Investing in the future and delivering consistent results

The consolidated SUEK Group has once again demonstrated its ability to generate stable cash flow, supporting our annual large-scale capacity development and health, safety and environmental programme whilst enabling us to finance strategic acquisitions and confidently service our debt.

Deeper vertical integration with our resilient energy business and the logistics chain helps us reduce fluctuations in our revenue triggered by volatility in global coal prices.

While consistently implementing our strategy, we continue to deliver our investment programme. In 2019, SUEK's total capital expenditure reached another record level of $994m, with our main investments focused on expanding our production of high-CV coal, improving environmental and industrial safety, upgrading the efficiency and environmental performance of our energy facilities and securing self-sufficiency in logistics.

A number of strategic acquisitions in 2019 led to a temporary increase in net debt, and the net debt to bank EBITDA ratio rising to 3.1x at the year-end. However, we reaffirm our goal of maintaining this indicator at an average level of 2.5x throughout the market cycle.

The Group's **revenue** decreased by 9% year-on-year due to a decline in coal export revenue, reflecting a significant drop in global coal prices and a slight decrease in sales. At the same time, this impact was partially offset by growth in revenue from electricity and capacity sales.

EBITDA in 2019 fell by 17% to $2,115m following a decrease in coal revenue, which was partially offset by lower transportation expenses.

The Group's net profit decreased by $458m year-on-year to $706m due to reduced EBITDA by $426m.

SUEK's total CAPEX reached a record level of

$994m[1]

Financial highlights

$m	2019	2018	Change
Revenue	7,547	8,296	(9%)
Cost of sales	(3,481)	(3,483)	0%
Transportation costs	(1,719)	(2,005)	(14%)
Administrative and other expenses	(232)	(267)	(13%)
EBITDA	**2,115**	**2,541**	**(17%)**
EBITDA margin, %	28%	31%	(3 p. p.)
Net profit	**706**	**1,164**	**(39%)**
Net margin, %	9%	14%	(5 p. p.)
Capital expenditure	**994**[1]	**903**	**10%**
Net debt	**6,562**	**4,187**	**57%**
Net debt / bank EBITDA ratio[2]	3.1x	1.6x	1.5x
Bank EBITDA/interest expense ratio	5.5x	9.1x	3.6x

From EBITDA to net profit

$m	2019	2018	Change
EBITDA	2,115	2,541	(17%)
Depreciation	(1,053)	(669)	57%
Income tax	(134)	(314)	(57%)
Financial expenses	(422)	(311)	36%
Foreign exchange profit / loss	200	(83)	341%
Net profit	706	1,164	(39%)

From EBITDA to operating cash flow

$m	2019	2018	Change
EBITDA	2,115	2,541	(17%)
Changes in working capital	111	(373)	(130%)
Income tax paid	(178)	(288)	(38%)
Other	11	21	(48%)
Operating cash flow	2,059	1,901	8%

Mergers, acquisitions and capital expenditure

SUEK's CAPEX reached $994m.

In addition, in April 2019, the Group acquired 16,025 higher-capacity railcars for $327m to improve the efficiency of logistics for priority routes to the east.

In October 2019, the Group purchased the Reftinskaya GRES for $345m. The expansion of the Energy Segment reduces the dependence of the Group's financial performance on volatile global coal prices.

1. *Excluding the purchase of 16,025 railcars and Reftinskaya GRES.*
2. *Calculated in accordance with SUEK loan agreements.*

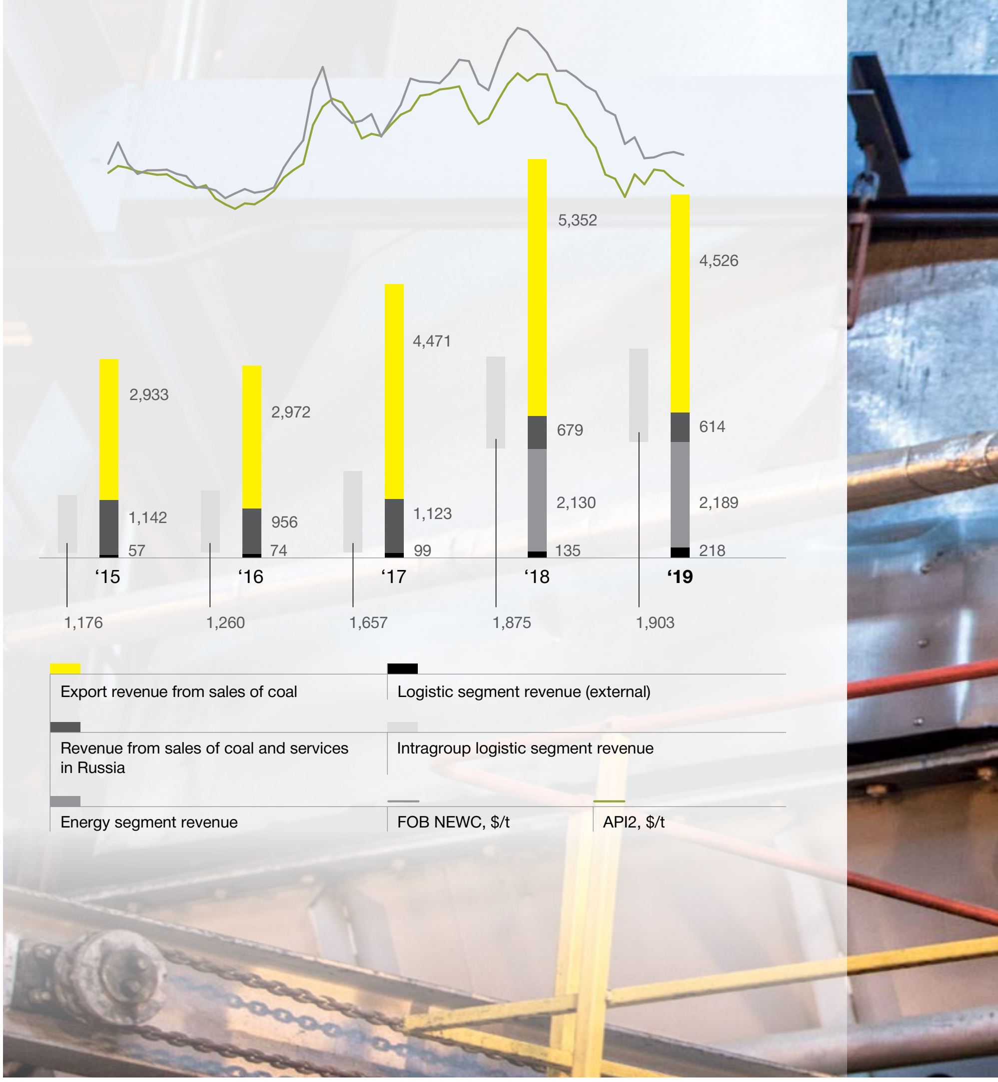
Net debt

As at 31 December 2019, the net debt amounted to $6,562m.

As at 31 December 2019, most of our debt is denominated in US Dollars (71%), 26% is denominated in roubles and the remaining part in Euros.

The effective cost of borrowing, normalised to the rate in US Dollars, was 4.5%. The company's main debt instrument remains dollar-nominated pre-export financing secured by international sales revenue. Additionally, in 2019 SUEK arranged a significant rouble bond programme raising RUB 41bn ($633m).

Higher share of low-volatility revenue, *$m*



Moody's **Ba2**

FitchRatings **BB**

RAEX **ruAA-**

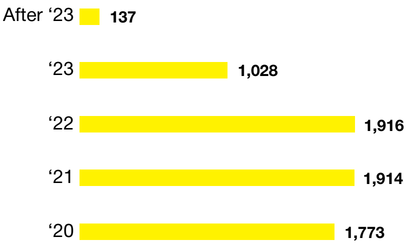
Credit ratings

In 2019, SUEK's credit ratings were confirmed by rating agencies, with a 'stable' outlook: Moody's confirmed its rating at Ba2, Fitch Ratings at BB and Expert RA at ruAA-.

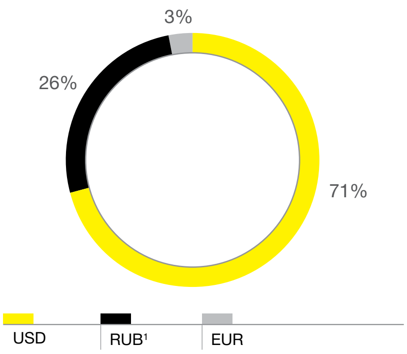
> *The company remains competitive thanks to economies of scale, vast coal reserves, operational diversification and low production costs, along with an integrated business model that includes thermal coal production and electricity generation businesses.*
>
> **Moody's**

> *We view SUEK as a fundamentally FCF-positive business with high single-digit FCF margin through the cycle, as seen historically. The company has not paid dividends since 2011 and has demonstrated capex flexibility during coal market downturns. …Hence, we expect that SUEK will continue generating positive FCF over the rating horizon, allowing it to deleverage … by 2021 and 2022 from the 2019 peak.*
>
> **Fitch**

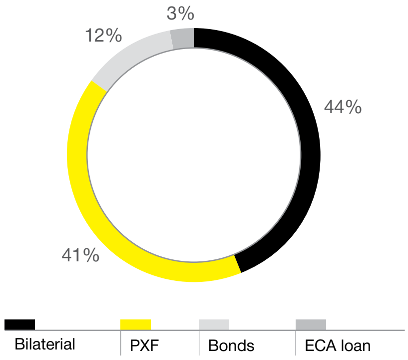
Loan maturity, $m



Currency debt structure, 31 December 2019



Instrument debt structure, 31 December 2019



[1] *100% of RUB debt has been hedged.*