31 January 2022

SUEK announces financial results for the full year 2021

JSC SUEK ("SUEK", "Group" or "the Company") has published its financial results for the year ended 31 December 2021, prepared in accordance with IFRS and audited by AO "Deloitte & Touche CIS".

Key Group highlights

- Group Revenue reached $9.7bn, up 46% year-on-year, supported by favourable global market environment
- EBITDA amounted to $3.3bn, up 68% year-on-year, boosted by revenue growth, with EBITDA margin increasing by 4 p.p. to 34%
- Free cash flow reached $1.5bn
- Net leverage ratio decreased to 1.7x, reflecting strong cash generation

KEY INDICATORS[1]	2021	2020	Change, y-o-y
REVENUE, $M	9,743	6,683	46%
EBITDA, $M	3,315	1,973	68%
EBITDA MARGIN, %	34%	30%	4 p.p.
OPERATING CASH FLOW, $M	2,780	1,669	66%
CAPEX, $M[2]	1,020	965	6%
FREE CASH FLOW, $M	1,461	446	228%

LEVERAGE	2021	2020	Change, y-o-y
NET DEBT, $M	5,809	6,819	-15%
NET DEBT / COV. ADJ. EBITDA RATIO[3]	1.7x	3.3x	-1.6x

Stepan Solzhenitsyn, CEO of SUEK, commented:

"In 2021, SUEK's 20th anniversary was marked with a record financial performance. We took advantage of the favourable market environment and our solid cash flows to reduce our leverage and implement key capacity upgrade programmes, in particular investing in combined heat and electricity generating plants and heat distribution infrastructure.

We are confident that our strategy, which is focused on supplying high-quality essential products, diversifying the business, and improving the environment and living standards in the regions where we operate, will ensure the long-term viability and sustainability of our business.

Against the backdrop of the ongoing global COVID pandemic, we also maintained our heightened focus on business continuity and employee safety, including measures to prevent transmission of the virus and promote vaccination. Over 80% of our employees received their first and second doses during the year, with some even receiving booster jabs."

In 2021, SUEK's revenue increased by 46% year-on-year to $9,743m. This reflected growth at all three business segments, with a particularly strong contribution from the coal and logistics segments, as coal indices increased more than twofold and railcar rates improved compared to 2020.

EBITDA grew 68% to $3,315m supported by higher revenues, which were partially offset by a 32% rise in overall costs due to increased volumes of purchased coal. The EBITDA margin rose to 34%.

The Group's operational activities generated solid cash flow in the amount of $2,780m, which enabled us to proceed with the planned investment in key capacity upgrade projects. In 2021, capital expenditures amounted to $1,020m, while the major focus was on the development of our energy business, including the replacement of obsolete electricity and heat capacities with more efficient and environmentally friendly technologies.

The remaining free cash flow more than tripled to $1,461m, compared to $446m in 2020.

We used strong cash flows to retire $0.84bn of total debt, and at the end of 2021 the net debt to EBITDA ratio significantly improved to 1.7x compared to 3.3x at the end of 2020.

In April 2021, international credit agencies Moody's and Fitch upgraded SUEK's credit outlook to 'stable' from 'negative', while confirming the credit ratings of the company at Ba2 and BB, respectively. Expert RA upgraded SUEK's rating by one notch to ruAA– with a 'stable' outlook.

In September 2021, SUEK successfully placed its first-ever international public debt offering, securing a $500m Eurobond transaction, maturing in September 2026, with a coupon rate of 3.375% per annum. The deal attracted more than 100 debt investors across Russia, Continental Europe, the United Kingdom, the United States, the Middle East and Asia. International funds, management companies and banks took up 54% of the total issue.

Energy segment

KEY SEGMENTAL FINANCIAL AND OPERATIONAL FIGURES	2021	2020	Change, y-o-y
REVENUE, $M	2,757	2,439	13%
EBITDA, $M	779	750	4%
ELECTRICITY SALES, BKWH	72.9	68.2	7%
HEAT SALES, MGCAL	40.3	35.4	14%
POWER CAPACITY SALES, GW	15.4	14.7	5%

ELECTRICITY OUTPUT, TWH	68.7	63.7	8%
HEAT OUTPUT, MGCAL	49.6	43.7	14%

The Energy segment's revenue grew by 13% year-on-year to $2,757m, driven by higher electricity prices and increased electricity and heat sales volumes on the back of demand recovery. The segment's EBITDA increased to $779m, or by 4% compared to 2020, and operating profit remained stable at $522m, despite RUB devaluation.

Electricity sales grew by 7% year-on-year to 72.9 TWh, due to the expanded business scale[4] and continued economic recovery, as well as elevated consumption during a colder winter and hotter summer than the previous year.

Heat sales rose by 14% compared to 2020, to 40.6 mGcal, also due to the prolonged heating season and colder winter and spring, as well as the addition of new heat customers and the replacement of local standalone obsolete boilers by co-generation.

Capacity sales increased by 5% year-on-year to 15.4 GW in response to increased demand.

Our key development projects were focused on upgrading our power plants under the DPM-2 framework and renovating large-scale heating pipelines to improve supply security and reduce heat losses. All of the projects led to significant fuel savings as well as lower pollutant and carbon emissions per unit of energy.

<u>**Coal segment**</u>

KEY SEGMENTAL FINANCIAL AND OPERATIONAL FIGURES	2021	2020	Change, y-o-y
REVENUE, $M	7,269	4,817	51%
EBITDA[5], $M	1,832	640	186%
COAL AND OTHER PRODUCT SALES, MT[6]	119.5	114	5%
- INTERNATIONAL COAL SALES	54.5	53.8	1%
- DOMESTIC COAL SALES	63.0	58.9	7%
INCL. INTRAGROUP COAL SALES	42.7	37.1	15%
- IRON ORE, PETROLEUM COKE AND OTHER PRODUCT SALES	2.0	1.3	54%
COAL PRODUCTION, MT	102.5	101.2	1%

In 2021, revenue from coal and other commodities sales grew by 51% to $7,269m, including $6,423m of external revenue and $846m of intragroup revenue, boosted by strong energy market fundamentals.

In 2021, average key thermal coal indices grew by over 130%, reaching record levels of over $200 per tonne, due to higher electricity consumption given the post-lockdown global revival, unusually hot weather, a significant hike in gas prices and supply interruptions from key exporting countries.

Increased revenues helped our Coal segment EBITDA to grow to $1,832m[5], with higher prices improving business marginality.

SUEK's international coal sales volumes rose by 1% to 54.5 Mt, with more rapid growth limited by rail infrastructure bottlenecks, which the Russian railway system is addressing in its investment programme. Our key international markets were China, Japan, Taiwan, and South Korea in the Pacific, while in the Atlantic we supplied main volumes to Morocco, Turkey, and Germany.

SUEK's domestic sales expanded by 7% to 63 Mt, as a result of higher electricity and heat sales, with almost 70% of deliveries made to the Group's own power plants at Siberian Generating Company.

Production volumes remained stable at 102.5 Mt.

Logistics segment

KEY SEGMENTAL FINANCIAL AND OPERATIONAL FIGURES	2021	2020	Change, y-o-y
REVENUE, $M	2,463	1,918	28%
EBITDA, $M	704	583	21%
RAILCAR TRANSPORTATION, MT	120.3	109.8	10%
- COAL	92.4	82.2	12%
- OTHER BULK LOADS	27.9	27.6	1%
TRANSSHIPMENT, MT	45.7	50.3	-9%
- COAL[7]	35.3	39.7	-11%
- OTHER BULK LOADS	10.3	10.6	-3%

In 2021, the Logistics segment's revenue grew by 28% to $2,463. This included $1,831m of intragroup revenue as well as external revenue, which doubled to $632m driven by higher railcar rates. Higher revenue supported an EBITDA increase of 21% to $704m.

As at the end of December 2021, the railcar fleet operated by our National Transportation Company (NTC) exceeded 53,000 cars, with higher-capacity railcars making up 67% of the fleet. In the reporting period, the total volume of different types of loads transported by the railcar fleet under NTC's management rose by 10% to 120.3 Mt, driven by stronger commodities markets.

Transshipment at NTC's ports decreased by 9% to 45.7 Mt, with non-coal transshipment volumes remaining largely flat year-on-year and growing the share to 23% of total transshipment, and coal transshipment declining due to rail infrastructure bottlenecks and diversification in port usage given our best routes to customers.

Market outlook

We expect energy-crisis volatility to continue into 2022. Tightness in the market might continue throughout the winter amid strong seasonal demand and risks of further supply disruption. We expect continued high gas prices to incentivise greater coal demand in Japan, Vietnam and some other countries. Chinese demand might remain flat or decrease slightly as the government is ramping up domestic production following a 23% increment in imports in 2021. On the supply side, the lack of investment in many countries over the last few years will continue to constrain coal production ramp-up. We expect the Russian utilities market to remain stable.

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[1] SUEK IFRS consolidated annual financial statements for the year ended 31 December 2021 are available at http://www.suek.com/investors/disclosure/.

[2] Cash outflow.

[3] Covenant Adjusted EBITDA is a Non-IFRS Measure that is calculated by the Group as net profit for the period adjusted for income tax benefit/(expense), tax on mining, property and other taxes, income taxes, finance costs, net, share of loss/(profit) of associates, gains/(losses) from disposal of investments, foreign exchange (gain)/loss, depreciation and amortisation less dividend income.

[4] 2020 data includes the results of Krasnoyarskaya GRES-2 from March 2020 and Primorskaya GRES from 1 June 2020.

[5] Coal segment EBITDA includes the EBITDA of corporate centre (-$45m in 2021 and -$35m in 2020).

[6] Including own coal and coal purchased from third parties.

[7] Including third-party coal transshipment.