Polema – production and sales of powder metallurgy articles (chrome articles);
- Unallocated – include subsidiaries: MC “IMH”, LLC “Consultinvest 2000”, LLC “BKF “Gorizont” and acquisition of asset LLC “Gorny otdykh” (Note 10).

PJSC “KOKS”

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

(in millions of RR unless stated otherwise)

6. Segment information (continued)

Inter-segment sales are generally composed of:

- Sales of coal to the Coke segment;
- Sales of coke to the Ore & Pig Iron segment;
- Management services rendered to the Coal, Coke, Ore & Pig Iron and Polema segments.

Segment revenue and segment results include transfers between operating segments. Analyses of revenue generated from external sales by products and services are included in note 23.

The Group’s management assesses the performance of operating segments based on revenue, adjusted EBITDA, assets and liabilities.

	Coal	Coke	Ore & Pig Iron	Polema	Unallocated	Total
Year ended 31 December 2021						
Inter-segment revenue	9,041	34,029	179	5	2,917	46,171
External revenue	10,551	40,753	98,312	2,499	279	152,394
Segment revenue, total	19,592	74,782	98,491	2,504	3,196	198,565
Adjusted EBITDA	11,314	20,540	10,868	234	(592)	42,364
Year ended 31 December 2020						
Inter-segment revenue	4,773	17,481	152	10	2,432	24,848
External revenue	3,481	20,583	65,596	1,881	378	91,919
Segment revenue, total	8,254	38,064	65,748	1,891	2,810	116,767
Adjusted EBITDA	(588)	9,877	8,329	(130)	(287)	17,201

The reconciliation between profit/(loss) before income tax and Group’s adjusted EBITDA:

	Coal	Coke	Ore & Pig Iron	Polema	Unallocated	Total
Year ended 31 December 2021						
Profit/(Loss) before income tax	7,615	17,645	9,009	151	(656)	33,764
Amortisation and depreciation	2,282	328	1,624	88	114	4,436
Interest income	(16)	(77)	(1,620)	(9)	(4)	(1,726)
Inter-segment interest income	-	(317)	(72)	-	-	(389)
Interest expense	55	2,813	1,550	4	-	4,422
Inter-segment interest expense	372	-	10	-	7	389
Foreign exchange (gain)/loss, net	(43)	148	256	-	(1)	360
Reversals of impairment of property, plant and equipment	(37)	-	-	-	-	(37)
Accrual of reclamation and mine technical liquidation reserve	1,086	-	-	-	-	1,086
Loss/(Gain) on remeasurement of financial instruments	-	-	73	-	(21)	52
Loss/(Gain) on disposal of investment in subsidiary	-	-	38	-	(31)	7
Total adjusted EBITDA	11,314	20,540	10,868	234	(592)	42,364

	Coal	Coke	Ore & Pig Iron	Polema	Unallocated	Total
Year ended 31 December 2020						
(Loss)/Profit before income tax	(16,132)	586	5,575	(266)	(458)	(10,695)
Amortisation and depreciation	2,417	322	1,400	100	112	4,351
Interest income	(85)	(22)	(1,608)	(12)	(4)	(1,731)
Inter-segment interest income	-	(1,369)	(289)	-	-	(1,658)
Interest expense	18	4,964	1,571	13	-	6,566
Inter-segment interest expense	1,470	-	113	-	75	1,658
Foreign exchange loss/(gain), net	494	5,266	388	(32)	5	6,121
Impairment of property, plant and equipment	11,230	130	25	-	-	11,385
Loss/(Gain) on remeasurement of financial instruments	-	-	1,155	67	(17)	1,205
Gain on disposal of other financial assets	-	-	(1)	-	-	(1)
Total adjusted EBITDA	(588)	9,877	8,329	(130)	(287)	17,201

PJSC "KOKS"**Notes to the Consolidated Financial Statements for the year ended 31 December 2021***(in millions of RR unless stated otherwise)***6. Segment information (continued)**

Adjusted EBITDA analysed by the CODM is defined as profit/(loss) before income tax adjusted for interest income and interest expense, depreciation, amortisation and impairment, any extraordinary gains and losses, and foreign exchange gains and losses.

Segment assets and liabilities

Segment assets consist primarily of property, plant and equipment, other intangible assets, inventories, trade and other receivables, advances issued, loans issued, VAT recoverable, and cash and cash equivalents.

Segment liabilities include accounts payable arising during operating activities, borrowings and interest payable.

Capital expenditures comprise additions to property, plant and equipment, and other intangible assets.

Segment assets and liabilities as at 31 December 2021 and 2020, and capital expenditures for the years ended 31 December 2021 and 2020 are presented below:

	Coal	Coke	Ore & Pig Iron	Polema	Unallocated	Total
At 31 December 2021						
Segment assets	33,181	68,232	108,578	2,181	7,790	219,962
Segment liabilities	37,982	58,445	69,608	453	6,621	173,109
Capital expenditures for the year ended 31 December 2021	4,256	1,320	8,810	80	2,161	16,627
At 31 December 2020						
Segment assets	26,614	50,874	83,277	2,099	6,345	169,209
Segment liabilities	40,111	55,357	51,085	495	4,517	151,565
Capital expenditures for the year ended 31 December 2020	3,359	445	4,151	117	829	8,901

The reconciliation between the assets of operational segments and total assets in the consolidated statement of financial position is presented below:

	At 31 December 2021	At 31 December 2020
Segment assets	219,962	169,209
Items not included in segment assets		
Goodwill	4,497	4,497
Deferred income tax asset	467	378
Other non-current assets	50	74
Elimination of inter-segment balances	(69,862)	(53,422)
Total assets	155,114	120,736

The reconciliation between the liabilities of operational segments and total liabilities in the consolidated statement of financial position is presented below:

	At 31 December 2021	At 31 December 2020
Segment liabilities	173,109	151,565
Items not included in segment liabilities		
Provision for restoration liability	1,179	82
Deferred income tax liability	2,537	1,770
Taxes payable	3,030	1,488
Elimination of inter-segment balances	(69,862)	(53,422)
Total liabilities	109,993	101,483

The reconciliation between the capital expenditures of operational segments and total additions of property, plant and equipment as described in note 7 is presented below:

	Year ended 31 December 2021	Year ended 31 December 2020
Segment capital expenditures	16,627	8,901
Additions of other intangible assets (note 8)	139	-
Additions of property, plant and equipment (note 7)	16,488	8,901

6. Segment information (continued)

Information about geographical areas

A revenue analysis of external Russian and foreign customers based on a given customer's geographical location is provided in note 23.

The following table presents revenues from external customers:

	Year ended 31 December 2021	Year ended 31 December 2020
Total sales:	152,394	91,919
Russia	90,710	54,162
Switzerland	40,273	23,945
Kazakhstan	9,686	5,002
Singapore	2,507	4,341
Kyrgyz Republic	5,166	2,233
Belarus	2,197	873
Other	1,855	1,363

For the year ended 31 December 2021 Ore & Pig Iron, Polema and Unallocated segments revenue from the largest customers of the Group, which are companies under common control of the Group's beneficial controlling owner, amounted to RR 83,376 million (2020: Ore & Pig Iron, Polema and Unallocated segments revenue from the largest customers of the Group, which were companies under common control of the Group's beneficial controlling owner, amounted to RR 49,623 million).

The Group's non-current assets (other than financial instruments and deferred income tax asset) are located in the Russian Federation.

7. Property, plant and equipment

	Land	Buildings	Installations	Plant and equipment	Transport vehicles	Mining assets	Construction in progress	Other	Total
Cost at									
31 December 2020	1,470	7,048	25,047	23,569	5,231	16,042	24,434	328	103,169
Additions	477	201	1,944	2,133	855	74	10,769	35	16,488
Transfers	-	195	783	404	2	12	(1,400)	4	-
Disposals	-	(14)	(142)	(521)	(133)	(25)	(290)	(13)	(1,138)
Reclassification	-	-	(76)	-	-	76	-	-	-
Cost at									
31 December 2021	1,947	7,430	27,556	25,585	5,955	16,179	33,513	354	118,519
Accumulated depreciation and impairment at									
31 December 2020	(18)	(2,132)	(11,456)	(14,774)	(2,140)	(9,322)	(2,306)	(232)	(42,380)
Depreciation charges	-	(253)	(1,891)	(1,878)	(568)	(60)	-	(35)	(4,685)
Accumulated depreciation and impairment related to disposals	-	12	65	478	133	3	162	13	866
Reclassification	-	-	8	-	-	(8)	-	-	-
Reversals of impairment	-	-	-	9	-	-	28	-	37
Accumulated depreciation and impairment at									
31 December 2021	(18)	(2,373)	(13,274)	(16,165)	(2,575)	(9,387)	(2,116)	(254)	(46,162)
Net book value at									
31 December 2020	1,452	4,916	13,591	8,795	3,091	6,720	22,128	96	60,789
Net book value at									
31 December 2021	1,929	5,057	14,282	9,420	3,380	6,792	31,397	100	72,357

PJSC “KOKS”**Notes to the Consolidated Financial Statements for the year ended 31 December 2021***(in millions of RR unless stated otherwise)***7. Property, plant and equipment (continued)**

	Land	Buildings	Installations	Plant and equipment	Transport vehicles	Mining assets	Construction in progress	Other	Total
Cost at									
31 December 2019	1,445	6,808	22,327	22,581	4,975	15,991	21,836	320	96,283
Additions	25	44	2,537	1,297	456	51	4,473	18	8,901
Transfers	-	236	1,142	320	1	20	(1,720)	1	-
Disposals	-	(40)	(959)	(629)	(201)	(20)	(155)	(11)	(2,015)
Cost at									
31 December 2020	1,470	7,048	25,047	23,569	5,231	16,042	24,434	328	103,169
Accumulated depreciation and impairment at									
31 December 2019	-	(1,797)	(9,030)	(13,325)	(1,816)	(1,703)	(29)	(205)	(27,905)
Depreciation charges	-	(236)	(1,889)	(1,858)	(513)	(80)	-	(34)	(4,610)
Accumulated depreciation and impairment related to disposals	-	30	648	614	197	-	23	8	1,520
Impairment	(18)	(129)	(1,185)	(205)	(8)	(7,539)	(2,300)	(1)	(11,385)
Accumulated depreciation and impairment at									
31 December 2020	(18)	(2,132)	(11,456)	(14,774)	(2,140)	(9,322)	(2,306)	(232)	(42,380)
Net book value at									
31 December 2019	1,445	5,011	13,297	9,256	3,159	14,288	21,807	115	68,378
Net book value at									
31 December 2020	1,452	4,916	13,591	8,795	3,091	6,720	22,128	96	60,789

As at 31 December 2021 Group’s property, plant and equipment includes right-of-use assets in the amount of RR 56 million, which are included in transport vehicles (31 December 2020: right-of-use assets amounted to RR 193 million included in transport vehicles).

As at 31 December 2021 the construction in progress includes JSC “Kombinat KMaruda” balances related to the new mining stage to ramp up production capacity in the amount of RR 14,063 million (31 December 2020: RR 11,553 million).

As at 31 December 2021 the construction in progress includes corporate asset construction in the amount of RR 5,699 million (2020: RR 4,082) (see note 10).

During the year ended 31 December 2021, a depreciation expense of RR 3,885 million (2020: RR 3,815 million) was included in the cost of products sold, a depreciation expense of RR 386 million (2020: RR 388 million) was included in general and administrative expenses (see note 24 and 27), and a depreciation expense of RR 414 million (2020: RR 407 million) was capitalised.

If management’s estimates of useful lives were to decrease by 10%, profit before income tax for the year ended 31 December 2021 would decrease by RR 475 million (2020: loss before income tax would increase by RR 467 million). An increase in useful lives by 10% would result in an increase of profit before income tax for the year ended 31 December 2021 by RR 388 million (2020: decrease of loss before income tax by RR 382 million).

The production activities at the LLC “Butovskaya mine” are temporary suspended from 21 September 2020 due to unfavorable market conditions for the company’s coal products (grade KO). In the year 2021, a Feasibility Study for permanent exploration conditions was developed and hard coal reserves for the Chesnokovskoe areas of the Kemerovo coal field in the Kemerovo Region were measured, as well as Hazardous production facility (coal mine) technical liquidation project was developed and is in the process of being approved. Starting from 15 September 2021, an external administration procedure has been introduced in respect of LLC “Butovskaya mine”. As at 31 December 2021 the Group recognized restoration and technical liquidation liability related to LLC “Butovskaya mine” in the amount of RR 1,114 million (see note 19).

During the year ended 31 December 2021 the Group recognised an impairment loss on property, plant and equipment in the amount of RR 34 million, which, in accordance with recent management plans, will not be used in the Group’s production activities. Also during the year ended 31 December 2021 the Group reversed an impairment loss in the amount of RR 71 million due to a changes in management plans related to use of previously impaired items of property, plant and equipment.

PJSC “KOKS”**Notes to the Consolidated Financial Statements for the year ended 31 December 2021***(in millions of RR unless stated otherwise)***7. Property, plant and equipment (continued)**

As of 31 December 2020 book value of LLC “Butovskaya mine” assets exceeded their value-in-use amount, as a result in the year 2020 an impairment loss on LLC “Butovskaya mine” property, plant and equipment in the amount of RR 11,185 million was recognised.

Also during the year ended 31 December 2020, the Group recognised an impairment loss on property, plant and equipment in the amount of RR 200 million, which, in accordance with recent management plans, will not be used in the Group’s production activities.

Additions of property, plant and equipment during the year ended 31 December 2021 include capitalised borrowing cost of RR 927 million, including foreign exchange losses from financing activities in the amount of RR 35 million (2020: RR 826 million, including foreign exchange losses from financing activities in the amount of RR 46 million). The capitalisation rate used to determine the amount of capitalised interest during the year ended 31 December 2021 was 7.25% (2020: 7.54%).

8. Other intangible assets

Movements of other intangible assets are provided below:

	Year ended 31 December 2021	Year ended 31 December 2020
Cost as at the beginning of the year	7,508	7,514
Accumulated amortisation and impairment	(3,268)	(3,120)
Net book value as at the beginning of the year	4,240	4,394
Additions	139	-
Amortisation charge	(165)	(148)
Disposals	(11)	(6)
Net book value at the end of the year	4,203	4,240
Cost as at the end of the year	7,636	7,508
Accumulated amortisation and impairment	(3,433)	(3,268)

If management’s estimates of useful lives for other intangible assets were to decrease by 10%, profit before income tax for the year ended 31 December 2021 would decrease by RR 18 million (2020: loss before income tax would increase by RR 16 million). An increase in useful lives by 10% would result in an increase of profit before income tax for the year ended 31 December 2021 by RR 15 million (2020: decrease of loss before income tax by RR 13 million).

Information on the carrying amount of each significant individual other intangible asset is provided below:

	Carrying amount	
	At 31 December 2021	At 31 December 2020
Licence to produce ferruginous quartzite from the Korobkovsky mine	2,042	2,126
Coal mining licence for the Nikitinsky-2 coal basin (LLC “Tikhova mine”)	1,878	1,820
Licence for coal mining at the Koksoviy basin (Glubokiy)	88	88
Other	195	206
Total	4,203	4,240

9. Goodwill

There were no movement of goodwill arising on acquisition of subsidiaries during the year 2021 and 2020 as provided below:

	Year ended 31 December 2021	Year ended 31 December 2020
Gross book value	6,222	6,222
Accumulated impairment	(1,725)	(1,725)
Net book value	4,497	4,497

PJSC “KOKS”**Notes to the Consolidated Financial Statements for the year ended 31 December 2021***(in millions of RR unless stated otherwise)***9. Goodwill (continued)***Testing goodwill for impairment*

Goodwill is allocated to the following CGUs, which represent the lowest level within the Group at which goodwill is monitored by management and which are not larger than an operating segment:

	At 31 December 2021	At 31 December 2020
JSC “Kombinat KMAruda”	2,223	2,223
JSC “TULACHERMET”	1,248	1,248
JSC “POLEMA”	980	980
JSC “SCHZ”	46	46
Total net book value of goodwill	4,497	4,497

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use certain assumptions and expectations, approved by management (Note 5). The value-in-use amount calculated as of 31 December 2021 (as well as of 31 December 2020) for all CGUs in the table above exceeds the book value of assets (including allocated goodwill). Consequently, management concluded there is no impairment for goodwill in the year 2021 and 2020.

10. Acquisition of assets

In 2016 the Group got 100% share in the charter capital of LLC “Gorny otdykh” and classified the transaction as an acquisition of assets and liabilities, rather than as a business combination in accordance with the definitions in IFRS 3. “Business combinations”.

The main asset of LLC “Gorny otdykh” is the hotel complex. Currently, the hotel complex is under reconstruction and modernization, operation activities are not conducted. Obligations and liabilities of LLC “Gorny otdykh” are represented by payables to suppliers and contractors.

The Group's management plans to use the hotel complex as a corporate recreation asset for the Group's employees and other corporate purposes. Also, the Group's management considers the possibility of providing part of the services of the hotel complex to the third parties. Thus, the Group's management does not consider the acquired assets as a cash generated unit in accordance with the definition in IAS 36 “Impairment of assets” and includes the value of the assets acquired to the carrying value of the Group's existing cash generated units for the purposes of assessing impairment indicators of the Group assets. At 31 December 2021 the Group recognised construction in progress amounted to RR 5,699 million (2020: RR 4,082 million), other assets in the amount of RR 86 million (2020: RR 72 million) and liabilities in the amount of RR 79 million (2020: RR 57 million) (see note 7).

11. Other non-current assets

	At 31 December 2021	At 31 December 2020
Other long-term accounts receivable	174	64
Other financial assets	50	50
Total financial assets	224	114
Other	-	24
Total non-financial assets	-	24
Total other non-current assets	224	138

12. Non-current loans issued

	At 31 December 2021	Interest rate	At 31 December 2020	Interest rate
Loans issued to related parties and denominated in Russian roubles (note 32)	26,567	7.30-7.94%	25,084	6.63%
Loans issued to related parties and denominated in USD (note 32)	-	-	274	6.5%
Loans issued and denominated in Russian roubles	-	-	142	6.63%
Total non-current loans issued	26,567		25,500	

As of 31 December 2021 non-current loans issued to related party in the amount of RR 26,563 million are measured at fair value through profit or loss (2020: non-current loans issued to related party in the amount of RR 25,084 million are measured at fair value through profit or loss).

As at 31 December 2021 non-current loans issued to third parties expected credit loss allowance amounted to RR 195 million (31 December 2020: RR 49 million).

PJSC “KOKS”**Notes to the Consolidated Financial Statements for the year ended 31 December 2021***(in millions of RR unless stated otherwise)***13. Inventories**

	At 31 December 2021	At 31 December 2020
Raw materials, materials and supplies held for production purposes	8,372	6,030
Finished goods	3,453	1,247
Work in progress	737	489
Total inventories	12,562	7,766

During the year 2021 the Group recorded inventories write-down to net realisable value in the amount of RR 47 million (31 December 2020: the Group recorded inventories write-down to net realisable value in the amount of RR 151 million).

14. Trade and other receivables, advances issued

	At 31 December 2021	At 31 December 2020
Trade receivables from related parties (net of expected credit loss amounting to RR 371 million as at 31 December 2021; RR 244 million as at 31 December 2020)	10,465	6,937
Trade receivables (net of expected credit loss amounting to RR 20 million as at 31 December 2021; RR 28 million as at 31 December 2020)	4 861	1,504
Taxes receivable	497	140
Other accounts receivable from related parties (net of expected credit loss amounting to RR 67 million as at 31 December 2021; RR 136 million as at 31 December 2020)	25	175
Other accounts receivable (net of expected credit loss amounting to RR 248 million as at 31 December 2021; RR 257 million as at 31 December 2020)	140	144
Total trade and other receivables	15,988	8,900
Advances issued	7,269	615
Less impairment	(88)	(105)
Total advances issued	7,181	510

In December 2021 a subsidiary of the Group made payments, related to acquisition of 37,958,929 PJSC “Koks” ordinary shares, for a total amount of RR 6,110 million. As of 31 December 2021, these payments are included in advances issued (see note 39).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the historical payment profiles of sales, and the corresponding historical credit losses experienced. As a regular payment term specified for the majority of customers is prepayment or payment within 90 days the effect of adjustment on future expected losses is immaterial. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor.

Note 35 provides ageing analysis of trade and other receivables, related expected credit losses allowance and movement in the credit losses allowance.

15. Current loans issued

	At 31 December 2021	Interest rate	At 31 December 2020	Interest rate
Loans issued and denominated in USD	291	6.5%	-	-
Loans issued and denominated in Russian roubles	184	6.5-10,0%	28	6.5%
Bank deposits denominated in Russian roubles	4	6.75%	4	4.3%
Total current loans issued	479		32	

As at 31 December 2021 current loans issued to third parties expected credit loss allowance amounted to RR 98 million (31 December 2020: current loans issued to third parties expected credit losses allowance amounted to RR 98 million).

PJSC “KOKS”**Notes to the Consolidated Financial Statements for the year ended 31 December 2021***(in millions of RR unless stated otherwise)***16. Cash, cash equivalents and restricted cash**

	At 31 December 2021	At 31 December 2020
RR bank deposits	4,245	3,264
RR-denominated cash in hand and bank balances	3,450	2,007
Bank balances denominated in foreign currencies	357	261
Bank deposits in foreign currencies	9	500
Restricted cash	-	69
Total cash, cash equivalents and restricted cash	8,061	6,101

As at 31 December 2021 and 31 December 2020 all bank balances and bank deposits are not past due and, as the result of assessment, the expected credit losses related to them amounted to RR nil million.

The analysis of the credit quality of bank balances is as follows*:

	At 31 December 2021	At 31 December 2020
A to AAA rated	21	34
B to BBB rated	7,885	5,482
Unrated	155	585
Total	8,061	6,101

* Based on the credit ratings of independent rating agency Fitch Ratings and Moody’s as at 14 January 2022 and 15 January 2021.

17. Share capital

As of 31 December 2021 and 2020, the Company’s share capital (authorised, issued and paid in) totalled RR 213 million. The share capital consisted of 330,046,400 ordinary shares with a par value of RR 0.10 per share as of 31 December 2021 and 31 December 2020. As of 31 December 2021 and 31 December 2020, the share capital included a hyperinflationary adjustment totalling RR 180 million, which was calculated in accordance with the requirements of IAS 29, “Financial Reporting in Hyperinflationary Economies”, and relates to reporting periods prior to 1 January 2003.

In February 2017 the Company acquired 135,400 of its shares for RR 11 million. In February 2018 these shares were transferred to a subsidiary of the Group. These shares are classified as treasury shares and are deducted from equity at cost.

18. Retained earnings

The Company’s Russian statutory financial statements serve as the basis for its profit distribution and other appropriations. Under Russian law, the basis of distribution is defined as a company’s profit. The net profit recognised in the Company’s published Russian statutory financial statements for the year ended 31 December 2021 was RR 14,130 million (2020: net loss – RR 9,359 million), and the accumulated profit after dividends as at 31 December 2021 was equal to RR 14,439 million (31 December 2020: RR 308 million). However, the relevant legislation and other statutes and regulations governing profit distribution are open to legal interpretation and, thus, Group’s management believes that at present it would not be appropriate to disclose the amount for distributable reserves in these consolidated financial statements.

During 2021 year and 2020 year no dividends were declared.

19. Provision for restoration liability

The table below summarises movements in the provision for restoration liability:

	Year ended 31 December 2021	Year ended 31 December 2020
Balance at the beginning of the year	82	67
Additions to property, plant and equipment	22	10
Changes in estimates adjusted against property, plant and equipment	-	12
Accrual of reclamation and mine technical liquidation reserve	1,086	-
Unwinding of the present value discount	8	6
Utilisation	(19)	(13)
Balance at the end of the year	1,179	82
Less current part of the provision	(856)	-
Long-term part of the provision for restoration liability as at the end of the year	323	82

19. Provision for restoration liability (continued)

A provision for restoration liability in the amount of RR 1,179 million as of 31 December 2021 was recorded for the net present value of the estimated future obligation to restore land around the Vakhrusheva, Butovskaya and Tikhova coal mines and obligations related to technical liquidation project of LLC "Butovskaya mine" (as of 31 December 2020: a provision for restoration liability in the amount of RR 82 million was recorded for the net present value of the estimated future obligation to restore land around the Vakhrusheva, Butovskaya and Tikhova coal mines).

Management has estimated the restoration liability through 2050 based on their interpretation of the licence agreements and environmental legislation, and in accordance with IAS 37, "Provisions, Contingent Liabilities And Contingent Assets". In the year 2021 the Group recognized reserve for reclamation and obligations related to technical liquidation project of LLC "Butovskaya mine" in the consolidated statement of profit or loss and other comprehensive income in the amount of RR 1,086 million (see note 7).

The discount rates used to calculate the net present value of the restoration liability were 8.5-9.5% at 31 December 2021 (9.5% at 31 December 2020) and represented an adjusted for the Group risk free pre-tax rate. The related asset of RR 136 million as of 31 December 2021 (31 December 2020: RR 128 million) was recorded as installations within property, plant and equipment at the net book value.

20. Borrowings and bonds**Short-term borrowings and current portion of long-term borrowings**

Loans and borrowings by type may be analysed as follows:

	At 31 December		At 31 December	
	2021	Interest rate	2020	Interest rate
RR-denominated bank loans, variable	9,962	9.85 - 10.90%	4,139	5.60 - 6.60%
RR-denominated bank loans, fixed	5,323	6.95 - 8.65%	7,100	6.30 - 7.15%
USD-denominated bank loans, fixed	4,951	2.38 - 3.20%	-	-
Total short-term borrowings and current portion of long-term borrowings	20,236		11,239	

Long-term borrowings

	At 31 December		At 31 December	
	2021	Interest rate	2020	Interest rate
RR-denominated bank loans variable	18,713	10.25 - 10.99%	18,789	5.60 - 6.75%
RR-denominated bank loans, fixed	3,968	6.95 - 7.30%	13,781	6.14 - 7.30%
USD-denominated bank loans, fixed	2,247	3.20%	-	-
Total long-term borrowings	24,928		32,570	

As at 31 December 2021 and 31 December 2020 all loans are unsecured.

Borrowings of the Group are due for repayment as follows:

	At 31 December 2021	At 31 December 2020
Borrowings to be repaid – within one year	20,236	11,239
- between one and five years	24,928	32,570
- after five years	-	-
Total borrowings	45,164	43,809

As at 31 December 2021, the Group had undrawn borrowing facilities in the amount of RR 39,118 million, including long-term facilities in the amount of RR 33,618 (as at 31 December 2020: RR 43,216 million, including a long-term facility of RR 40,938 million).

PJSC “KOKS”**Notes to the Consolidated Financial Statements for the year ended 31 December 2021***(in millions of RR unless stated otherwise)***20. Borrowings and bonds (continued)**

Movements in borrowings are analysed as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Short-term borrowings and current portion of long-term borrowings:		
Balance at the beginning of the year	11,239	11,955
Borrowings received	13,869	12,523
Borrowings repaid	(19,768)	(16,114)
Reclassification of borrowings	14,741	2,822
Bank overdrafts received	974	2,199
Bank overdrafts repaid	(974)	(2,199)
Other non-cash effects	5	5
Effect of changes in exchange rates	150	48
Balance at the end of the year	20,236	11,239
Long-term borrowings:		
Balance at the beginning of the year	32,570	26,522
Borrowings received	13,763	34,411
Borrowings repaid	(6,806)	(25,765)
Reclassification of borrowings	(14,741)	(2,822)
Other non-cash effects	13	10
Effect of changes in exchange rates	129	214
Balance at the end of the year	24,928	32,570

BO-05 series bonds

In August 2018 the Group issued five-year maturity bonds in the principal amount of RR 5 billion at a coupon rate of 9.2% payable semi-annually (series BO-05 bonds).

Movements in series BO-05 bonds are analysed as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Short-term bonds:		
Balance at the beginning of the year	174	169
Interest expense	463	464
Interest repaid	(459)	(459)
Balance at the end of the year	178	174
Long-term bonds:		
Balance at the beginning of the year	4,986	4,986
Balance at the end of the year	4,986	4,986

Eurobonds

On 23 September 2020, the Group issued 350,000 five-year maturity eurobonds for a total amount of USD 350 million at a coupon rate of 5.90% through its structured entity, IMH Capital DAC. The coupons are payable semi-annually. Loan participation notes due 2025 were issued for (i) purchase in the tender offer (“Tender Offer”) of any or all of loan participation notes due 2022 and the redemption of loan participation notes due 2022 remaining outstanding after the Tender Offer and (ii) general corporate purposes.

On 8 September 2020 the Group released tender offer and consent solicitation memorandum, whereby invited holders of the loan participation notes due 2022 to (i) tender any or all of the notes held for cash and (ii) concurrently consent mandatory early redemption of the notes and mandatory early repayment of the loan.

On 8 October 2020 the Group repaid the 7.5% loan participation notes due 2022 in full.

PJSC “KOKS”**Notes to the Consolidated Financial Statements for the year ended 31 December 2021***(in millions of RR unless stated otherwise)***20. Borrowings and bonds (continued)**

The table below sets out an analysis of Group’s eurobonds liabilities and their movements for each of the periods presented in the consolidated financial statements:

	Year ended 31 December 2021	Year ended 31 December 2020
Short-term bonds:		
Balance at the beginning of the year	422	387
Interest expense	1,559	3,530
Interest paid	(1,508)	(3,468)
Reclassification	-	(253)
Effect of changes in exchange rates	(9)	226
Balance at the end of the year	464	422
Long-term bonds:		
Balance at the beginning of the year	25,642	24,481
Bonds issued	-	26,695
Bonds repaid	(1)	(31,548)
Reclassification	-	253
Other non-cash effects	1	(1)
Effect of changes in exchange rates	145	5,762
Balance at the end of the year	25,787	25,642

As at 31 December 2021, the carrying value of 5.90% loan participation notes due 2025 amounted to RR 26,251 million (including the current portion of the bonds, which is equal to RR 464 million), net of transaction costs.

As at 31 December 2020, the carrying value of 5.90% loan participation notes due 2025 amounted to RR 26,064 million (including the current portion of the bonds, which is equal to RR 422 million), net of transaction costs.

Debt covenants

Management proactively monitors the execution of loan contracts terms and is able to receive a consent from respective lenders to waive their right for early demand of loans repayment before the potential breach occurs. As a result during the reporting period and as of 31 December 2021 the lenders have modified or temporarily suspended certain Group’s covenants under the terms of loan agreements. Modified and other covenants under the loan agreements were not breached, so the right of the lenders to demand early repayment of long-term debt as of 31 December 2021 and at the date of approval of the consolidated financial statements has not occurred.

21. Trade and other payables

	At 31 December 2021	At 31 December 2020
Long-term payables:		
Financial liabilities		
Trade accounts payable	507	1,089
Total financial liabilities	507	1,089
Non-financial liabilities		
Wages and salaries payable	-	1
Total non-financial liabilities	-	1
Total trade and other long-term payables	507	1,090
Short-term payables:		
Financial liabilities		
Trade accounts payable	20,786	13,992
Interest payable	128	80
Other accounts payable	425	461
Total financial liabilities	21,339	14,533
Non-financial liabilities		
Wages and salaries payable	1,860	1,794
Advances received	2,839	5,348
Total non-financial liabilities	4,699	7,142
Total trade and other short-term payables	26,038	21,675

PJSC “KOKS”**Notes to the Consolidated Financial Statements for the year ended 31 December 2021***(in millions of RR unless stated otherwise)***22. Other taxes payable**

	At 31 December 2021	At 31 December 2020
VAT	1,705	546
Contributions to state pension and social insurance funds	513	435
Export duties	172	-
Property tax	162	162
Individual income tax	134	113
Other taxes	22	20
Total taxes other than income tax payable	2,708	1,276

The total statutory pension contributions for 2021 included in captions of the consolidated statement of profit or loss and other comprehensive income and capitalised to property, plant and equipment amounted to RR 2,986 million (2020: RR 2,696 million), including portion in the amount of RR 113 million accrued on payment to key management (2020: RR 98 million).

23. Revenue

	Year ended 31 December 2021	Year ended 31 December 2020
Sales in Russia:		
Sales of pig iron	50,503	31,265
Sales of coke and coking products	14,827	8,868
Sales of scrap metal	9,242	5,246
Sales of coal and coal concentrate	9,006	2,408
Sales of services	2,909	2,588
Sales of cast-iron ware	1,550	1,641
Sales of powder metallurgy products	1,258	803
Sales of chrome	312	272
Sales of crushed pig iron	64	18
Other sales	1,039	1,053
Total sales in Russia	90,710	54,162
Sales to other countries:		
Sales of pig iron	33,831	24,438
Sales of coke and coking products	26,763	12,429
Sales of chrome	485	436
Sales of powder metallurgy products	389	330
Sales of cast-iron ware	214	124
Other sales	2	-
Total sales to other countries	61,684	37,757
Total revenue	152,394	91,919

Timing of revenue recognition (for each revenue stream) is as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
At a point in time	149,807	89,250
Over time	2,587	2,669
Total revenue	152,394	91,919

24. Cost of sales

	Year ended 31 December 2021	Year ended 31 December 2020
Raw materials and supplies	83,594	47,603
Wages and salaries including associated taxes	9,304	8,829
Depreciation of property, plant and equipment	3,885	3,815
Transportation services	2,587	2,669
Energy	1,417	1,458
Other services	549	381
Amortisation of other intangible assets	165	148
Changes in finished goods and work in progress	(2,423)	(163)
Other expenses	1,542	1,596
Total cost of sales	100,620	66,336

In the year 2021 total employee benefits expenses, included in cost of sales, general and administrative expenses amounted to RR 15,117 million (2020: RR 13,934 million).

PJSC “KOKS”**Notes to the Consolidated Financial Statements for the year ended 31 December 2021***(in millions of RR unless stated otherwise)***25. Taxes other than income tax**

	Year ended 31 December 2021	Year ended 31 December 2020
Property tax	668	675
Mineral resources extraction tax	477	208
Land tax	207	183
Provision for uncertain tax position	-	4
Other taxes	132	50
Total taxes other than income tax	1,484	1,120

26. Distribution costs

	Year ended 31 December 2021	Year ended 31 December 2020
Transportation services	2,846	2,941
Export duties	172	-
Other selling expenses	29	71
Total distribution costs	3,047	3,012

In Russia for the period from 1 August to 31 December 2021 export duties on ferrous and non-ferrous metals have been introduced. In accordance with the professional judgement of the Group’s management, export duties are not considered as part of selling price of goods and are recognized as distribution costs in the consolidated statement of profit or loss and other comprehensive income.

27. General and administrative expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Wages and salaries including associated taxes	5,813	5,105
Other purchased services	2,129	1,717
Materials	413	246
Depreciation of property, plant and equipment	386	388
Other	91	15
Total general and administrative expenses	8,832	7,471

28. Other operating expenses, net

	Year ended 31 December 2021	Year ended 31 December 2020
Receipt from beneficial controlling owner, which is not a share capital contribution	339	-
Inventories surplus	319	143
Dividend income	50	23
Exchange gain/(loss), net	34	(307)
Income of service facilities	27	26
Write-down of inventories to net realisable value	(47)	(151)
VAT non-recoverable	(61)	(65)
Reimbursement of losses	(93)	(72)
Loss on disposal of property, plant and equipment and other intangible assets	(200)	(335)
Charity payments	(482)	(182)
Other	54	27
Other operating expenses, net	(60)	(893)

29. Finance income

	Year ended 31 December 2021	Year ended 31 December 2020
Interest income on loans issued measured at FVTPL	1,561	1,561
Interest income on bank deposits	139	69
Interest income on loans issued measured at AC	25	20
Effect of discounting trade accounts payable to present value	1	81
Financial foreign exchange gain on loans issued and interest accrued on loans issued, net	1	42
Financial foreign exchange gain on bank deposits, net	-	362
Total finance income	1,727	2,135

30. Finance expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Interest expense on borrowings and bonds	4,373	6,549
Financial foreign exchange loss on borrowings and interest accrued on borrowings, net	267	216
Financial foreign exchange loss on bonds issued and on interest accrued on bonds issued, net	114	6,002
Unwinding of trade accounts payable to present value discounting effect	43	-
Financial foreign exchange loss on bank deposits, net	14	-
Interest expense on lease obligation	6	17
Total finance expenses	4,817	12,784

31. Income tax expense

Income tax expense recorded in the consolidated statement of profit or loss and other comprehensive income comprises the following:

	Year ended 31 December 2021	Year ended 31 December 2020
Current income tax expense	7,205	1,401
Deferred income tax expense	673	2,292
Income tax expense	7,878	3,693

In the year 2021 and 2020 the income tax rate applicable to the Group’s subsidiaries incorporated in Russia is 20%. A reconciliation between the expected and the actual taxation charge is provided below.

	Year ended 31 December 2021	Year ended 31 December 2020
Profit/(Loss) before income tax	33,764	(10,695)
Theoretical tax at statutory rate	6,753	(2,139)
Tax effect of items that are not tax deductible/exempt:		
Charity payments	104	40
Social infrastructure expenses	56	48
Write-off and impairment of non-current assets	55	6
VAT non-recoverable	30	10
Impairment losses on financial and contract assets	9	30
Write-down of inventories to net realisable value	4	36
Disposal of investment in subsidiary	1	-
Exchange differences	-	(164)
Financial assets disposal	-	92
Other non-deductible expenses	367	277
Income tax related to previous periods	-	7
Unrecognised deferred tax assets	499	5,450
Total income tax expense	7,878	3,693

Unrecognised deferred tax assets for the year 2021 include LLC “Butovskaya mine” deferred income tax assets in the amount of RR 362 million. (2020: RR 4,335 million).

PJSC “KOKS”

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(in millions of RR unless stated otherwise)

31. Income tax expense (continued)

	As of 31 December 2020	Charged to profit or loss	Charged to other comprehensive income	Disposal of subsidiary	As of 31 December 2021
<i>Tax effect of taxable temporary differences</i>					
Property, plant and equipment	3,772	395	-	-	4,167
Intangible assets	808	(5)	-	-	803
Inventories	21	(3)	-	-	18
Accounts receivable	120	(107)	-	-	13
Borrowings and bonds	3	(1)	-	-	2
Other	10	34	-	-	44
Deferred income tax liabilities	4,734	313	-	-	5,047
Less: deferred tax assets offset	(2,964)	-	-	-	(2,510)
Total deferred income tax liabilities	1,770	-	-	-	2,537
<i>Tax effect of deductible temporary differences</i>					
Losses carried forward	(1,848)	281	-	7	(1,560)
Loans issued	(653)	(28)	-	-	(681)
Inventories	(179)	(61)	-	-	(240)
Accounts receivable	(58)	(61)	-	-	(119)
Provision for restoration liability	(19)	(3)	-	-	(22)
Borrowings and bonds	(98)	55	-	-	(43)
Derivative financial instruments	(42)	-	-	-	(42)
Accounts payable	(197)	19	(2)	-	(180)
Other taxes payable	-	(34)	-	-	(34)
Financial guarantees	(24)	2	-	-	(22)
Other	(224)	190	-	-	(34)
Deferred income tax assets	(3,342)	360	(2)	7	(2,977)
Less: deferred tax liabilities offset	2,964	-	-	-	2,510
Total deferred income tax assets	(378)	-	-	-	(467)
Net deferred income tax liabilities/(assets)	1,392	673	(2)	7	2,070

	As of 31 December 2019	Charged to profit or loss	Charged to other comprehensive income	As of 31 December 2020
<i>Tax effect of taxable temporary differences</i>				
Property, plant and equipment	4,116	(344)	-	3,772
Intangible assets	807	1	-	808
Inventories	23	(2)	-	21
Accounts receivable	25	95	-	120
Borrowings and bonds	15	(12)	-	3
Other	7	3	-	10
Deferred income tax liabilities	4,993	(259)	-	4,734
Less: deferred tax assets offset	(3,042)	-	-	(2,964)
Total deferred income tax liabilities	1,951	-	-	1,770
<i>Tax effect of deductible temporary differences</i>				
Losses carried forward	(4,355)	2,430	77	(1,848)
Accounts payable	(198)	5	(4)	(197)
Inventories	(143)	(36)	-	(179)
Derivative financial instruments	(42)	-	-	(42)
Provision for restoration liability	(16)	(3)	-	(19)
Accounts receivable	(9)	(49)	-	(58)
Loans issued	(440)	(213)	-	(653)
Borrowings and bonds	(486)	488	(100)	(98)
Financial guarantees	(18)	(6)	-	(24)
Other	(159)	(65)	-	(224)
Deferred income tax assets	(5,866)	2,551	(27)	(3,342)
Less: deferred tax liabilities offset	3,042	-	-	2,964
Total deferred income tax assets	(2,824)	-	-	(378)
Net deferred income tax (assets)/liabilities	(873)	2,292	(27)	1,392

As of 31 December 2021, the Group did not record deferred tax liabilities for temporary differences of RR 693 million (31 December 2020: RR 745 million) related to investments in subsidiaries, as the Company is able to control the reversal of temporary differences and does not intend to realise them in the foreseeable future.

As at 31 December 2021, the Group has unrecognised deferred tax assets in respect of unused tax loss carry forwards of RR 4,461 million (as at 31 December 2020: RR 4,124 million).

31. Income tax expense (continued)

Starting from 1 January 2017 the amendments to the Russian tax legislation became effective in respect of tax loss carry forwards. The amendments affect tax losses incurred and accumulated since 2007 that have not been utilised. The 10-year expiry period for tax loss carry forwards no longer applies. The amendments also set limitation on utilisation of tax loss carry forwards that will apply during the period from 2017 to 2024. The amount of losses that can be utilised each year during that period is limited to 50% of annual taxable profit.

As at 31 December 2021, the Group also has unrecognised deferred tax assets in respect of deductible temporary differences of RR 1,734 million (as at 31 December 2020: RR 1,572 million).

32. Balances and transactions with related parties

Parties are generally considered to be related if one party has the ability to control or jointly control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related-party relationship, attention is directed to the substance of the relationship, not merely the legal form. Information about the parties that ultimately own and control the Company is disclosed in note 1.

Balances outstanding with related parties as at 31 December 2021, excluding remuneration of key management personnel:

	Companies under common control	Associates	Ultimate shareholders	Total
Non-current loans issued	26,567	-	-	26,567
Trade receivables	10,465	-	-	10,465
Other accounts receivable	25	-	-	25
Advances issued	-	263	-	263
Trade accounts payable	(14)	(14)	-	(28)
Other accounts payable	(299)	-	-	(299)
Advances received	(2,017)	-	-	(2,017)
Financial guarantee	(111)	-	-	(111)

Balances outstanding with related parties as at 31 December 2020, excluding remuneration of key management personnel:

	Companies under common control	Associates	Ultimate shareholders	Total
Non-current loans issued	25,358	-	-	25,358
Trade receivables	6,937	-	-	6,937
Other accounts receivable	173	-	2	175
Advances issued	-	63	-	63
Trade accounts payable	(7)	(74)	-	(81)
Other accounts payable	(84)	(1)	-	(85)
Advances received	(3,840)	-	-	(3,840)
Financial guarantee	(120)	-	-	(120)

Balances outstanding with related parties as at 31 December 2021 and 31 December 2020 are not secured and have to be extinguished with cash, excluding advances which have to be extinguished by goods and services.

PJSC “KOKS”**Notes to the Consolidated Financial Statements for the year ended 31 December 2021***(in millions of RR unless stated otherwise)***32. Balances and transactions with related parties (continued)****Related party transactions for the year ended 31 December 2021, excluding remuneration of key management personnel:**

	Companies under common control	Associates	Ultimate shareholders	Total
<i>Sales in Russia:</i>				
Sales of pig iron	41,639	-	-	41,639
Sales of scrap metal	9,237	-	-	9,237
Sales of coal and coal concentrate	9,006	-	-	9,006
Sales of services	1,815	-	-	1,815
Sales of crushed pig iron	64	-	-	64
Sales of coke and coking products	39	-	-	39
Sales of cast-iron ware	33	-	-	33
Other sales	33	-	-	33
<i>Sales to other countries:</i>				
Sales of pig iron	31,717	-	-	31,717
Sales of chrome	68	-	-	68
Sales of powder metallurgy products	4	-	-	4
<i>Other income/(expenses):</i>				
Interest income	1,577	-	-	1,577
Dividends	-	50	-	50
Loss on remeasurement of financial instruments (Net impairment losses on financial and contract assets)/Reversals of net impairment losses on financial and contract assets	(73)	-	-	(73)
	(122)	1	-	(121)
Other operating income, net	190	56	343	589
<i>Purchase of property, plant and equipment, goods and services:</i>				
Distribution costs	-	(1,943)	-	(1,943)
Purchase of raw materials, supplies and goods for resale	(1,444)	(4,046)	-	(5,490)
Purchase of property, plant and equipment	(101)	-	-	(101)
Other purchased services	(8)	-	-	(8)

Related party transactions for the year ended 31 December 2020, excluding remuneration of key management personnel:

	Companies under common control	Associates	Ultimate shareholders	Total
<i>Sales in Russia:</i>				
Sales of pig iron	26,962	-	-	26,962
Sales of scrap metal	5,242	-	-	5,242
Sales of coal and coal concentrate	2,408	-	-	2,408
Sales of services	1,714	-	-	1,714
Sales of coke and coking products	29	-	-	29
Sales of crushed pig iron	18	-	-	18
Sales of cast-iron ware	16	-	-	16
Other sales	117	-	-	117
<i>Sales to other countries:</i>				
Sales of pig iron	16,518	-	-	16,518
Sales of chrome	65	-	-	65
Sales of powder metallurgy products	3	-	-	3
<i>Other income/(expenses):</i>				
Interest income	1,577	-	-	1,577
Loss on remeasurement of financial instruments (Net impairment losses on financial and contract assets)/Reversals of net impairment losses on financial and contract assets	(1,155)	-	-	(1,155)
	(253)	9	-	(244)
Dividends	-	23	-	23
Other operating income/(expenses), net	123	(9)	6	120
<i>Purchase of goods and services:</i>				
Distribution costs	-	(1,608)	-	(1,608)
Purchase of raw materials, supplies and goods for resale	(726)	(2,989)	-	(3,715)
Other purchased services	(8)	-	-	(8)

32. Balances and transactions with related parties (continued)

During the year ended 31 December 2021, revenue from transactions of the Group with related party steel-producer, related-party metallurgical products trader and related-party coal trader, all companies under common control, amounted to RR 93,647 million and mainly consists of revenue from pig iron, scrap metal, coal and services sales (year ended 31 December 2020: revenue from transactions of the Group with related party steel-producer, related-party metallurgical products trader and related-party coal trader, all companies under common control, amounted to RR 53,087 million). As at 31 December 2021, the Group had an outstanding balance of advances received from these related parties in the amount of RR 2,017 million (31 December 2020: RR 3,840 million).

During the year ended 31 December 2021 and 31 December 2020 related party transactions commercial terms were the following:

- price for liquid pig iron is determined based on the range of pig iron sale prices for third parties in the month of the transaction (until 1 July 2021) or in the month of shipment (after 1 July 2021), while volume discounts may be applied;
- price for exported pig iron is determined based on the range of market prices in the month of the transaction, including correction for transportation costs;
- sale and purchase price for scrap metal is determined based on purchase prices from independent suppliers or based on the range of market prices;
- coal price, depending on the grade, is determined based on the price offers from independent suppliers or based on the range of coal concentrate market prices, including correction for processing, transportation costs and coal concentrate yield factor;
- price for coal processing services rendered is not lower than purchase price for similar services from third parties;
- purchase price for transportation services is in the range of price offers from third parties.

LLC “TULACHERMET-STAL”

As at 31 December 2021, non-current loans issued by the Group to LLC “TULACHERMET-STAL” maturing in 2027 totalled RR 26,563 million (31 December 2020: RR 25,084 million) (see note 12 and 34).

Other companies under common control

In January 2020 the Group issued loan denominated in USD to a company under common control of the beneficial controlling owner. As at 31 December 2021 this loan is repaid in full (31 December 2020: non-current loan totalled RR 274 million) (see note 12).

In the year 2021 the Group issued several loans to companies under common control of the beneficial controlling owner. As at 31 December 2021, these non-current loans maturing in 2026 totalled RR 4 million (see note 12).

Key management personnel

In the year 2021 the Group issued interest-free loan to the employee, included in key management personnel, in the amount of RR 5 million. As at 31 December 2021 this loan is repaid in full.

Remuneration of key management personnel

Remuneration of key management personnel paid, including beneficial controlling owner acting as chief executive officer of MC “IMH”, is presented in the table below:

	Year ended 31 December 2021	Year ended 31 December 2020
Wages and salaries	1,276	927
Contributions to state pension and social insurance funds	169	148
Severance pay	15	-
Total remuneration of key management personnel	1,460	1,075

All these payments are short-term employee benefits and are included in general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income. The compensation was paid to 33 people for the year ended 31 December 2021 and 2020.

32. Balances and transactions with related parties (continued)

As at 31 December 2021 the remuneration of key management personnel outstanding balance amounted to RR 35 million (31 December 2020: RR 36 million).

The amount of accrued and paid remuneration of key management personnel differs by the amount of (reverse)/accrual of vacation reserve. For the year ended 31 December 2021 the key management personnel vacation reserve reverse amounted to RR 107 million (for the year ended 31 December 2020: the key management personnel vacation reserve accrual amounted to RR 134 million). As at 31 December 2021 the key management personnel vacation reserve amounted to RR 75 million (31 December 2020: RR 182 million).

33. Contingencies, commitments and operating risks**Operating environment of the Group**

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

In the year 2021, ongoing political tensions in the region have intensified due to the further development in the situation with Ukraine, which negatively affected commodity and financial markets and increased volatility, especially in exchange rates. Since December 2021, the situation has continued to deteriorate and remains highly unstable. Financial and commodity markets are subject to increasing volatility. Additional sanctions and restrictions on the business activity of organizations operating in the region are expected, and it is not possible to estimate their consequences for the Group and economy as a whole.

COVID-19

In March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Russian authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. Some of the above measures were subsequently relaxed, however, as of 31 December 2021, the global infection levels remain high, vaccination rate is relatively low, and there is a risk that the Russian authorities would impose additional restrictions in subsequent periods, including due to emerging new variants of the virus. At the same time, the Group has managed to organise vaccination of vast majority of its staff, which significantly reduces COVID-19 pandemic risks.

In 2021 the Russian economy demonstrated positive dynamics in recovery from the pandemic. This trend was also supported by the global economic recovery and higher prices on global commodity markets. However, higher prices on certain markets in Russia and globally also contribute to the inflation in Russia.

The future effects of the current economic situation and the above measures are difficult to predict and management's current expectations and estimates could differ from actual results.

For the purpose of measurement of expected credit losses (“ECL”) the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be different from those projected (Note 35).

Capital commitments

As at 31 December 2021 the amount of capital commitments was RR 2,745 million (at 31 December 2020: RR 2,236 million).

Taxes

Russian tax and customs legislation, enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting such tax positions may be challenged by the tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the tax authorities for three calendar years preceding the year when decisions about the review were made. Under certain circumstances, reviews may cover longer periods.

33. Contingencies, commitments and operating risks (continued)

Russia’s transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation empowers the tax authorities to make transfer pricing adjustments and impose additional tax liabilities regarding controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal controls to ensure compliance with this transfer pricing legislation.

Tax liabilities arising from controlled transactions are determined using actual transaction prices. It is possible that, as the interpretation of the transfer pricing rules evolves, such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Insurance policies

At 31 December 2021 and 2020, the Group held limited insurance policies on its assets and operations, or for public liability or other insurable risks.

Environmental and climate change matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised in the consolidated financial statements immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

The Group management has taken note of global awareness and concerns about the potential impact of climate change. Currently, this matter has had no significant impact on the consolidated financial statements, but management continues to monitor developments in this area.

Legal proceedings

During the 2021 year, the Group was involved in a number of court proceedings (both as a plaintiff and defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding that could have a material effect on the result of the Group’s operations or its financial position, and which have not been accrued or disclosed in these consolidated financial statements.

At the same time, it should be noted that in the year 2021 and at the beginning of the year 2022 corporate disputes related to challenging decisions of general meetings of shareholders have been terminated. Thus, there is no negative effect on the ability of the Group to pursue its business development strategy.

Licences

The Group is subject to periodic reviews of its activities by government authorities with respect to compliance with the requirements of its mining licences. Management responds promptly, provides reports based on the results of such reviews and, if necessary, cooperates with the government authorities to agree on remedial actions necessary to resolve any findings resulting from such reviews. Failure to comply with the terms of a licence and legal requirements could result in fines, penalties or licence limitation, suspension or revocation. Management believes any issues of non-compliance, including changes in the work plan or financial measures, will be resolved by negotiations, eliminating weaknesses or corrective actions without any adverse effect on the Group’s financial position, results of operations, or cash flows. The Group may renew its licences beyond the original expiration date if it meets the licence agreement terms. Accordingly, depreciation of property, plant and equipment and amortisation of other intangible assets related to the licenced areas takes into account the fact that licences will be renewed in the future.

33. Contingencies, commitments and operating risks (continued)

The Group’s coal fields are situated on land belonging to the Kemerovo Regional Administration, while its ferruginous quartzite fields are located in territory belonging to the Belgorod Regional Administration. Licences are issued by the Russian Ministry of Natural Resources, and the Group pays mineral resources extraction tax to explore and mine mineral resources from these fields.

Licence holder	Field	Expiry date
LLC “Butovskaya mine”	Butovskoe-Zapadnoe and Chesnokovskoe areas of the Kemerovo coal field (Butovskaya mine)	December 2033
LLC “Uchastok “Koksoviy”	Koksoviy area (Vakhrusheva coal mine)	December 2037
LLC “Uchastok “Koksoviy”	Koksoviy area (Glubokiy)	April 2034
LLC “Tikhova mine”	Nikitinsky-2 coal basin	September 2025
JSC “Kombinat KMaruda”	Licence to produce ferruginous quartzite from the Korobkovsky mine	January 2026

34. Fair value disclosures

Fair value measurements of Group’s financial instruments are analysed by their level in the fair value hierarchy as follows:

- (i) Level 1 covers measurements made at quoted prices in active markets for identical assets or liabilities;
- (ii) Level 2 measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- (iii) Level 3 measurements are valuations not based on observable market data.

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Financial assets and liabilities carried at fair value

The following table analyses Group’s financial instruments carried at fair value by the level of fair value hierarchy:

	31 December 2021			31 December 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Loans issued	-	-	26,563	-	-	25,226
Other financial assets	-	-	50	-	-	50
Liabilities						
Other financial liability	-	-	-	-	-	135
Financial guarantee	-	-	111	-	-	120

At 31 December 2021 and 2020 the carrying amount of loans issued measured at FVTPL includes loans issued to LLC “TULACHERMET-STAL”.

The following table analyses Group’s financial instruments carried at fair value movement for the year ended 31 December 2021:

	Loans issued	Other financial assets	Other financial liability	Financial guarantee
Fair value at 31 December 2020	25,226	50	(135)	(120)
Interest income	1,561	-	-	-
Repayment of other financial liability	-	-	135	-
Remeasurement at FVTPL	(61)	-	-	9
Reclassification	(163)	-	-	-
Fair value at 31 December 2021	26,563	50	-	(111)

The following table analyses Group’s financial instruments carried at fair value movement for the year ended 31 December 2020:

	Loans issued	Other financial assets	Other financial liability	Financial guarantee
Fair value at 31 December 2019	24,771	17	(703)	(88)
Interest income	1,561	-	-	-
Acquisition of other financial asset	-	33	-	-
Repayment of other financial liability	-	-	635	-
Remeasurement at FVTPL	(1,106)	-	(67)	(32)
Fair value at 31 December 2020	25,226	50	(135)	(120)

34. Fair value disclosures (continued)

Fair value measurement of loans issued to LLC "TULACHERMET-STAL" is determined using average interest rates for long-term RR-denominated bank loans received by the Group and forecasted cash flows of LLC "TULACHERMET-STAL". Due to assumptions underlying fair value estimation, loans issued to LLC "TULACHERMET-STAL" are categorized as Level 3 in the fair value hierarchy, described above.

The fair value of the loans issued to LLC "TULACHERMET-STAL" is sensitive to interest rate changes and forecasted cash flows changes. As at 31 December 2021 forecasted cash flow of LLC "TULACHERMET-STAL" is mostly sensitive to production volume changes, raw materials and finished goods prices dynamics (31 December 2020: forecasted cash flow of LLC "TULACHERMET-STAL" was mostly sensitive to finished goods prices dynamics).

The table below represents the effect on fair value of the loans issued that would occur from changes of the initial inputs at 31 December 2021:

Inputs used		Range of inputs	Reasonable changes	Sensitivity of fair value measurement
Loans issued	Interest rate	7.94 %	+1%	(993)
			-1%	1,034
	Production capacity	1,500 th.tn	+10 %	67
			-10 %	(16)
	Finished goods prices average annual change for the period 2022-2026	-2.20%- +2.11%	+3%	350
		-3%	(881)	
Raw materials prices average annual change for the period 2022-2026		-8.65%-+0.86%	+3%	(411)
			-3%	230

The table below represents the effect on fair value of the loans issued that would occur from changes of the initial inputs at 31 December 2020:

Inputs used		Range of inputs	Reasonable changes	Sensitivity of fair value measurement
Loans issued	Interest rate	6.63 %	+1%	(1,559)
			-1%	1,664
	Production capacity	1,500 th.tn	+10 %	-
			-10 %	-
	Finished goods prices average annual change for the period 2021-2025	+4.51%- +9.18%	+3%	-
		-3%	3	
Raw materials prices average annual change for the period 2021-2025		-3.53%-+4.85%	+3%	-
			-3%	-

Financial assets and liabilities carried at amortised cost

Group's financial instruments except those carried at fair value are measured at amortised cost. Management believes that the carrying amount of cash, cash equivalents and restricted cash, accounts receivable and payable in the consolidated statement of financial position approximates their fair value based on level 1 (cash), level 2 (cash equivalents, loans issued and bank deposits) and level 3 (accounts receivable and payable) measurements.

The table below presents financial instruments measured at amortised cost for which carrying amount differs from fair value:

	31 December 2021				31 December 2020			
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
Assets								
Loans issued and bank deposits	483	-	494	-	306	-	304	-
Liabilities								
Borrowings (excluding overdrafts)	45,164	-	45,786	-	43,809	-	43,848	-
Bonds	31,415	31,347	-	-	31,224	31,326	-	-

The fair value of loans issued and bank deposits carried at amortised cost was determined using valuation techniques based on Level 2 measurements as expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

34. Fair value disclosures (continued)

The fair value of long-term and short-term debt carried at amortised cost was determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on Level 2 measurements as expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

The fair value of the Group’s bonds was based on quoted market prices, which are Level 1 measurements.

35. Financial risks

The Group’s risk management is based on determining risks to which the Group is exposed in the course of ordinary operations. The Group is exposed to the following major risks: (a) credit risk, (b) market risk, and (c) liquidity risk. Risk management is carried out on an ongoing basis and consists of proactive analysis, control and management of all opportunities, threats and risks arising in connection with the Group’s operational objectives.

(a) Credit risk

The maximum exposure to credit risk is represented by the book value of the following financial assets net of expected credit losses allowance and the maximum amount the Group could pay if the financial guarantee issued for related party is called on (note 5, 32 and 34).

	Note	31 December 2021	31 December 2020
<i>Non-current financial assets:</i>			
Non-current loans issued	12	26,567	25,500
Other long-term accounts receivable	11	174	64
Other financial assets	11	50	50
<i>Current financial assets:</i>			
Trade and other accounts receivable	14	15,491	8,760
Current loans issued	15	479	32
Cash, cash equivalents and restricted cash	16	8,061	6,101
Total carrying value		50,822	40,507

For minimising of credit risk, the Group takes the following procedures:

- interaction between the Group’s structural divisions (commercial, legal, accounting, economic security divisions, etc.) is regulated to ensure that credit risks are minimised;
- sales of products are made to customers with an appropriate credit history;
- the Group mostly sells products to customers that are major market players; and
- when expanding its presence in sales markets, the Group performs stringent legal and financial reviews of potential customers.

Expected credit losses allowance

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other accounts receivable and contract assets.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. For purposes of measuring probability of default, the group defines default as a situation when the exposure meets one or more of the following criteria:

- the customer is more than 90 days past due on its contractual payments;
- international rating agencies have classified the customer in the default rating class;
- the customer meets the unlikeliness-to-pay criteria listed below:
 - the customer is insolvent;
 - the customer is in breach of financial covenants; and
 - it is becoming likely that the customer will enter bankruptcy.

35. Financial risks (continued)

The Group monitors all financial assets, loans issued and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month estimated credit loss.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment.

The Group analyses all data collected using statistical models and estimates the remaining lifetime probability of default exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as GDP growth, unemployment and interest rates. Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The expected credit losses allowance for account receivable, loans issued measured at amortised cost, cash and cash equivalents and other financial assets as at 31 December 2021 are presented in the table below:

	Gross carrying amount	ECL allowance
- not past due	21,746	(440)
- less than 30 days overdue	467	(21)
- 31 to 90 days overdue	1,104	(48)
- 91 to 360 days overdue	1,753	(319)
- over 360 days overdue	191	(174)
Total	25,261	(1,002)

The expected credit losses allowance for account receivable, loans issued measured at amortised cost, cash, cash equivalents and restricted cash and other financial assets as at 31 December 2020 are presented in the table below:

	Gross carrying amount	ECL allowance
- not past due	13,550	(258)
- less than 30 days overdue	27	-
- 31 to 90 days overdue	646	(12)
- 91 to 360 days overdue	468	(6)
- over 360 days overdue	1,409	(543)
Total	16,100	(819)

The credit quality of not past due financial assets was assessed using historical data on counterparties' failure to pay and the length of the business relationship. The following categories are used by the Group:

- Group 1 – the length of the business relationship with the counterparty is over a year, and the counterparty has never defaulted on its liabilities;
- Group 2 – the length of the business relationship with the counterparty is over a year, and the counterparty has delayed payment but still fulfilled its liabilities; and
- Group 3 – the length of the business relationship with the counterparty is less than a year.

PJSC “KOKS”**Notes to the Consolidated Financial Statements for the year ended 31 December 2021***(in millions of RR unless stated otherwise)***35. Financial risks (continued)**

Credit risk related to not past due financial assets (expected to be realised in full) as at 31 December 2021:

	Group 1	Group 2	Group 3	Total
Trade and other receivables	1,755	10,647	138	12,540
Loans issued	4	-	479	483
Other non-current accounts receivable	136	36	-	172
Cash and cash equivalents	8,061	-	-	8,061
Other financial assets	50	-	-	50
Total	10,006	10,683	617	21,306

The table below presents movements in the credit losses allowance for the year ended 31 December 2021:

	Trade accounts receivable	Loans issued	Other accounts receivable	Total
As at 31 December 2020	272	147	395	814
Charged to profit or loss	230	164	19	413
Reversed through profit or loss	(86)	-	(22)	(108)
Used	(25)	(18)	(75)	(118)
As at 31 December 2021	391	293	317	1,001

Credit risk related to not past due financial assets (expected to be realised in full) as at 31 December 2020:

	Group 1	Group 2	Group 3	Total
Trade and other receivables	808	5,880	86	6,774
Loans issued	4	274	28	306
Other non-current accounts receivable	22	39	-	61
Cash, cash equivalents and restricted cash	6,101	-	-	6,101
Other financial assets	50	-	-	50
Total	6,985	6,193	114	13,292

The table below presents movements in the in the credit losses allowance for the year ended 31 December 2020:

	Trade accounts receivable	Loans issued	Other accounts receivable	Total
As at 31 December 2019	19	93	319	431
Charged to profit or loss	309	67	126	502
Reversed through profit or loss	(45)	-	(16)	(61)
Used	(11)	(13)	(34)	(58)
As at 31 December 2020	272	147	395	814

Concentration of credit risk

Management monitors concentrations of credit risk by obtaining reports listing exposures to counterparties with aggregated balances in excess of 5% of the Group’s net assets. As of 31 December 2021, the Group had a concentration of credit risk due to loans issued to related party in the amount of RR 26,563 million and due to trade and other receivables from related party in the amount of RR 9,809 million (31 December 2020: loans issued to related party in the amount of RR 25,084 million and trade and other receivables from related party in the amount of RR 6,656 million) (see note 12 and 14). At 31 December 2021 and 31 December 2020, there were no other significant credit risk concentration, due to the diversified structure of the Group’s counterparties and timely repayment of the receivables.

At 31 December 2021, the Group’s significant bank accounts are held mainly with major Russian banks, mainly Gazprombank, Sberbank, Alfa-Bank and Bank VTB (2020: Gazprombank, Bank VTB, Sberbank and Absolut bank) thus exposing the Group to a concentration of credit risk (see note 16).

(b) Market risk**Foreign currency risk**

The Group has international operations and, therefore, is exposed to foreign currency risk arising due to changes in euro and US dollar exchange rates against the Russian rouble. Foreign currency risk is managed by making operating decisions depending on the current market situation.

PJSC “KOKS”**Notes to the Consolidated Financial Statements for the year ended 31 December 2021***(in millions of RR unless stated otherwise)***35. Financial risks (continued)**

The amounts of the Group’s assets and liabilities denominated in a foreign currency other than the functional currency of the Group’s companies as at 31 December 2021 are provided below:

	in thousands of USD	in thousands of EUR
Trade and other receivables	9,179	313
Current loans issued	3,917	-
Cash and cash equivalents	4,324	421
Trade accounts payable	(20,284)	(6,392)
Bonds	(353,346)	-
Borrowings	(96,887)	-
Interest payable	(7)	-
Net total, in foreign currency	(453,104)	(5,658)

The Group’s assets and liabilities denominated in USD amounted RR 33,662 million at the exchange rate as at 31 December 2021. The Group’s assets and liabilities denominated in EUR amounted RR 476 million at the exchange rate as at 31 December 2021.

The analysis of the effect of foreign currency risk on the Group’s profit/equity for 2021 is given below.

The official CBRF USD/RUB exchange rate at 31 December 2021 was RR 74.2926 / USD 1. A 20% decrease/increase in the USD/RUB exchange rate would have resulted in an increase/decrease of Group’s net profit for the year of RR 5,386 million.

The official CBRF EUR/RUB exchange rate as at 31 December 2021 was RR 84.0695 / EUR 1. A 20% decrease/increase in the EUR/RUB exchange rate would have resulted in an increase/decrease of Group’s net profit for the year of RR 76 million.

The amounts of the Group’s assets and liabilities denominated in a foreign currency other than the functional currency of the Group’s companies as at 31 December 2020 are provided below:

	in thousands of USD	in thousands of EUR
Trade and other receivables	2,994	140
Non-current loans issued	3,714	-
Cash and cash equivalents	8,599	1,106
Trade accounts payable	(29,552)	(4,406)
Bonds	(352,809)	-
Net total, in foreign currency	(367,054)	(3,160)

The Group’s assets and liabilities denominated in USD amounted RR 27,116 million at the exchange rate as at 31 December 2020. The Group’s assets and liabilities denominated in EUR amounted RR 287 million at the exchange rate as at 31 December 2020.

The analysis of the effect of foreign currency risk on the Group’s loss/equity for 2020 is given below.

The official CBRF USD/RUB exchange rate at 31 December 2020 was RR 73.8757 / USD 1. A 20% decrease/increase in the USD/RUB exchange rate would have resulted in a decrease/increase of Group’s net loss for the year of RR 4,339 million.

The official CBRF EUR/RUB exchange rate as at 31 December 2020 was RR 90.6824 / EUR 1. A 20% decrease/increase in the EUR/RUB exchange rate would have resulted in a decrease/increase of Group’s net loss for the year of RR 46 million.

Interest rate risk

The Group is exposed to interest rate risk on short-term and long-term loans issued, borrowings and bonds. Instruments issued at fixed interest rates expose the Group to fair value fluctuations due to changing interest rates.

The Group minimises interest rate risk by:

- monitoring trends in the domestic (RR) and global (USD/EUR) currency markets;
- monitoring analyst reviews and comments by leading financial institutions and major global information agencies; and
- making decisions based on analyses of the interdependence of such parameters as currency, term, amount and interest rate type.

35. Financial risks (continued)

In the year ended 31 December 2021 if bank loans variable interest rates had been 100 basis points higher/lower, the Group's net profit for the year would have been lower/higher of RR 220 million. In the year ended 31 December 2020 if bank loans variable interest rates had been 100 basis points higher/lower, the Group's net loss for the year would have been higher/lower of RR 81 million (see note 20).

(c) Liquidity risk

In order to minimise liquidity risks, the Group maintains committed credit facilities in major domestic and international banks. The Group determines the necessary credit limit on the basis of ten-year, five-year, annual and monthly financial plans for each entity within the Group and for the Group as a whole.

The Group distinguishes between funds needed depending on what they will be used for.

Working capital needs are mainly financed through short-term credit lines and overdrafts at the minimal interest rate offered in financial markets under existing market conditions.

Investment programmes to acquire new high-cost equipment, construct new production facilities, or rebuild and upgrade existing facilities are financed through medium-term and long-term credit facilities.

The Group has raised a number of public and syndicated borrowings in the past and intends to further pursue such endeavours depending on market conditions. The relevant loan arrangements contain financial and non-financial covenant terms that the Group must comply with. The Group management established an effective process that allows to proactively monitor the execution of contract terms and receive a consent from respective lenders to waive its right for early demand of loans repayment before the potential breach occurs, if any.

Management monitors the correspondence of repayment periods for external and internal debts with the payback period for the relevant assets at both the strategic and operational levels. The Group uses both general ratios (adjusted EBITDA, adjusted EBITDA/Revenue, Net Debt/adjusted EBITDA, adjusted EBITDA/Interest expense, Debt/Equity, etc.) and a number of special debt (liquidity) ratios in its decision-making.

Management allocates available cash surpluses, based on the issuance of intra-group loans approved by the general shareholders' meeting, among the Group's entities to attain optimal and balanced availability of funds for each entity. Such allocation may be used to replenish working capital in each entity without the need to raise third-party borrowings and, when necessary, to refinance more costly bank facilities and other borrowings.

The table below provides an analysis of non-discounted cash flows related to the Group's contractual obligations by maturity as at 31 December 2021:

	Payable in the period							Total
	Within 3 months	3-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Beyond 5 years	
Trade accounts payable	16,782	4,016	390	134	10	-	-	21,332
Other accounts payable	123	302	-	-	-	-	-	425
Leases	7	2	-	-	-	-	-	9
Borrowings:								
- Principal	5,570	14,667	23,733	1,200	-	-	-	45,170
- Interest payable as of 31 December 2021	128	-	-	-	-	-	-	128
- Interest to be accrued in future periods*	959	2,140	1,845	31	-	-	-	4,975
Bonds:								
- Principal	-	-	5,000	-	26,002	-	-	31,002
- Interest accrued as of 31 December 2021	589	-	-	-	-	-	-	589
- Interest to be accrued in future periods*	464	1,119	1,826	1,534	1,534	-	-	6,477
Total	24,622	22,246	32,794	2,899	27,546	-	-	110,107

* Bank interest to be accrued in future periods was estimated based on the terms and conditions of loan and borrowing agreements in effect as at the reporting date.

Financial guarantee issued to LLC "TULACHERMET-STAL" (note 5) is payable on demand. As of 31 December 2021 this financial obligation is recognised as other current financial liability in the consolidated statement of financial position with carrying amount of RR 111 million, measured as expected credit loss allowance (2020: RR 120 million).

PJSC “KOKS”**Notes to the Consolidated Financial Statements for the year ended 31 December 2021***(in millions of RR unless stated otherwise)***35. Financial risks (continued)**

Liabilities due within 12 months are to be paid by cash received from operating activities and external financing received subsequent to the reporting date.

The table below provides an analysis of non-discounted cash flows related to the Group’s contractual obligations by maturity as at 31 December 2020:

	Payable in the period						Beyond 5 years	Total
	Within 3 months	3-12 months	1-2 years	2-3 years	3-4 years	4-5 years		
Trade accounts payable	8,920	5,090	911	214	27	-	-	15,162
Other accounts payable	376	85	-	-	-	-	-	461
Leases	27	24	59	8	-	-	-	118
Other current financial liabilities	34	101	-	-	-	-	-	135
Borrowings:								
- Principal	6,311	4,931	13,988	17,401	1,200	-	-	43,831
- Interest payable as of 31 December 2020	80	-	-	-	-	-	-	80
- Interest to be accrued in future periods*	692	1,724	1,723	850	31	-	-	5,020
Bonds:								
- Principal	-	-	-	5,000	-	25,856	-	30,856
- Interest accrued as of 31 December 2020	585	-	-	-	-	-	-	585
- Interest to be accrued in future periods*	462	1,114	1,992	1,817	1,526	1,525	-	8,436
Total	17,487	13,069	18,673	25,290	2,784	27,381	-	104,684

* Bank interest to be accrued in future periods was estimated based on the terms and conditions of loan and borrowing agreements in effect as at the reporting date.

As at 31 December 2021, the Group’s current liabilities exceeded current assets by RR 4,126 million (as at 31 December 2020: RR 10,140 million). The Group had undrawn borrowing facilities in the amount of RR 39,118 million as at 31 December 2021 (out of which RR 33,618 million are long-term facilities) (as at 31 December 2020: the Group had undrawn borrowing facilities in the amount of RR 43,216 million (out of which RR 40,938 million are long-term facilities)) (see note 20). Accordingly, management prepared these consolidated financial statements based on going concern assumption.

36. Capital risk management

The capital structure of the Group consists of net debt (short-term and long-term borrowings and bonds offset by cash and cash equivalents) and equity of the Group.

Every year, the Group plans and carries out investment programmes to maintain a high technical and technological level for its property, plant and equipment, avoid business interruptions, maintain environmental protection and life safety standards, and introduce new production facilities that can ensure the Group’s future profitability.

The Group has defined following criteria for the requirements (positive NPV, average payback period of five years, internal rate of return at least 20%, Net Debt / EBITDA below 4.0, EBITDA / Interest expense at least 1.5 and other indicators) for both small-scale and large-scale investment projects, including new investment projects under consideration.

37. Profit/(Loss) per share

The amount of basic profit/(loss) per share are calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

The Company has no dilutive potential ordinary shares; therefore, the diluted profit/(loss) per share equals the basic profit/(loss) per share.

PJSC “KOKS”**Notes to the Consolidated Financial Statements for the year ended 31 December 2021***(in millions of RR unless stated otherwise)***37. Profit/(Loss) per share (continued)**

Profit/(Loss) per share is calculated as follows:

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Profit/(Loss) for the year		25,923	(14,426)
Weighted average number of ordinary shares in issue (millions of shares)	17	329.91	329.91
Basic and diluted profit/(loss) per ordinary share (in RR per share)		78.58	(43.73)

38. Non-controlling interest

The following table provides information about JSC “TULACHERMET”, the only Group subsidiary that has a non-controlling interest that is material to the Group (information is presented before inter-company eliminations):

Carrying amount of non-controlling interest		(Loss)/profit attributable to non-controlling interest		Revenue		(Loss)/profit		Total comprehensive (loss)/income	
at 31 December 2021	at 31 December 2020	for the year ended 31 December 2021	for the year ended 31 December 2020	for the year ended 31 December 2021	for the year ended 31 December 2020	for the year ended 31 December 2021	for the year ended 31 December 2020	for the year ended 31 December 2021	for the year ended 31 December 2020
252	289	(36)	47	87,770	59,092	(1,684)	2,206	(1,684)	2,206

Current assets		Non-current assets		Current liabilities		Non-current liabilities	
at 31 December 2021	at 31 December 2020	at 31 December 2021	at 31 December 2020	at 31 December 2021	at 31 December 2020	at 31 December 2021	at 31 December 2020
29,928	22,053	38,952	37,086	(36,953)	(25,110)	(18,883)	(19,301)

	Year ended 31 December 2021	Year ended 31 December 2020
Net cash used in operating activities	(16,179)	(3,907)
Net cash from/ (used in) investing activities	1,087	(540)
Net cash from/ (used in) financing activities	17,657	(243)
Net increase/(decrease) in cash and cash equivalents	2,565	(4,690)
Effects of exchange rate fluctuations on cash and cash equivalents	(69)	432
Cash and cash equivalents at the beginning of the year	3,284	7,542
Cash and cash equivalents at the end of the year	5,780	3,284

As of 31 December 2021 the ownership share held by non-controlling interests in the equity of JSC “TULACHERMET” was equal to the voting rights share held by non-controlling interests and amounted to 2.12%, the share of ordinary shares held by non-controlling interests amounted to 0.8% (as of 31 December 2020: 2.13% and 0.8%, respectively).

No dividends were paid by JSC “TULACHERMET” to non-controlling shareholders in the years ended 31 December 2021 and 31 December 2020.

Holders of the non-controlling interest in JSC “TULACHERMET” have the right to veto any transaction with related parties with a financial effect above 10% of the book value of the entity's assets as estimated in accordance with the RAS financial statements as of 31 December 2021 – RR 6,255 million (as of 31 December 2020 – RR 5,443 million).

39. Subsequent events**Borrowings**

Subsequent to 31 December 2021, within new borrowing facilities the Group raised RR 1,000 million of bank loans for financing of operating activities.

Treasury shares

In January 2022 a subsidiary of the Group obtained control over 37,958,929 of PJSC “Koks” shares, paid in December 2021 (see note 14). Acquisition of 11.5% Company's shares provides higher level of control over corporate decision-making, avoiding negative effect on the ability of the Group to pursue its business development strategy.

39. Subsequent events (continued)

LLC “Butovskaya mine”

In February 2022, the State Commission approved a Feasibility Study for permanent exploration conditions and recognized coal reserves under LLC “Butovskaya mine” current licence economically unmineable. At the moment, the Hazardous production facility (coal mine) technical liquidation project is under approval. Further, the company plans to implement a set of mandatory measures related to the liquidation of hazardous production facilities and voluntarily renounce its mineral resources mining and exploration licence.

Economic situation

Since late 2021, the Russian economy has been showing signs of instability, which is expressed in increased volatility of financial and commodity markets, growth of oil prices, depreciation of Russian Rouble, decline in stock market, increase of key rate and government bond yields. On 28 February 2022 the President of the Russian Federation signed a decree, required to sell 80% of foreign currency revenue by exporters. On 28 February 2022 the Central Bank of the Russian Federation increased key rate to 20% p.a. On 11 March 2022 Russian Rouble reached record low rates of RR 120.3785 / USD 1 and RR 132.9581 / EUR 1.

It is not possible to determine the length of high volatility period and to forecast at which level financial and commodity markets indicators will stabilize. A number of sanctions were announced restricting access of Russian organizations to the financial USD and EUR markets, including banning from the international SWIFT system. To minimize risks and ensure Group’s obligations fulfillment, management takes all necessary measures to diversify ways of delivering finished goods to customers, as well as transferring and receiving funds.

Although above-mentioned uncertainties may adversely affect the economic and financial performance of the Group in future periods, they do not affect the Group's ability to continue as a going concern.