

15 July 2020

JSC SUEK ("SUEK", "Group" or "the Company") published its consolidated interim IFRS financial information for the six months ended 30 June 2020. The document was reviewed by KPMG.

Group 1H 2020 financial highlights

- SUEK's revenue totalled \$3,327m, a 16% decrease year-on-year amidst declining global coal prices and coal sales
- EBITDA decreased by 9% year-on-year to \$1,065m
- The operating cash flow stood at \$950m
- The Company's net profit amounted to \$132m

Stepan Solzhenitsyn, CEO of SUEK, commented:

"The COVID-19 pandemic caused a general decline in industrial production worldwide, affecting, among others, the global coal market. Nevertheless, SUEK's product and market diversification strategy and rigorous cost control have enabled the Company to generate a positive cash flow and fulfil our financial and social obligations. Our employees have managed to ensure the uninterrupted operation of our coal mines, washing plants, ports and our thermal power plants supplying heat and electricity to more than 5 million people in seven regions of Russia. We have saved jobs and continue to provide help to the regions in this challenging epidemiological situation."

The Company's revenue decreased by 16% year-on-year to \$3,327m. However, the growth in the Energy Segment revenue, due to the acquisition of new assets, partially offset the decrease in the Coal Segment revenue against the backdrop of falling prices and demand in the global coal market.

EBITDA amounted to \$1,065m, a 9% decline year-on-year as a result of lower revenue. Nevertheless, strict cost control and the weaker rouble helped maintain stable margins. The Group's net profit fell to \$132m due to revaluation of foreign currency debt.

In the first six months of 2020, the Company continued investment projects at the Krasnoyarskaya CHPP-1 and 3 and Tom-Usinskaya GRES as part of the thermal power modernisation programme as well as the efforts to replace old standalone boiler facilities, aimed at boosting the efficiency of heat and electricity cogeneration and at improving environmental performance. In addition, in June a flotation unit was commissioned at the Kirov washing plant, allowing for increased production of high-quality coal with a calorific value of more than 6,600 kcal / kg.

SUEK's credit ratings were confirmed in April and June by international credit agencies, Moody's at Ba2 and Fitch at BB, with a negative outlook. Expert RA, a Russian credit agency, lowered its rating to ruA+ with a stable outlook.

Coal Segment

In the first half of the year, the coal export market was affected by the COVID-19 pandemic, which caused a global economic recession and reduced electricity consumption and energy demand. Adverse market conditions brought down key coal price benchmarks by 30% year-on-year.

SUEK's Coal Segment external revenue declined by 25% compared to 1H 2019, to \$2,038m, as a result of falling global prices and a 6% reduction in international sales volume due to the negative market environment. The reduction in the domestic market supply was caused by a decrease in the generation of coal-fired stations mainly to the warm winter along with increased output of hydroelectric stations.

Coal mining rose by 2% year-on-year to 52.2 Mt with significant underground mining growth following a major equipment upgrade in previous years. Coal washing output grew by 11% to 22.6 million tonnes, which supported SUEK's sales of hard coal with high calorific value into margin-attractive market segments.

Energy Segment

The Company continued to expand its energy business and completed the planned acquisition of the Krasnoyarskaya GRES-2, bringing the total installed capacity to 16 GW (+9%). Growing capacity sales (+50%) and electricity sales (+23%), as a result of newly purchased assets in the second half of 2019 and the first half of 2020, secured a 5% year-on-year revenue growth in

the Company's Energy Segment to \$1,195m. The increase in sales compensated for the decrease in electricity prices in the Urals and Siberia and the negative impact on SUEK's US Dollar revenue from the weakening rouble. The lower electricity prices were caused by a general decline in electricity consumption due to the COVID-19 pandemic and above average precipitation and snow melt leading to above normal water supply into the hydropower generation systems in Siberia.

In the first half of 2020, heat output decreased year-on-year because of higher ambient temperatures and, as a result, a significantly shortened heating season in the cities and towns across the area of the Company's operation.

Logistics

In the first half of 2020, coal transshipment at the Vanino Bulk Terminal reached 11.2 million tonnes, a record level since the terminal started operations. This offset the decline in the transshipment through the Murmansk Commercial Seaport due to a railway bridge collapse in early June at the entrance to Murmansk and the following three-week disruption of the railway connection to the city. Despite the temporary transshipment restrictions, SUEK's coal was redirected to other ports in the European part of Russia also to satisfy demand of our Asian customers, even though the limited railway infrastructure capacity of the Eastern Polygon generally impedes the growth of exports via harbours in the Russian Far East.

Corporate developments

In June, SUEK's Meeting of Shareholders approved the updated composition of the Board of Directors and the Company's management. Independent Director Samir Brikho was elected Chair of the Board of Directors in place of Alexander Landia, who had headed the Board of Directors of the Company for many years. Along with Samir Brikho, Juerg Seiler joined the Board of Directors, bringing the share of independent directors on the Board to two thirds.

Stepan Solzhenitsyn was appointed SUEK's CEO and replaced Vladimir Rashevsky, who left his post after 15 years of successful service but remains on the Board of Directors.

Key financial and operational figures^[1]:

	1H 2020	1H 2019
REVENUE, \$M	3,327	3,960
NET PROFIT, \$M	132	551
OPERATING CASH FLOW, \$M	950	1,172
CAPEX, \$M ^[2]	506	391 ^[3]
COAL PRODUCTION, MT	52.2	51.0
COAL SALES, MT ^[4]	51.7	59.1
- INTERNATIONAL COAL SALES	26.0	27.8
- DOMESTIC COAL SALES	25.7	31.3
INCL. INTRAGROUP COAL SALES	14.9	18.1

POWER CAPACITY SALES, GW	13.8	9.2
ELECTRICITY OUTPUT, BILLION KWH	31.6	25.9
HEAT OUTPUT, MILLION GCAL	22.0	24.2

[1] SUEK IFRS consolidated interim condensed financial information and review report for the six months ended 30 June 2020 are available at <http://www.suek.com/investors/disclosure/>.

[2] Cash outflow.

[3] Excluding the purchase of 16,025 high-capacity railcars.

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