

28 FEBRUARY 2020

ASX Release:

Full Year Financial Result 2019

FINANCIAL HIGHLIGHTS:

- **Revenue from continuing operations of \$4.46 billion**, down 8% from \$4.85 billion in the year ended 31 December 2018 ("FY18"). The decrease reflects the change in coal price during 2019.
- **Total Operating EBITDA of \$1.64 billion**, down 25% from \$2.18 billion in FY18. The Operating EBITDA Margin for the period was 36%.
- **Profit After Tax (PAT) of \$719 million**, a 16% decrease from \$852 million in FY18.
- A final dividend of \$280 million or \$0.2121/share (unfranked); a total dividend of \$0.3156/share is a payout ratio of 58% relative to full-year profit after tax. Earnings per share (EPS) were \$0.545/share on a reported basis.

OPERATIONAL HIGHLIGHTS:

- **Unit cost guidance exceeded** – Cash costs (excluding government royalties) were reduced to \$61/tonne in spite of industry cost pressures; the unit cost was \$63/tonne in FY18.
- **Increased production achieves guidance - YoY increases in both Saleable Coal Production of 52.1Mt** on a 100% basis, with **Attributable Coal Production of 35.6Mt**; 50.0 Mt and 32.9Mt respectively in FY18¹.
- **Capital expenditure guidance achieved** – Capital expenditure was \$285 million (attributable) as Yancoal remained focused on controllable factors throughout the Period.
- **Lower Total Recordable Injury Frequency Rate (TRIFR)** - At the end of FY19 TRIFR was 7.27 (12 month rolling average), compared to 7.40 at the end of FY18².

CORPORATE HIGHLIGHTS:

- The corporate gearing ratio improved to 29% at the end of FY19 from 35% at the end of FY18. The Company continued to repay debt, with US\$500 million repaid ahead of schedule in FY19.³

¹ 2018 attributable figures include 81% attributable production for Moolarben up to and including 30 November 2018, and 85% thereafter. Attributable figures do not include production from Middlemount (incorporated joint venture and accounted for as an equity-accounted investment) and Watagan Mining Company Pty Ltd ("Watagan") (equity-accounted investment and deconsolidated in March 2016)

² Excludes data from the Middlemount and Watagan assets. Hunter Valley Operations included until May 2018

³ All financial numbers presented are stated in Australian dollars (A\$ or \$) unless otherwise stated

CHAIRMAN COMMENTARY:

Yancoal Chairman Baocai Zhang said:

“Yancoal is committed to safe work practices. There is active and consistent engagement with all employees empowering them to identify and address foreseeable safety risks and injuries and we actively supported industry-wide initiatives in response to a number of tragic industry events in 2019. Pleasingly, our stable safety performance in 2019 demonstrated that we continue to be effective in our safety efforts.”

“The reduction in operating costs, increased production and improved financial position achieved were significant outcomes. Yancoal remains resolutely focused on efficient operations optimising output from our low-cost operations to generate shareholder value. Our continued efforts at effective cost control were notable given the cost inflation we have seen in the industry.”

“After another year of healthy cash flow, we will make a final dividend payment of \$0.2121/share to our shareholders. The total distribution for 2019 is \$0.3156/share, or \$417 million.”

“Consistent with our Corporate Strategy, we continue to balance opportunities for asset reinvestment with the generation of shareholder returns through dividends and ongoing debt reduction. Over the past two years Yancoal has made early debt repayments totalling US\$1.4 billion.”

“The ability to optimise coal products through blending from a suite of low-cost, long-life mines is central to the Company’s ability to navigate changes in the international coal market; it enables us to continue investing in assets, which will be beneficial when the next upturn in the commodity cycle occurs.”

“Throughout the year, the Yancoal team worked hard to consolidate our expanded asset base and deliver the operational efficiencies that drive returns for our investors.”

“We achieved all three of our operational objectives in 2019, meeting our stated guidance goals for production, operating costs and capital expenditure. Reducing our unit cost per tonne to \$61/tonne was particularly impressive during a period in which industry cost inflation was evident. As new objectives are set for 2020, we will continue our ongoing efforts to deliver further performance improvement.”

“In response to changes in the international coal market during 2019 Yancoal matched its sales mix and volumes with customer needs and trade conditions. The potential effect from the coronavirus is one more factor that will influence 2020; and one we continue to assess. Fortunately, our enlarged asset base provides the production scale and coal quality that provides the flexibility needed during changing market conditions.”

“Our management team’s significant resources sector experience facilitates a practical, integrated approach to critical issues such as safety.”

SAFETY

The Group's Total Recordable Injury Frequency Rates ("TRIFR") improved through the period and at the end of FY19 the 12-month moving average was 7.27. Implementation of core hazards continues with critical control verification a key focus.

PRODUCTION and SALES:

ROM COAL PRODUCTION		FY19	FY18
	Ownership	Million tonnes	Million tonnes
Moolarben	85%	20.5	18.6
Mount Thorley Warkworth	82.9%	17.6	17.6
Hunter Valley Operations	51%	19.2	19.0
Yarrabee	100%	3.4	3.5
Stratford Duralie	100%	1.2	0.7
Middlemount	49.9997%	3.4	4.8
Watagan	100%	3.7	2.4
Total - 100% Basis		69.0	66.6
Total - Attributable⁴		46.5	42.9

SALEABLE COAL PRODUCTION		FY19	FY18
	Ownership	Million tonnes	Million tonnes
Moolarben	85%	17.8	16.5
Mount Thorley Warkworth	82.9%	12.1	12.1
Hunter Valley Operations	51%	13.7	13.3
Yarrabee	100%	2.8	2.6
Stratford Duralie	100%	0.8	0.5
Middlemount	49.9997%	2.7	3.8
Watagan	100%	2.2	1.2
Total - 100% Basis		52.1	50.0
Total - Attributable		35.6	32.9

Total ROM produced during the period was 69.0Mt 100% basis, an increase of 4% from FY18. **Total Attributable** production to Yancoal was 46.5Mt; an 8% uplift over FY18. Watagan and Middlemount provided a 3.7Mt and 1.7Mt equity-accounted contribution, respectively.

Attributable Saleable Production was 35.6Mt; an 8% uplift over FY18. The **Sales Volume** of attributable production was also 35.6Mt⁵, with Yancoal's sales split (equity share) being 30.1Mt thermal coal (28.4Mt in FY18) and 5.5Mt metallurgical coal (5.1Mt in FY18).

Consistently strong extraction and delivery rates at the tier-one Moolarben, Hunter Valley Operations and Mount Thorley Warkworth operations are the foundation of Yancoal's production profile.

⁴ Attributable includes: 100% Yarrabee, 100% Stratford-Duralie, 81% of Moolarben up to and including 30 November 2018 and 85% thereafter, 64.1% of MTW up to and including 28 February 2018 and 82.9% thereafter, 51% of HVO representing the Group's ongoing economic interest and excludes Middlemount and Watagan

⁵ Purchased coal volumes are used to optimise overall product quality and the realised price; the purchased volumes are not included in the reported sales volumes

Cash Costs per tonne, excluding royalties, were \$61/tonne (\$63 in FY18). The company continued to offset cost inflation through the active pursuit of operational efficiencies across the combined asset suite and maximizing volumes from lower-cost operations.

SALES VOLUME	FY19	FY18
Attributable mine production sold	Million tonnes	Million tonnes
Metallurgical	5.5	5.1
Thermal	30.1	28.4
Total - Attributable	35.6	33.5

Yancoal realised an average price of \$100/tonne for thermal coal products (\$123/tonne in FY18) and \$167/tonne for metallurgical coal products (\$182/tonne in FY18), representing an overall average-sales-price of \$111/tonne (\$132/tonne in FY18).⁶ Yancoal's mix of contract types with differing durations and reference prices help to mitigate against changing spot prices in the international coal markets.

FINANCIAL PERFORMANCE:

Results for 2019 and 2018	31-Dec-19	31-Dec -18
	\$ Million	\$ Million
Revenue from continuing operations	4,460	4,850
Operating EBITDA	1,635	2,180
Operating EBIT	1,028	1,657
Finance costs	(233)	(293)
Bank fees and other charges	(56)	(96)
Interest income	125	119
Arbitration award	49	-
Gain on disposal	-	78
Fair value losses recycled from hedge reserve	(190)	(160)
Remeasurement of royalty	32	4
Remeasurement of financial asset	-	(29)
Remeasurement of contingent royalty	12	(33)
Impairment of financial assets	-	(21)
Transaction costs	-	(29)
Stamp duty expensed	-	(25)
Profit before tax	767	1,172
Tax expense	(48)	(320)
Profit after tax	719	852

Revenue of \$4.46 billion was down from the previous year (\$4.85 billion in FY18). Increased sales volumes and weaker AUD:USD exchange rate were more than offset by a lower realised average USD sales prices; a consequence of shifting supply and demand conditions globally.

Operating EBITDA was \$1.64 billion - down from FY18 (\$2.18 billion) – a flow-on effect from lower coal prices reducing the revenue line.

⁶ Realised prices for Attributable Ex-Mine Sales (excluding purchased coal sales)

Profit Before Tax was \$767 million compared to \$1,172 million in FY18; again, due primarily to the lower realised coal prices.

A one-off tax credit of \$219 million arising from the finalisation of the tax base attributable to the Group on the Coal & Allied acquisition⁷ positively impacted Profit after Tax, which was \$719 million compared to \$852 million in FY18.

CASH FLOW:

Cash flow summary	31-Dec -19 \$ Million	31-Dec -18 \$ Million
Operating cash flows	1,548	1,747
Investing cash flows	(392)	(55)
Net free cash flow	1,156	1,692
Financing cash flows	(1,209)	(904)
Cash at the beginning of the period	1,031	207
Effect of FX on cash	(16)	36
Cash at the end of the period	962	1,031
Capital management	31-Dec -19 \$ Million	31-Dec-18 \$ Million
Net debt	2,536	3,093
Gearing ratio (net debt/(net debt plus equity)) (%)	29%	35%
Leverage (net debt/EBITDA) ⁸ (times)	1.6	1.4

Reduced coal prices lowered the Company's Net free cash flow 12% to \$1.16 billion compared to FY18. Increased production, sales volumes and the additional ownership five percent stake at Moolarben from November 2018 were able to partially offset the coal price impact.

Dividend payments (\$514 million) and a debt prepayment (US\$500 million) announced in February 2019 constituted the bulk of the financing cash outflows during the period.

Yancoal ended FY19 with a further improved gearing ratio of 29% and a healthy closing cash position.

⁷ Yancoal completed an acquisition of Coal & Allied Industries Limited on 1-Sept-2017

⁸ Leverage is based on the end of period net debt and a rolling 12-month value for the EBITDA

DEBT RESTRUCTURE:

As part of its corporate strategy, Yancoal intends to refinance various debt structures over the coming months. The intention is to either extend the loan periods or secure more favourable terms, particularly for those debt repayments due in 2020. Yancoal will update the market once finalised.

DIVIDEND:

Yancoal has robust cash flow and a strong fiscal position. The Board has declared a \$280 million final dividend, or \$0.2121/share in recognition of the ongoing support of Yancoal's shareholders and future confidence in the business and its cashflows. The unfranked dividend will have a record date of 16 March 2020 and payment date of 29 April 2020.

NON CASH IMPAIRMENT:

On 9 February 2020, Yancoal released an announcement indicating that it was assessing the carrying value of assets controlled by Watagan that may have resulted in a non-cash impairment of Yancoal's interest-bearing loan to Watagan. While the assessment resulted in an impairment of the underlying Watagan assets (see Note E2 to the Financial Statement), it was determined that there was no consequential impairment of the loan.

OUTLOOK:

During FY19, the demand profile for thermal coal in the Asia-Pacific region softened as a result of several factors. As a consequence of evolving market conditions, index coal prices moved lower, and the premium for high-grade thermal coal relative to lower grade indices narrowed. Although the metallurgical coal market displayed better price stability during the first half of 2019, it too deteriorated during the second half of the year.

Looking at the year ahead, it is unlikely a sizable upswing in thermal coal demand will occur. New coal power generation commencing operation in the Asia-Pacific region will be countered by coal-powered generation being closed in Europe. However, there is the possibility of supply disruption, due to weather events, or global health developments or supply closure resulting from margin pressure. Such events may result in coal price improvement.

Yancoal continues to actively consider the effect that its supply level can have on specific coal markets and responds appropriately to prevailing market conditions. In response to the short-term volatility in thermal coal price indices, we continue to optimise the product quality and volume we place into the market.

Coal continues to play a key role in delivering economic growth and improved quality of life across several South-East Asian countries, including through the introduction of electricity for the first time to parts of the population. Yancoal believes its higher-quality coal, will remain a key component of the regional energy mix, and the Company has a long-term strategic commitment to ongoing growth including the expansion and extension of existing projects. In this context, the current focus continues to be on exploration and expansion works across Mount Thorley Warkworth and Moolarben.

OPERATING GUIDANCE:

Yancoal's stated performance targets for 2020 are:

- Saleable coal production of around 36 million tonnes (attributable).
- Operating Cash Costs (excluding government royalties) to remain around \$61/tonne.
- Capital expenditure is expected to be around \$380 million (attributable).

END

Authorised for lodgement by the Yancoal Disclosure Committee

Investor Relations Contact: Brendan Fitzpatrick, GM Investor Relations - Brendan.Fitzpatrick@yancoal.com.au

Media Relations Contact: Matthew Gerber, GM Corporate Affairs - Matthew.Gerber@yancoal.com.au

Additional information about the company is available at www.yancoal.com.au

CEO -

Reinhold Schmidt

CFO -

Lei Zhang

Company Secretary

Laura Ling Zhang

Registered Office

Yancoal Australia Ltd

Level 18, Tower 2, 201 Sussex Street,

Sydney NSW 2000

Phone: (02) 8583 5300

www.yancoal.com.au

Shareholder Enquiries

Computershare Investor Services

Level 3, 60 Carrington Street,

Sydney, NSW, 2000

Phone: 1300 850 505

www.computershare.com.au