OAO Raspadskaya

Management's discussion and analysis of financial condition and results of operations *for the year ended 31 December 2008*

The following is a discussion and analysis of Raspadskaya's consolidated financial information for the year ended 31 December 2008. This discussion and analysis should be read in conjunction with Raspadskaya's consolidated financial statements for the year ended 31 December 2008 prepared in accordance with International Financial Reporting Standards. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. The actual results could differ materially from those anticipated in the forward-looking statements under the influence of numerous factors.

General overview

We are a group of integrated companies based in the Kemerovo region: three mines in operation, one mine under construction, a preparation plant, a trading company and companies engaged in transportation and infrastructure development – hereafter referred to collectively as "the Group". We have leading market positions in Russia with respect to coking coals of the GZh (gas fat) and GZhO (gas fat semi-lean) categories. According to IMC Economic and Energy Consultants Limited ("IMC"), as of 30 June 2006, we had total measured and indicated resources of 1,461 million tonnes, and proved and probable reserves of 781.5 million tonnes, of which 28.4 million tonnes were extracted in the period from 1 July 2006 to 31 December 2008. These resources and reserves were estimated in accordance with the requirements of the JORC Code. Our reserves will be available for extraction for at least the next 50 years. Furthermore, in November 2006 we acquired a license for an open-pit area with indicated resources of 120 million tonnes.

Overview of financial results

	2008	2007	Change
	US$000	*US$000*	
Revenue	1,200,397	784,094	53%
Cost of sales	(350,714)	(356,448)	(2)%
Gross profit	**849,683**	**427,646**	**99%**
Gross profit margin	***71%***	***55%***	
Selling and distribution costs	(5,060)	(17,248)	(71)%
General and administrative expenses	(67,233)	(56,064)	20%
Social and social infrastructure maintenance expenses	(16,728)	(10,776)	55%
Loss on disposal of property, plant and equipment	(2,757)	(1,934)	43%
Foreign exchange gains/(losses)	(63,352)	20,125	n/a
Other operating income	2,391	1,046	129%
Other operating expenses	(11,968)	(7,415)	61%
Operating profit	**684,976**	**355,380**	**93%**
Operating profit margin	***57%***	***45%***	
Dividend income	14	20	(30)%
Interest income	12,813	3,868	231%
Interest expense	(27,214)	(30,235)	(10)%
Profit before income tax	**670,589**	**329,033**	**104%**
Profit before income tax margin	***56%***	***42%***	
Income tax expense	(139,487)	(88,790)	57%
Profit for the year	**531,102**	**240,243**	**121%**
Profit for the year margin	***44%***	***31%***	
Earnings per share, *US$*	**0.68**	**0.31**	
EBITDA	**867,860**	**470,089**	**85%**
EBITDA margin	***72%***	***60%***	

Key factors affecting our results of operations

Certain factors relating to our business and industry, as well as the political, economic and legal environment in Russia, affect our results of operations. Such factors include, among others, the supply and demand of coking coal, coking coal prices, production and other costs, railway transportation costs and exchange rates.

Supply and demand of coking coal

Our operating results are significantly influenced by the balance of supply and demand of different types of coking coal on the domestic and world markets. This balance is primarily influenced by fluctuations in the production of steel and coke, by changes in coal production capacity and other related factors. The consumers of our coking coal are large domestic and foreign steel and coke producers. Therefore, our results are influenced by the trends in the Russian and world steel markets. Cyclical fluctuations in the steel industry will continue to affect our future sales of coking coal.

For the last two years, the demand for metallurgical products and, as a result, for coking coal was constantly growing on both domestic and world markets. Having reached its peak in the middle of 2008, in the fourth quarter of the year the demand began to decline. The severest fall in demand occurred in November and December as a result of the global economy crisis as well as a decrease in the demand for the end products – coke and steel. The direct consequences of the fall were the decrease in sales, production volumes and prices of coking coal in Russia and in the world.

Our results can be indirectly affected by changes in the coal production capacities of our competitors. We believe that there will be no significant increase of Russian metallurgical coal capacity in the short- to medium-term mainly because the developing of new mining projects is still at early stages, and the companies lack the adequate finance required for these heavy investments.

Revenue

The table below presents our domestic and export sales by product types restated under common delivery terms (FCA Mezhdurechensk) by deducting transportation costs from revenues reported in the financial statements in respect of sales of coal and coal concentrate made under other types of delivery terms (FOB Shipping point and DAF Customer destination) for the years ended 31 December:

	2008		2007		
	Amount	**Share**	**Amount**	**Share**	**Change**
	US$000		*US$000*		
Sales of coal concentrate – Russia	918,581	78%	458,715	63%	100%
Sales of coal concentrate – export	240,958	20%	187,588	26%	28%
	1,159,539	**98%**	**646,303**	**89%**	**79%**
Sales of raw coal – Russia	20,073	2%	76,140	11%	(74)%
	20,073	**2%**	**76,140**	**11%**	**(74)%**
Total sales of coal concentrate and raw coal	**1,179,612**	**100%**	**722,443**	**100%**	**63%**
Deemed railway tariff included in sales price under delivery terms other than FCA Mezhdurechensk relating to:					
Sales of coal concentrate – Russia	1,659		13,092		(87)%
Sales of coal concentrate – export	12,191		42,336		(71)%
Sales of other goods and rendering of services	6,935		6,223		11%
Total revenue	**1,200,397**		**784,094**		**53%**

99% of our total revenue for the years ended 31 December 2008 and 2007 was derived from sales of coal concentrate and raw coal (including deemed railway tariff).

The material decrease of 74% in sales of raw coal is a result of our strategy of maximizing the sales of coal concentrate which has a higher profit margin. The sales of raw coal decreased to 2% of our total sales of coal concentrate and raw coal in 2008 as compared to 11% in 2007, and at present, they occur just occasionally.

The deemed railway tariff in domestic and export sales decreased by 75% because of the decrease in the proportion of sales made under delivery terms other than FCA Mezhdurechensk, which is also a part of our marketing strategy.

Sales of other goods and rendering of services includes coal transportation services provided locally to third parties and sales of sundry goods and services.

Coking coal prices

Both domestic and world prices for coking coal have a material impact on our results. In the first three quarters of 2008, the major driving force of the increase in coking coal prices was the strong demand for metallurgical and coal products on the domestic and world markets.

In the first quarter of 2008, we signed one year contracts with large consumers, in which the price changes triggered by change of prices on the market. Starting the third quarter of 2008, we have negotiated an increase in our coal prices with our customers. From the fourth quarter of 2008 our coking coal prices have decreased compared to the third quarter of 2008 as a result of the decrease in global demand for iron and steel.

The table below represents our weighted average coal prices on FCA Mezhdurechensk terms for the years ended 31 December:

	2008	**2007**	**Change**
	US$ per tonne		
Coal concentrate – Russia	167.3	76.1	120%
Coal concentrate – export	156.4	67.8	131%
Coal concentrate total	**164.9**	**73.5**	**124%**
Raw coal – Russia	71.7	41.5	73%
Raw coal total	**71.7**	**41.5**	**73%**

At present, we do not hedge our exposure to the risk of fluctuations in the price of coal. Our one year coal sales contracts fixed the sales price for major customers. If market prices changed the contract prices might be changed with the mutual agreement of buyer and seller. Starting 2009, we operate in the frames of long-term contracts with our major customers and negotiate the values and prices on the quarterly basis This will allow us to promptly react on changes in the coal concentrate, coke and steel markets.

Sales volumes

The major part of our coal products is sold to domestic steel and coke producers such as Magnitogorsk Iron and Steel Plant (”MMK”), Evraz Group (“Evraz”), Novolipetsk Iron and Steel Plant (”NLMK”) including its subsidiary Altay-Koks. The share of sales volumes to these three companies accounted for 65% and 56% of our total coal concentrate and raw coal sales volume in 2008 and 2007, respectively. Moreover, in 2008 we continued to diversify our client base and, at present, we supply with coal concentrate the majority of Russian metallurgical companies and coke plants, including Kemerovo-Koks, Mechel, Urals Sleel. In the fourth quarter of 2008 and in early 2009 we managed to partially compensate the decrease in sales volumes to our large customers by sales to medium-sized Russian consumers.

The table below sets out the sales volumes of our coal concentrate and raw coal by location of our major customers for the years ended 31 December:

	2008	2007	Change
	thousands of tonnes		
Coal concentrate – Russia			
MMK	1,667	2,184	(24)%
Evraz	1,330	1,655	(20)%
NLMK	1,264	1,499	(16)%
Kemerovo-Koks	574	289	99%
Others	654	400	64%
	5,489	**6,027**	**(9)%**
Coal concentrate – export			
Ukraine	1,315	1,472	(11)%
Eastern Europe	226	1,084	(79)%
Asia	-	212	(100)%
	1,541	**2,768**	**(44)%**
Coal concentrate – total	**7,030**	**8,795**	**(20)%**
Raw coal – Russia	**280**	**1,835**	**(85)%**
Coal concentrate and raw coal(1)	**7,244**	**10,182**	**(29)%**

(1) Raw coal restated in tonnes of coal concentrate at output ratio of 76.3% in 2008 and 75.6% in 2007.

As the demand on the domestic market was strong and average domestic prices (on FCA Mezhdurechensk terms) were higher than export prices, the executing of long-term domestic contracts was our priority. When the demand began to decrease, our exports constantly declined, there were no export sales in the fourth quarter of 2008. Consequently our export sales volume of coal concentrate decreased by 44% in 2008 as compared to 2007 whereas our domestic sales volume of coal concentrate decreased by 9% only.

Ukraine was our main export market, its share of export sales volumes was 85% and 53% in the year ended 31 December 2008 and 2007, respectively. We supply major Ukrainian coke plants with our coal concentrate, also, in 2008 we continued to diversify our client base. Thus, starting the first half of 2008, we made our clients three coke plants of Evraz and a metallurgical plant of ArcelorMittal in Krivoy Rog, which in 2008 we supplied in more volumes than a metallurgical plant of ArcelorMittal in Romania.

Our sales to Ukraine ceased in the fourth quarter of 2008 as a result of a sharp decrease in Ukrainian steel production; however, sales to Ukraine were recommenced in early 2009.

In 2008, because of the favourable conditions on the Russian and Ukrainian markets we did not sell in Asia. We expect that in 2009 the demand for coking coal in Asia will be stronger than on other export markets. And, accordingly, we expect to commence our sales on the Asian market in 2009 through contracts in the frames of the Asian financial year (1 April 2009). We intend to strengthen our relations with Asian clients through executing existing contacts and in the frames of our medium-term market strategy on enlargement of export sales in total sales of our coking coal.

Production volumes

Our production costs and costs per unit as well as our revenue are significantly affected by the changes in production volumes. A significant proportion of our costs can be classified as fixed costs which is typical for extraction business and, therefore, our production level is one of the key factors in determining our overall cost competitiveness.

The table below sets out our raw coal and coal concentrate production volumes for the years ended 31 December:

	2008	2007	Change
	thousands of tonnes		
Raw coal production	9,409	13,550	(31)%
Raw coal preparation	9,220	11,680	(21)%
Coal concentrate production	7,033	8,834	(20)%
Output ratio	76.3%	75.6%	

The decrease in raw coal production volume by 31% in 2008 as compared to 2007 was significantly influenced by the decrease in demand in the fourth quarter of 2008. In addition, a delayed tunnelling work to prepare new faces because of the unplanned failure of a supplier to deliver equipment on time has contributed to the decrease in production volume.

The decrease in coal concentrate production volumes by 20% was a consequence of the decrease in raw coal preparation volume by 21%, whilst the output ratio increased by 0.7% from 75.6% to 76.3%.

Costs and efficiency

Our competitiveness and long-term profitability are, to a significant degree, dependent upon our ability to maintain relatively low costs and high efficiency of our operations.

The table below sets out the breakdown of costs of production and sales by major categories for the years ended 31 December:

	2008		2007		
	Amount	**Share**	**Amount**	**Share**	**Change**
	US$000		*US$000*		
Payroll	68,086	20%	58,839	19%	16%
Materials	52,922	16%	46,554	15%	14%
Mineral extraction tax and other taxes in production costs	22,866	7%	17,552	6%	30%
Payroll taxes	19,574	6%	16,749	5%	17%
Electricity	16,296	5%	13,782	4%	18%
Preparation services from third parties	385	0%	8,100	3%	(95)%
Other costs and expenses	40,936	12%	20,168	6%	103%
Cash cost of production(1)	**221,065**		**181,744**		**22%**
Depreciation, depletion (excluding mineral reserve) and amortization	75,915	22%	69,072	22%	10%
Depletion of mineral reserve	41,890	12%	64,991	20%	(36)%
Cost of production	**338,870**	**100%**	**315,807**	**100%**	**7%**
Railway cost	12,191		41,632		(71)%
Cost of resold goods	2,773		1,355		105%
Change in finished goods	(3,120)		(2,346)		33%
Cost of sales	**350,714**		**356,448**		**(2)%**

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(1) Cash cost of production represents cost of sales before railway tariff, cost of resold goods, changes in finished goods and depreciation, depletion and amortization. We present cash cost of production and other measures calculated using cash cost of production because we consider them important supplemental measures of our operating performance and believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in coal industry. Cash cost of production and other measures calculated using cash cost of production have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our operating results as reported under IFRS. We compensate for these limitations by relying primarily on our IFRS operating results and using cash cost measures only as supplemental. Cash cost of production and other measures calculated using cash cost of production are measures of our operating performance that is not required by, or presented in accordance with, IFRS. Cash cost of production and other measures calculated using cash cost of production are not measurement of our operating performance under IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with IFRS.

The table below sets out our cash costs of coal concentrate production for the years ended 31 December:

	2008	2007	Change
	US$000	*US$000*	
Estimated cash cost of raw coal used in concentrate preparation[(1)]	198,230	134,320	48%
Cash cost of preparation	19,020	25,943	(27)%
Total cash cost of coal concentrate produced	**217,250**	**160,263**	**36%**
	US$ per tonne		
Cash cost per tonne of raw coal produced	21.5	11.5	87%
Preparation cash cost per tonne of raw coal used	2.1	2.2	(5)%
Total cash cost per tonne of coal concentrate produced[(2)]	**30.9**	**18.1**	**71%**

(1) Estimated cash cost per tonne of raw coal used in concentrate preparation is a computed value calculated based on the volumes of raw coal used in concentrate preparation and the average cash cost per tonne of raw coal produced.

(2) Raw coal restated in tonnes of coal concentrate at output ratio of 76.3% in 2008 and 75.6% in 2007.

The increase in our cash cost of production in 2008 as compared to 2007 by 22% was a result of an increase in underground development and overburden removal, and an increase in price levels for materials, production services and electricity including for metal, for fuel, for mine support, for drilling and blasting and for electricity.

The increase in our total cash cost of production and the decrease in production volume by 31% had an effect on the increase in cash cost per tonne of raw coal produced by 87%.

In 2008, the cash cost of preparation per tonne of raw coal used decreased by 5% due to the increase in the share of coal prepared by our preparation plant (99% as compared to 88% in 2007). In 2008, the preparation cash cost per tonne of raw coal used by our preparation plant was US$2.0 against US$6.9 by third parties.

In 2009, we intend to implement a more stringent control over our costs to prevent a material increase in cash cost of coal concentrate even with a decrease in production volumes.

Depreciation, depletion and amortization

Depreciation, depletion and amortization comprises a significant share in our cost of production. The increase in the depreciation expense was a consequence of the increase in the value of the property, plant and equipment resulting from additions. The decrease in the depletion expenses was due to the decrease in production volumes.

Payroll and payroll taxes

The payroll taxes contain the unified social tax ("UST") and mandatory industrial accident and occupational disease insurance charges. UST includes our regular contributions to the State Pension Fund of Russia in accordance with the Russian legislation. We have no legal or constructive obligation to pay further contributions in respect of the State benefits.

The table below sets out our overall payroll costs and related payroll taxes for the years ended 31 December:

	2008	2007	Change
Average total number of employees	7,863	7,541	4%
Total net payroll, *US$000*	108,263	95,909	13%
Total payroll taxes, *US$000*	28,080	23,866	18%
Average annual payroll per employee, net, *US$*	13,769	12,718	8%
Effective payroll tax rate	26%	25%	

The increase in the overall payroll costs in 2008 as compared to 2007 reflected the higher headcount number and labor cost inflation.

Preparation services

Since the opening of our own preparation plant at the end of 2005, the proportion of coal preparation by third parties has been constantly declining and was 2.6% of total cost of production in 2007 and 0.1% in 2008. Starting 2009, we plan to prepare all our coal at our preparation plant.

Mineral extraction tax and other taxes in production cost

Taxes included in production costs consist primarily of the mineral extraction tax. The increase of US$5.3 million in the tax amount was due to the increase in coal prices.

In 2009, we expect that our mineral extraction tax expense will decrease following the decrease in sales prices and production volumes, as compared to 2008.

Materials and electricity

The increase in materials cost by US$6.4 million and electricity cost by US$2.5 million in 2008 was primarily caused by the higher prices and tariffs as compared to 2007 as well as by the increase in materials consumption for underground development and overburden removal.

In 2009, we plan to decrease underground development and overburden removal which will cause a decrease in materials and electricity costs.

Other costs and expenses

In 2008, as compared to 2007, other costs and expenses significantly increased due to an increase in the volume of waste removal work in line with our mining development plan, changes in preparation technology in the Glukhovsky mining area, and an increase of the overhaul costs relating to mining equipment as a consequence of the shift to 2008 of certain repairs postponed in 2007.

Railway cost

All the coal concentrate and raw coal which we sell is transported by railway. We are among the few Russian coal producers who own and operate an integrated coal transportation network that is directly connected to the federal railway system operated by the state monopoly OAO Russian Railways. Our proprietary coal transportation network includes 15 kilometres of railway which connects our production facilities with the federal railway station at Mezhdurechensk.

Our coal concentrate and raw coal is delivered to customers by Russian Railways via the federal railway system. Fluctuations of the railway tariffs affect the total cost paid by our customers, and as such, may impact the demand for our coal from any customers located far from our production site. In 2008, the railway tariffs increased by 24.7% as compared to 2007, from 1 January 2009 the railway tariffs increased by 4.8%.

Production facilities maintenance

Our activities are dependent upon our ability to maintain steady production levels. Therefore, the maintenance of our mining equipment and overall facilities, as well as ensuring safe working conditions for our personnel is crucial for the results of our operations. Our top priorities are keeping our mining equipment in very good condition and maintaining a healthy and safe working environment at each of our facilities through the implementation of stringent safety measures.

Selling, general and administrative and other expenses

Selling and distribution costs

Selling and distribution costs mainly included customs fees pertaining to the export sales as well as various expenses related to transportation of our products, mainly the transportation of coal concentrate sold to NLMK on terms FCA Lipetsk. Since February 2008 we supply NLMK on FCA Mezhdurechensk terms, consequently the selling and distribution costs decreased by US$12.2 million.

General and administrative expenses

The table below sets out the breakdown of general and administrative expenses by major categories for the years ended 31 December:

	2008		**2007**		
	Amount	**Share**	**Amount**	**Share**	**Change**
	US$000		*US$000*		
Payroll	28,394	42%	27,974	50%	2%
Property and other taxes	10,830	16%	6,365	11%	70%
Payroll tax	5,884	9%	5,045	9%	17%
Raw materials	2,451	4%	1,767	3%	39%
Insurance	751	1%	635	1%	18%
Depreciation and amortization	2,782	4%	1,561	3%	78%
Other services and costs	16,141	24%	12,717	23%	27%
	67,233	**100%**	**56,064**	**100%**	**20%**

In 2008, the increase in general and administrative expenses by 20% was a result of an increase in depreciation, an increase in property tax as a consequence of purchases of fixed assets, an increase in cost of materials for maintenance and repairs of laundries and baths. Other services and costs include bank services, information, communication, consulting, audit and other fees.

Property and other taxes includes the fine by the Federal Antimonopoly Service of Russia in the amount of US$4.9 million for the infringement of the antimonopoly law.

Social and social infrastructure maintenance expenses

As is the case for many of large Russian production companies, we bear certain social costs and social infrastructure maintenance expenses which are primarily in the form of donations and assistance to social sphere objects.

The increase in social and social infrastructure maintenance expenses was due to the growth of charity payments to the city of Mezhdurechensk and the Kemerovo region for financing of safety and environmental protection programs.

Foreign exchange gains/(losses)

Our functional currency is the Russian ruble. Our presentation currency is the US dollar. For the purpose of preparation of our financial information the following exchange rates were used (rubles for US$1): 24.5462 at 31 December 2007; 29.3804 at 31 December 2008; 25.5770 average for 2007; 24.0454 average for the 9 months ended 30 September 2008; 29.3804 for the fourth quarter of 2008.

Our revenues from domestic sales accounted for 79% and 71% of total revenue for the years ended 31 December 2008 and 2007, respectively. Prices for domestic sales are set in rubles. Most of our costs (except for certain equipment purchases) are also denominated in rubles.

Foreign exchange gains and losses relate to the difference arising from revaluation of assets and liabilities denominated in foreign currencies (primarily US dollars) and exchange rate differences on sales and purchase of foreign currencies. In the fourth quarter of 2008, the US dollar has appreciated by 16% against the Russian ruble. As a result, we incurred foreign exchange loss of US$50 million for the fourth quarter of 2008. Net foreign exchange loss of US$63 million for the year ended 31 December 2008 mainly resulted from the revaluation of our US dollar denominated borrowings.

Interest income and interest expense

Interest income mainly related to short-term deposits held in various Russian banks. The material increase of US$8.9 million was due to the larger amount of bank deposits held in 2008 as compared to 2007.

Our interest expense primarily related to interest on a loan obtained from Natixis in May 2006 and to the coupon payments on eurobonds issued in May 2007 to refinance the loan.

Income tax expense

The decreased income tax rate of 20% in force from 1 January 2009 reduced the deferred income tax liability by US$35.3 million. This reduction was the main cause of the income tax increase by 57% only whereas our profit before tax increased by 104%.

Liquidity, capital resources and capital expenditures

Our primary sources of liquidity are cash generated from operating activities, debt financing and access to equity capital markets. Our future plan is to finance our capital expenditures, interest expenses and dividends primarily out of our operating cash flows.

The table below summarizes our IFRS cash flow statement for the years ended 31 December:

	2008	**2007**
	US$000	*US$000*
Cash and cash equivalents at 1 January	82,311	49,219
Net cash from operating activities	585,257	327,994
Net cash used in investing activities	(405,107)	(160,180)
Net cash used in financing activities	(176,396)	(139,452)
Effect of foreign exchange rate changes on cash and cash equivalents	(14,510)	4,730
Cash and cash equivalents at 31 December	**71,555**	**82,311**

Capital expenditures represented the major part of the cash used in our investing activities.

The following table sets out our capital expenditures by business activities for the years ended 31 December:

	2008		**2007**		
	Amount	**Share**	**Amount**	**Share**	**Change**
	US$000		*US$000*		
Mines in operation	208,805	73%	102,870	62%	103%
Mine under construction	60,409	21%	26,172	16%	131%
Preparation plant	6,491	2%	24,336	14%	(73)%
Other	9,869	4%	12,919	8%	(24)%
	285,574	**100%**	**166,297**	**100%**	**72%**

After completing of the mine under construction, we plan to extract coking coal of the K (coking) and KO (coking semi-lean) categories. The timing of the necessary capital expenditure will depend on conditions on the coking coal market.

In the first half of 2008, we took advantage of the favorable conditions and started to accumulate liquidity in the form of short-term bank deposits. As at 31 December, cash, cash equivalents and short-term bank deposits were US$186.6 million in 2008 as compared to US$82.3 million in 2007.

In 2009, we intend to maintain a sufficient level of liquidity to continue our business even if there is a further deterioration in economic situation.

In 2008, our long-term debt includes primarily 7.5% eurobonds in amount of US$300 million due 2012. One of the covenants on the bonds is the net leverage (net debt/ EBITDA) ratio may not exceed 3.

The following table sets out a calculation of the net leverage ratio for the years ended 31 December:

	2008	**2007**	**Change**
	US$000	*US$000*	
Long-term loans	314,085	307,896	2%
Short-term loans and current portion of long-term loans	37,062	39,505	(6)%
Less:			
Short-term bank deposits	(115,045)	-	100%
Cash and cash equivalents	(71,555)	(82,311)	(13)%
Net debt	**164,547**	**265,090**	**(38)%**
Operating profit	684,976	355,380	93%
Add:			
Depreciation, depletion and amortization	121,622	135,624	(10)%
EBITDA(1)	**806,598**	**491,004**	**64%**
Adjusted for			
Foreign exchange gains/(losses) from investing and financing activities, net(2)	61,262	(20,915)	n/a
Adjusted EBITDA	**867,860**	**470,089**	**85%**
Net leverage ratio (net debt/ EBITDA)	**0.19**	**0.56**	

(1) EBITDA represents net profit before interest income (expense), dividend income, income taxes, depreciation, depletion and amortization and foreign exchange gains/(losses) from investing and financing activities. We present EBITDA because we consider it an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our operating results as reported under consolidated IFRS financial statements. We compensate for these limitations by relying primarily on our consolidated IFRS operating results and are using EBITDA only as a supplement. EBITDA is a measure of our operating performance that is not required by or presented in accordance with IFRS. EBITDA is not a measurement of our operating performance under IFRS and should not be considered as an alternative to profit for the period, profit before income tax or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of our liquidity. In particular, EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business.

(2) Net foreign exchange gains/(losses) from investing and financing activities represent the difference arising from revaluation of interest-bearing bank deposits, and interest-bearing loans and borrowings denominated in foreign currencies. All other foreign exchange gains/(losses) are not included in net foreign exchange gains/(losses) from investing and financing activities.

Off-balance sheet arrangements

We do not have off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, revenues and expenses, results of operations, liquidity, capital expenditures, or capital resources.