

HOW WE CREATE VALUE

VALUE CHAIN



MINING

Our cost-efficient mining activities deliver a sustainable supply of high-quality thermal coal. Using open-pit and underground mines, we produce brown and hard coal. By investing in regular upgrades of our production units, SUEK is able to maintain a leading position within its sector.



WASHING AND PROCESSING

Washing plants and processing facilities adjacent to our mines and open pits improve the quality of our coal. Washing reduces ash, increases heat content and ultimately improves our coal's market value. The coal is also crushed and screened so that it can precisely meet customers' size specifications without affecting quality.

OUR ASSETS

Natural	Financial	Human	Operational	Social and relationships	
<p>5.4Bt of coal reserves¹ Water, air, soil</p>	<p>Optimal capital structure</p>	<p>33,429 employees Skills and experience</p>	<p>12 mines and 15 open pits 9 washing and processing facilities Research and Development (R&D) Institute²</p>	<p>12,000 higher-capacity railcars under management 3 ports Extensive international trade and distribution network</p>	<p>Open engagement with stakeholders</p>

DRIVERS FOR SUSTAINABLE GROWTH

Product development

Our R&D team constantly looks at ways to increase the quality of our coal, while also developing coal-based products for use in a wide range of industries.

Efficiency increase

Our investments in modern mining equipment and operational improvements deliver increased productivity and cost efficiency.

Corporate governance

We are committed to high standards of corporate governance in line with international good practice.

Stakeholder engagement

We engage actively with our stakeholders, ensuring we remain focused on creating value for them at all times.

¹ SUEK's proven and probable reserves, according to the April 2011 report by SRK Consulting, amounted to 5.9 billion tonnes. Taking into account extraction between April 2011 and December 2016 and SRK's assessment of the Apsatsky coalfield carried out in 2015, these reserves stood at 5.4 billion tonnes as at 31 December 2016.

² At our Siberian Coal Processing Research Institute, located in Moscow, with branch offices in Kuzbass and Krasnoyarsk, we design coal-processing plants and develop specific resource-saving technologies for coal processing. We also look at ways of improving workplace safety and of enhancing production and processing technologies at existing facilities.

OUR MAIN DIFFERENTIATORS

Our business model is based on integrated operations, which enable operational and cost controls over the whole business cycle. Such an integrated model results in the following competitive advantages:

- 1

Economies of scale
- 2

Own rail and port infrastructure
- 3

Own trade and distribution



LOGISTICS

The favourable location of our assets, with good access to key transport infrastructure, enables SUEK to reliably and cost-efficiently supply the major markets of Russia, Europe and Asia-Pacific.



SALES

SUEK's extensive sales network ensures reliable coal supplies to customers in 38 countries. Our established offices in all key markets help mitigate business risks and allow us to sell products in local currency. More than 80% of our international sales are direct to end users.

Through our focus on operational efficiency, cost control and corporate responsibility, we deliver value to a wide range of stakeholders, including:

DELIVERING VALUE TO OUR STAKEHOLDERS

Shareholders and financial stakeholders	Employees	Customers	Suppliers and business partners	Local communities	State authorities
We deliver sustainable capital returns.	SUEK offers competitive remuneration and benefits at all levels We offer stimulating and challenging career development opportunities.	We are able to assure a quality product Our coal is delivered on time and according to contract.	We have established long-term and mutually beneficial relationships with our suppliers, contractors and other counterparties.	SUEK improves personal wellbeing through social projects in all the regions where we operate. \$15m investments in social activities	SUEK provides a significant tax contribution to federal, regional and municipal budgets. \$59m paid in taxes
\$965m EBITDA	33,429 jobs	103.1Mt coal sold			

Health, safety and environmental protection

Our priority is to minimise safety and environmental risks at each stage of the operational cycle.

Personnel development

By investing in our people, we not only increase employees' skill levels and job satisfaction, we also improve the company's operational efficiency.

Risk management

Proactive management of internal and external risks at every stage of our business cycle helps us meet strategic targets and secure long-term growth.

FOR MORE INFORMATION ABOUT OUR ENGAGEMENT WITH STAKEHOLDERS, SEE PAGES 30-31.



SEE OUR 2016 KEY RESULTS ON PAGES 2-3 AND KPI PERFORMANCE ON PAGES 36-41.

