



# LOGISTICS SEGMENT HIGH-TECH ON-TIME DELIVERIES

## OUR SERVICES

**TRANSPORTATION OF BULK CARGO**  
in gondola cars and hoppers

**TRANSSHIPMENT OF COAL, IRON ORE, FERTILISERS**  
and other bulk cargo

## OUR COMPETITIVE ADVANTAGES

Own railcars and ports

Maximum control of the entire transportation cycle

High-tech equipment

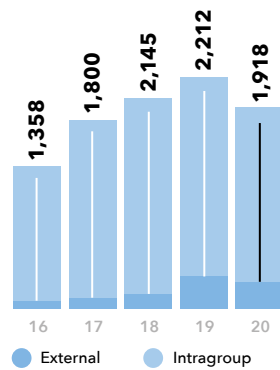
Performance leadership

Using the best available techniques

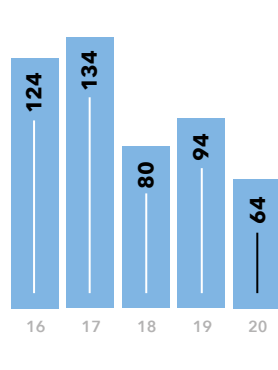
Minimising environmental impact

## KEY INDICATORS

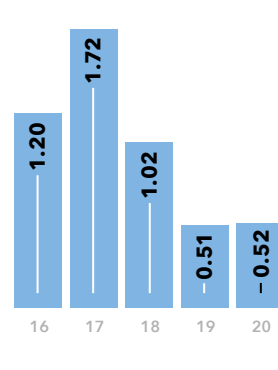
REVENUE (\$M)



CAPEX (\$M)



LTIFR



## SEGMENT PRIORITIES

Providing the shortest path to buyers

Quick and environmentally friendly cargo shipment

Increased railcar turnaround







# DIVERSIFICATION AND OPERATIONAL EFFICIENCY

**Q:** Why was National Transportation Company (NTC) established?

**A:** The size and quality of SUEK's and EuroChem's transportation assets make them competitive service providers in the market. Services to third parties increasingly create value in the portfolio alongside services to SUEK and EuroChem. So we have decided to have a dedicated logistics brand.

**Q:** What are the strategic goals of NTC?

**A:** We seek to enhance our operational efficiency in order to smooth out market fluctuations and provide services to external customers. Therefore, we are increasing our fleet of gondola cars

under management and exploring adjacent segments: mineral carriers, tanks with hazardous cargo and the transshipment of such cargo through ports.

As for ports, to support growing exports of coal to Asia, we are contemplating a third construction stage for the Vanino Bulk Terminal (+16 Mt). In order to meet the growing demand for export of mineral fertilisers, we plan to expand the Murmansk Bulk Terminal by 5 Mt and the Tuapse Bulk Terminal by 2 Mt and we'll operate the bulk terminal in Ust-Luga with a capacity of 7 Mt that EuroChem is now constructing. In total, our transshipment capacity will increase to 85–88 Mt by 2025, including 22 Mt of non-coal products.

**Denis Ilatovsky,**  
CEO OF NATIONAL  
TRANSPORTATION COMPANY





# MARKET REVIEW

The logistics market was affected by the impact of the OPEC+ deal on reducing oil production and lower loading due to economic slowdown.

## PORT TRANSSHIPMENT

The cargo turnover at Russian seaports in 2020 totalled 821 Mt, which is 2% less than 2019 transshipment figures, primarily due to a reduction in the transshipment of bulk liquids. With that, the transshipment of dry cargo, and coal in particular, increased by 7%.

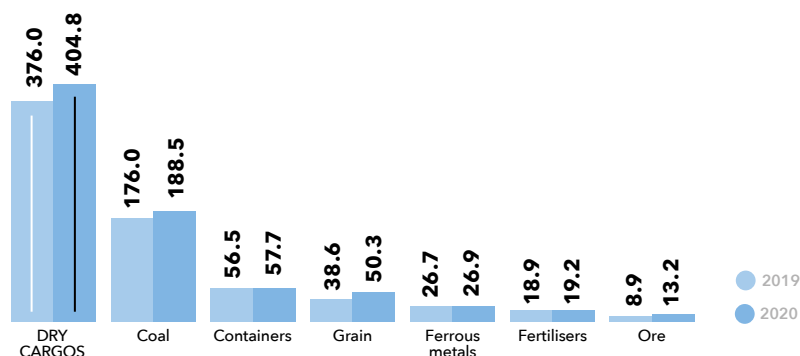
In January 2020, the Resolution of the Russian Government No. 1923 dated 27 November 2019 came into force and terminated the state regulation of prices (tariffs) for the services of natural monopoly entities at seaports. The deregulation of port tariffs allowed a flexibility and autonomy in making pricing decisions and minimised the risks of violating anti-monopoly legislation.

## RAILWAY TRANSPORTATION

In 2020, total cargo loading decreased by 3% year-on-year amid a significant decrease in the domestic loading of oil (-12%) and coal (-6%). At the same time, coal shipments to premium Asian markets slightly increased, while infrastructure restrictions on BAM and Transsib remained.

Reduced loading removed some burden from Russian Railways infrastructure and tracks at transit stations; the running

Dry cargo transshipment at Russian seaports (Mt)



(excluding downtime) speed of gondola cars increased. The improved turnaround of SUEK's railcars in 2020 made it possible to reduce the fleet required for coal transportation by 4,000 gondola cars to 52,500 railcars.

The average network performance of gondola cars fell by 3% due to the massive downtime of surplus cars, which lowered the market rate to a bottom of RUB 750 a day.

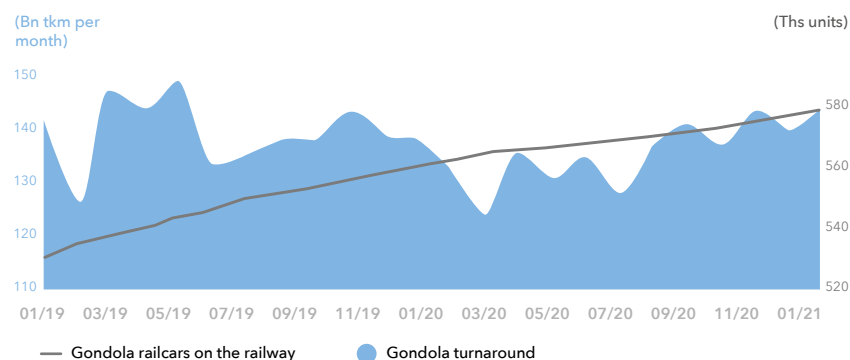
The resolution of the Russian Government No. 734 dated 22 May 2020 made amendments to the Rules of Non-Discriminatory Access for Carriers to the Infrastructure of Public Railway Transport and approved the Plan Development Rules for Export Transportation of Coal Products of Consignors (Coal Companies) by Public Railway Transport in the Eastern Direction for the Coming Month and Implementation Monitoring (hereinafter, the Rules).

The 'fair planning' algorithm, developed with the involvement of SUEK's experts, was the basis for the Rules prioritising cargo and distributing quotas for coal transportation to the East.

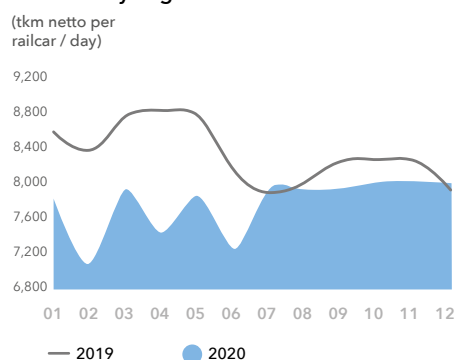
## FREIGHT MARKET

In 2020, the dry cargo market was highly volatile. Having completely collapsed in the first half due to COVID-19, it rose to high figures in the second half. In the middle of the year, the recovery in global trade gave an impetus to all maritime transportation segments, and even the second wave of the pandemic and the traditional calm before the year's end could not reverse the trend of increased transportation demand.

## Cargo transportation in gondola cars and their performance



Productivity of gondola railcars



Source: RF ADB, CO-12.



## BUSINESS REVIEW

In 2020, SUEK significantly grew its Logistics Segment and transformed it into a separate unit, National Transportation Company (NTC), as part of SUEK Group.

NTC is one of the TOP-3 Russian stevedoring companies.

Our ports have direct connections to the key Russian railways and boast one of the best railcar turnaround rates. Vanino Bulk Terminal (Daltransugol), a closed loading type specialised terminal in the Russian Far East, can handle the largest bulk carriers in the country, Capesize vessels. It is equipped with car dumpers and stacker reclaimers to unload over 1,000 railcars a day. The Murmansk Commercial Seaport, located in the northernmost ice-free seaport of Russia, is the loading port for Panamax carriers going through the Northern Sea Route.

The Murmansk and Tuapse Bulk Terminals transship fertilisers and mining products.

Our ports are equipped with the latest dust suppression and water treatment systems.

As for our railcar fleet, NTC is one of Russia's TOP-5 gondola operators. We rank first in terms of daily performance, network utilisation and empty mileage optimisation among coal operators.

65% of our railcar fleet are high-capacity cars with a capacity of 75 and 77 tonnes and a service life of up to 32 years. These were designed based on SUEK's bulk cargo optimisation requirements, and enable us to decrease electricity consumption per tonne and, therefore, carbon footprint of transportation.

# 109.8 Mt

OF CARGO TRANSPORTED  
BY RAILCARS UNDER  
SUEK'S MANAGEMENT

# 50.3 Mt

TRANSSHIPPED, INCLUDING  
10.6 MT OF NON-COAL CARGO

#innovation



## LEADER IN LARGE-CAPACITY TRAIN OPERATION

In 2020, Russian Railways and SUEK agreed on a schedule for the departure of trains weighing 7,100 tonnes (versus standard 6,300-tonne trains) to the Vanino Bulk Terminal. In February, the first heavy train composed of innovative higher-capacity cars arrived from Tugnuisky to Vanino.

By the end of the year, SUEK was sending more than six heavy trains a day to Far Eastern ports from Kuzbass

and Buryatia. This is more than half of the total heavy trains at the Eastern Polygon. As a result, the company became the leader in the number of heavy trains sent to the east.

Heavy trains dispatched to Vanino will boost the carrying capacity in the limiting section of Komsomolsk – Vanino and enable SUEK to increase shipments to Vanino by up to 2 Mt per year.

### Operational highlights

Mt	2020	2019	Change
<b>Rail shipments on public tracks</b>	<b>109.8</b>	<b>104.7</b>	<b>5%</b>
<b>Transshipment through own ports</b>	<b>50.3</b>	<b>48.2</b>	<b>4%</b>
<b>By product</b>			
Coal	39.7	39.6	0%
Other cargo	10.6	8.6	23%
<b>By port</b>			
Vanino Bulk Terminal	23.2	20.5	13%
Murmansk Commercial Seaport	16.4	17.6	(7%)
Murmansk Bulk Terminal	5.7	5.6	2%
Tuapse Bulk Terminal	1.6	1.7	(6%)
Maly Port	3.4	2.8	21%



Over the past three years, the company has significantly increased the transportation and transshipment of third-party cargo, including iron ore, fertilisers, crushed stone and Arctic cargo.

Moreover, more than 80% of the transportation of our resource and energy businesses' needs are met by SUEK's own railcar and port infrastructure.

Our loading and railway infrastructure gives us one of the best loading and unloading speeds in Russia. This infrastructure includes 746 km of railway tracks, 16 internal loading stations and approximately 190 locomotives, providing access to the national railway network. In 2020, we became leaders in dispatching heavy trains towards Far Eastern ports: they went along a shorter route, which reduced the load on the transport infrastructure, accelerated the rolling stock turnaround and decreased electricity use and CO<sub>2</sub> emissions.

## 2020 RESULTS

Cargo transportation in SUEK's railcars through the Russian Railways network in 2020 increased by 5% to 109.8 Mt, including 27.3 Mt of non-coal products in the direction of export ports and back, to optimise empty mileage. This growth was facilitated by the diversification of transported goods.

Transshipment rose by 4% due to increased volumes at Vanino and Maly.

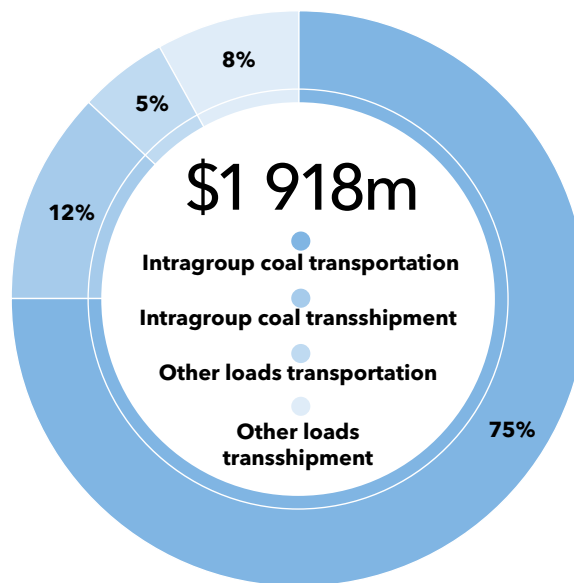
The collapse of the railway bridge near Murmansk in June caused by flood resulted in a three-week suspension of the work of the Murmansk Commercial Seaport and a 1 Mt decrease of its transshipment volumes during the reporting year. The new bridge is now fully operated.

In 2020, the total revenue of our **Logistics Segment** amounted to \$1,918m, including \$252m in revenue from third-party cargo transportation and \$1,666m from intragroup transportation. The 13% decrease in US dollar terms was due to the weaker rouble.

**Logistics total cash costs** decreased by 8% as the growth in volumes was compensated by the rouble devaluation.

**Specific rail transportation cash costs** rose in RUB terms amidst the continued

### Revenue



### Rail transportation cash costs

Deliveries to domestic destinations  
(\$ per tonne)



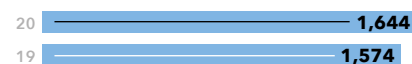
(RUB per tonne)



Deliveries to export-bound ports  
(\$ per tonne)



(RUB per tonne)



### Port operating cash costs

(\$ per tonne)



growth in operator tariffs. This was caused by a shortage of railcars against the backdrop of operational problems in the Russian railway system and rail restrictions in the eastern direction. The effect on the dollar costs was compensated by the rouble devaluation.

**Specific port operating cash costs** remained at \$2 per tonne on average.

**EBITDA of the Logistics Segment** amounted to \$583m, a 28% decrease year-on-year caused by lower railcar rate due to oversupply of the railcar market.

## INVESTMENT PROJECTS

### EXPANDING MURMANSK PORT TO 28 MT

We are planning to expand the Murmansk Commercial Seaport and Bulk Terminal to the annual capacity of 28 Mt by 2025 to satisfy the growing demand for transshipment of bulk loads to the Atlantic market, especially fertilisers.

In 2020, the port workers set a new daily record for railcar unloading: 508 units. In the reporting year, the Murmansk Bulk Terminal set a fertiliser transshipment record due to process optimisation. We continued to purchase high-performance equipment, including SENNEBOGEN handlers.

2021 plans:

- Attracting additional cargo traffic (imported cargo, general cargo), analysing the prospects and the possibility of handling other cargo (including grain)
- Repairing berths and other investment projects to improve operational efficiency
- Continuing our long-term environmental programme, including using international experience in best available technologies
- Developing supplementary businesses, including bunkering and towing

### EXPANDING VANINO BULK TERMINAL TO 40 MT

The expansion of the Vanino Bulk Terminal's (Daltransugol) transshipment capacity to 40 Mt a year will be implemented in several stages in line with the development of the railway. In 2020, we began to prepare the necessary project documents. In 2021, we plan to receive an expert opinion and arrange the supply of primary equipment. The port continues its long-term environmental programme using the best available technologies, which is scheduled for completion in 2021.

We took actions to improve the existing process efficiency, maintain the quality of coal cleaning from magnetic inclusions to 10–40 kg per Panamax and reduce the fraction to 49 mm across all dimensions.

### INCREASING MALY PORT TRANSSHIPMENT TO 4 MT

We will increase the transshipment through the Maly Port to 4 Mt in 2021–2023. The port is completing the construction of dust shields and its environmental programme to minimise negative impact on the environment

In 2020, we finished dredging operations. Now the port is able to receive ships with a higher deadweight. The remaining stage is to finalise internal and external railway infrastructure to ensure uninterrupted capacity of 4 Mt a year. The prospects of further increasing the capacity to 6 Mt will depend on the initiatives by Russian Railways to expand accessing railway infrastructure.

## OUR PRIORITIES FOR 2021

We plan to develop the transportation of third-party cargo using SUEK's railcar fleet, expanding our customer base and our system of long-term contracts.

We will continue to optimise routes and railcar loading, including by transporting third-party products on circular routes to reduce empty mileage. We will further develop the technology to accelerate the turnaround of railcars together with Russian Railways, reduce downtime, use more high-capacity cars on routes to Far Eastern ports to maximise port loading and the utilisation of high-capacity cars.

We will continue to investigate possibilities for increasing the transshipment capacity of the Maly Port to 6 Mt a year with loading Panamax-class vessels. We also plan to develop a strategy for the Tuapse Bulk Terminal to unload at least 4 Mt a year and improve the quality of services.

One of our priorities is to contain the costs of railcar repairs by optimising planning and the selection of depots, and monitoring the wear of the main parts.

#environment



## OUR PORTS ARE RECOGNISED AS INDUSTRY LEADERS

The Murmansk Commercial Seaport was recognised as the best environmental enterprise in 2020, according to the results of the annual Russian Industry Leader competition. The experts noted the successful implementation of the environmental programme, including the launch of the environmental dispatcher office, construction of dust and wind protection screens, water treatment facilities, introduction of irrigation systems, and other measures.

The Vanino Bulk Terminal became the 'Industry Leader' as the Marine Stevedoring Company.