DELIVERING CONSISTENT RESULTS

SUEK continues to generate stable cash flow despite macroeconomic and social challenges.

Financial highlights

$m	2020	2019	Change
Revenue	**6,683**	7,638	(13%)
Cost of sales	**(2,959)**	(3,507)	(16%)
Transportation costs	**(1,568)**	(1,719)	(9%)
Administrative and other expenses	**(183)**	(244)	(25%)
EBITDA	**1,973**	**2,168**	**(9%)**
EBITDA margin (%)	**30%**	28%	2 p.p.
Net profit	**194**	**749**	**(74%)**
Net margin (%)	**3%**	10%	(7 p.p.)
Capital expenditure	**1,026**	**1,236**	**(17%)**
Net debt	**6,819**	**6,561**	**4%**
Net debt / bank EBITDA ratio[1]	**3.3x**	3.1x	0.2x
Bank EBITDA/interest expense ratio	**6.8x**	5.5x	1.3x

Stable cash flow enables us to maintain our ambitious investment in capacity development and HSE, make strategic acquisitions and efficiently service our debt.

Greater diversification of cash flows and an increasing share of our stable energy business reduce revenue fluctuations and make it less dependent on volatile global coal prices.

The Group's 2020 **revenue** fell by 13% year-on-year on the back of a decline in Coal Segment revenue driven by low gas and coal prices for most of the year due to COVID-19 pandemic and weaker rouble. At the same time, this impact was partially offset by growth in revenue from electricity and capacity sales.

INVESTING IN THE FUTURE

Q: Over the past two years the company's leverage has increased as a result of strategic acquisitions. What are the company's plans in this regard?

A: M&A in recent years has expanded our offer, diversified our revenue streams and enhanced our ability to generate strong cash flow and margins. Therefore, we were able to maintain our credit ratings at BB level.

The new energy and logistics assets acquired in 2019–2020 contributed over $250m to our 2020 EBITDA. And we expect the cash flows from this investment to grow further.

Q: SUEK is continuing to maintain significant CAPEX levels. How does the company plan to finance this?

A: SUEK's robust cash flow enables us to finance all of our CAPEX projects. We are using a number of different instruments to have stable returns on our investments. For example, in our utilities business, which provides a vital service for local communities, we participate in the state supported COMMod (DPM-2) programme and the transfer of cities to the long-term heat tariff, which gives us assurance that our investments will pay off in ten years.

In the mining segment, we use ECA secured financing to acquire mining equipment.

Q: What are the company's debt financing plans?

A: We are continuing to use our traditional instruments — PXFs, Russian bonds and bilateral loans. 2020 was a challenging year as due to the pandemic most international banks did not

[1] Calculated in accordance with SUEK loan agreements.

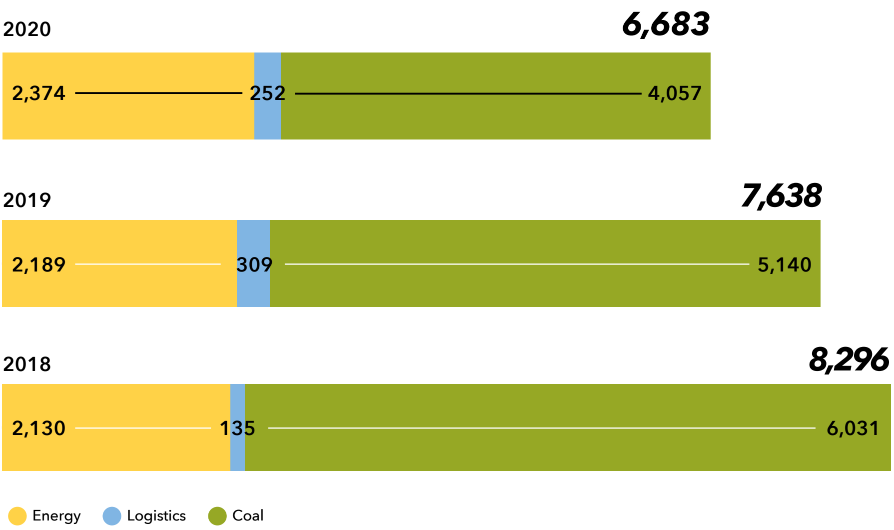
In 2020, **EBITDA** amounted to $1,973m, a 9% decrease year-on-year following a drop in coal revenue, which was partially offset by lower overall expenses (-16%).

The **Group's net profit** fell by $555m year-on-year to $194m reflecting lower revenues and foreign exchange losses.

From EBITDA to net profit

$m	2020	2019	Change
EBITDA	**1,973**	**2,168**	**(9%)**
Depreciation	(1,081)	(1,053)	3%
Income tax	(53)	(146)	(64%)
Financial expenses	(337)	(420)	(20%)
Foreign exchange profit (loss)	(308)	200	(254%)
Net profit	**194**	**749**	**(74%)**

Group external revenue ($m)



$250m

CONTRIBUTION FROM ACQUISITIONS IN 2019-2020 TO EBITDA IN 2020

30%

EBITDA MARGIN

$1.7bn

OPERATING CASH FLOW

increase their credit limits, and Chinese banks did not participate in new projects. But we continued optimising our debt portfolio — the issue of rouble bonds decreased the average portfolio rate and by refinancing part of our loans we prolonged the total debt duration. Entering the public debt markets also remains an option for us, though no decisions have been made so far.

Q: SUEK's margins were sustained in 2020. How did the company manage to achieve this?

A: At the beginning of 2020, as we watched the worsening global markets situation caused by COVID-19 pandemic and declining coal prices, we swiftly worked out an anti-crisis programme. We suspended the least efficient operations, optimised production plans, paid attention to increasing the efficiency of key operational processes and decreasing permanent costs, including administrative expenses.

By the end of 2020, **the realisation of the anti-crisis programme enabled us to save over $100m operational expenses** and, therefore, maintain business margins. We also cut capital expenses by over $250m versus the budget as we focused on the implementation of strategic projects and met the necessity in new equipment by moving spare units between operational sites.

In total, these measures enabled SUEK to generate solid cash flow while maintaining the pace of priority development projects on schedule.

Andrei Vanyushin,
CHIEF FINANCIAL OFFICER

Operating cash flow was $1,669m, which helped us maintain investment in key strategic projects.

From EBITDA to operating cash flow

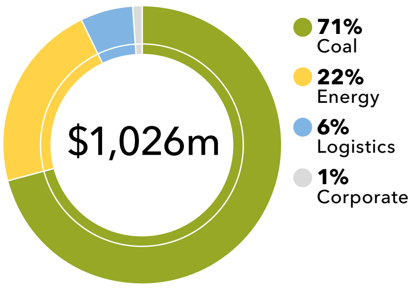
$m	2020	2019	Change
EBITDA	**1,973**	**2,168**	**(9%)**
Changes in working capital	(191)	129	(248%)
Income tax paid	(138)	(189)	(27%)
Other	25	17	47%
Operating cash flow	**1,669**	**2,125**	**(21%)**

The **Group's capital expenditure** in 2020 amounted to $1,026m.

The focus was on projects to replace obsolete energy facilities and technologies with more efficient and environmentally friendly models, and to expand the production of high-quality coal.

The Group generated positive **free cash flow** amounting to $446m.

CAPEX by segment



INCLUDING
$124m
HSE INVESTMENTS

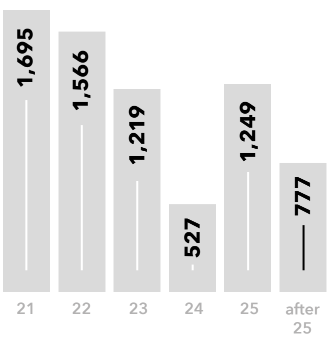
The company's **net debt** as at 31 December 2020 totalled $6,819m.

Most of the debt was denominated in US dollars (57%); 39% was denominated in roubles and the rest in euros. The effective cost of borrowing, normalised to the rate in US dollars, was 3.1%.

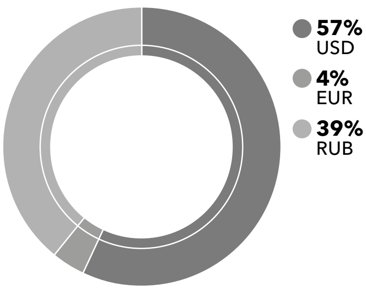
The company's key debt instrument remains dollar-nominated pre-export financing secured by international sales revenue.

Additionally, in 2020, SUEK arranged a significant rouble bond programme raising RUB 44bn ($610m).

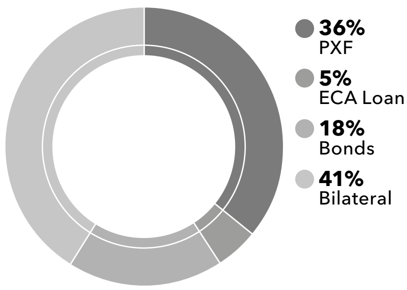
Loan maturity ($m)



Currency debt structure as of 31 December 2020



Instrument debt structure as of 31 December 2020



CREDIT RATINGS

In 2020, we maintained credit ratings from international rating agencies: Moody's confirmed its rating at Ba2, Fitch Ratings at BB with a 'negative' outlook, while Expert RA lowered SUEK's rating to ruA+ with a 'stable' outlook. In April 2021, Moody's returned its outlook to 'stable'.

Moody's Ba2

"SUEK's Ba2 rating factors in the company's status as a global thermal coal producer; the company's competitive operating costs on the back of the weak rouble and cost-efficiency measures as well as the ability to manage its capital spending needs; integration into power generation, which reduces volatility of financial metrics through the cycle; its vast coal reserves and high operational diversification; the company's control over a considerable portion of its transportation infrastructure, which improves stability and reduces costs of coal deliveries; its high quality of coal products, and diversified domestic and international customer base; its sustainable revenue from domestic sales, which is not linked to seaborne benchmark prices."

FitchRatings BB

"The rating affirmation reflects Fitch Ratings' expectation that SUEK will be able to navigate through lacklustre thermal coal markets as its debt-funded recent acquisitions in energy and logistics are EBITDA-accretive."