

30 January 2019

JSC SUEK (“SUEK”, “the Group” or “the Company”) has published its 2018 financial results, prepared in accordance with IFRS and audited by KPMG.

In August 2018, SUEK completed the consolidation of Siberian Generating Company (“SGC”), which created one of the world’s leading integrated coal energy businesses with a more diversified revenue profile. Due to the transaction with SGC, SUEK has restated its 2017 figures to incorporate pro-forma data for SUEK and SGC in compliance with IFRS and its Accounting Policy.

The Group’s 2018 revenue rose by 20% year-on-year to \$8,296 million, while EBITDA reached \$2,541 million driven by increased production and coal sales volumes, positive market dynamics and the consolidation of the SGC energy business. Net profit amounted to \$1,164 million.

The combined SUEK’s operating activities generated \$1,901 million of operating cash flow. Available funding and a favourable market environment enabled SUEK to progress with its capacity development programme. Total CAPEX grew by 18% to \$903 million, with major investments focused on increasing the production of high-calorific coal, the development of logistics assets, the upgrade of existing power capacities, health, safety and environmental projects.

SUEK maintained a strong balance sheet and finished the year with a net debt to EBITDA ratio of 1.6x, down from 2.0x at the end of 2017.

The Group’s conservative financial policy, solid financial results and more diversified revenue stream enabled SUEK to improve its credit rating from Moody’s to Ba2 and receive an initial credit rating from Fitch Ratings at BB, and from Expert RA at ruAA-.

Coal

SUEK’s external coal revenue rose by 18% to \$5,706 million due to higher international prices supported by a tight supply and demand balance for high-calorific coal in Asia. International coal sales rose by 2% to 55.4 million tonnes. The major international sales markets for SUEK were Japan, South Korea, China and Southeast Asian countries, as well as the Netherlands and Germany. Russian coal sales remained largely flat at 28.2 million tonnes.

Coal production exceeded 110 million tonnes driven by capacity development at open pit mines. The Company continued to focus on the development of washing plants, achieving washed coal volumes of 42.2 million tonnes.

Power

In 2018, the Company’s installed power capacity increased by 40% year-on-year to 10.9 GW due to the acquisition of the new power assets. Consequently, power segment revenue reached \$2,042 million, supported by sales from the new assets, as well as strong heat sales due to the cold winter, prolonged heating season and expanded heat customer base.

Heat energy sales grew 65% year-on-year to 37.2 million Gcal, while electricity sales rose 30% to 50 billion KWh.

Logistics

In 2018, SUEK increased its managed railcar fleet to 42,900, covering over 80% of its transportation needs. SUEK also transshipped a record 37.9 million tonnes, which is over 80% of exported coal, through its own ports.

Vladimir Rashevsky, CEO of SUEK:

“2018 was a significant year for SUEK that transformed from a pure coal company into a vertically integrated coal and energy business. Downstream integration enabled the Group to maximise synergies between our coal and power operations. The enlarged business operates assets that serve a combination of stable and higher growth markets, ensuring solid margins, positive cash flows and underpinning our confidence in the future. We are also implementing a record capacity development programme that will further strengthen our leading position in the Russian and international coal markets, providing jobs for over 65,000 employees and securing heat supplies to over 5 million people”.

Key financial and operational figures¹:

	2018	2017
REVENUE, \$ MILLION	8,296	6,939
EBITDA, \$ MILLION	2,541	2,069
NET PROFIT, \$ MILLION	1,164	873
NET DEBT / BANK EBITDA ² RATIO	1.6x	2.0x
OPERATING CASH FLOW, \$ MILLION	1,901	1,738
CAPITAL EXPENDITURE (CAPEX) ³ , \$ MILLION	903	763
COAL PRODUCTION, MILLION TONNES	110.4	107.8
COAL AND OTHER PRODUCTS SALES, MILLION TONNES	115.6	109.7
- INCLUDING INTERNATIONAL COAL SALES ⁴	55.4	54.2
- INCLUDING DOMESTIC COAL SALES	28.2	28.6
AND INTRAGROUP COAL SALES	30.2	24.7
- INCLUDING PETROLEUM COKE AND OTHER PRODUCTS SALES	1.8	2.2
COAL TRANSSHIPMENT THROUGH OWN PORTS, MILLION TONNES	37.9	37
ELECTRICITY OUTPUT, BILLION KWH	46.2	36.0
HEAT OUTPUT, MILLION GCAL	46.0	26.5
POWER CAPACITY SALES, GW	9.2	6.5
ELECTRICITY SALES, BILLION KWH	50.0	38.5

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¹ SUEK IFRS consolidated annual financial statements for the year ended 31 December 2018 are available at <http://www.suek.com/investors/disclosure/>.

² Bank EBITDA is calculated in accordance with SUEK loan agreements.

³ Cash outflow.

⁴ Including own coal and coal purchased from third parties.