

A YEAR OF QUALITY CHANGES



SUEK is about so much more than just coal production and sales. We are not only **far reaching** in the geographical spread of our operations and the numbers of people we employ, but also **deeply involved** in the social and economic development of our nation.



Leading the way in social development

We're committed to supporting local people and communities through numerous programmes, initiatives and investments. SUEK is a responsible payer of taxes, making a significant contribution to federal, regional and municipal budgets, and is a key player in the economy of the Russian Federation.

In 2016, the Russian Union of Industrialists and Entrepreneurs acknowledged SUEK a special award for our contribution to the social development of the territories in which we operate. Of the many prizes we have received, this is among the most important to me. For many years, SUEK has been stimulating social and economic development in nearly 50 towns in the remote regions of Siberia and the Russian Far East, and it is very gratifying that our contribution in this area has been recognised.

Adapting to change

It's common knowledge that the last five years have been a very volatile period for the energy resources markets. Additionally, the coal industry is facing the twin challenges of rising demand for cheap and reliable power, and increasing pressure from stricter environmental regulations and intensified efforts towards decarbonisation. To overcome such challenges, SUEK strives to balance its response to customers' demands with the implementation of environmentally sustainable production processes.

During 2016, in response to shifting market conditions, the Board revised the company's ten-year consolidated strategy and key strategic objectives. Our strategic goal is to develop a sustainable portfolio of high-quality thermal and coking coal in order to satisfy market demand and customer requirements. We will focus our key investment projects on developing high-quality deposits and coal-washing capacities in order to ensure higher-calorific-value products. We will therefore be able to strengthen our presence in premium, high-margin markets, especially in the Asia-Pacific region, focusing in particular on Japan, South Korea, Taiwan and South-East Asia.

SUEK will also maintain stable supplies of coal to developing economies in regions where other energy sources are less effective. Additionally, efficient supply chain management and distribution will contribute to the optimum allocation of deliveries to targeted markets.

In 2017, the Board and management will maintain a strong focus on health, safety and the environment, with a view to driving improvements that will reduce our overall operational impact. We will also oversee the development of our coal-washing capabilities in order to reduce the emissions from our products and meet the requirements of new-generation coal-fired stations.

In response to the present market volatility, our overriding aim is to ensure we are in a strong position to deliver steady business growth, and withstand the challenges of the ever-changing macroeconomic environment. To these ends, in 2016 the Board of Directors endorsed a number of special measures, including strict investment controls, an increased focus on operational efficiency, cost savings, and the development of our own distribution and logistics networks.

Corporate development

During 2016, we implemented a new comprehensive compliance system to help strengthen our approach to corporate governance. Our new compliance processes will add to the best practices we currently employ. They will ensure that all business decisions are made as effectively as possible, taking into account the interests of the company's stakeholders and society as a whole.

Outlook

In 2017, we will further refine our internal management processes in order to increase efficiency, transparency and the overall profitability of the business.

We will also continue to adhere to best reporting practice, setting new quality standards among Russian mining companies. In the beginning of 2017, the 'Leaders of Russian Business' award went to SUEK for the quality of our sustainable development reports. And I am absolutely certain that 2017 will be another year of strong results and high achievements. Beyond all doubt, with our relentless focus on improving operational efficiency, SUEK remains exceptionally well placed to deliver steady, sustainable growth and achieve ultimate success.

ALEXANDER LANDIA
CHAIRMAN OF THE BOARD OF DIRECTORS

