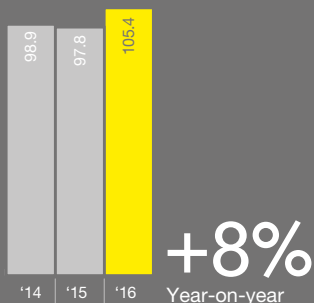


# A SOLID PERFORMANCE

Our effective integrated business model allows SUEK to ensure sustainable results in all market conditions. In 2016, despite continued challenging market environment, we achieved a record operational performance and maintained financial stability. Constantly committed to the responsible development of our business, we continued to pay special attention to health and safety and environmental protection.

Despite historically low coal prices in the first half of 2016, the company delivered a strong financial performance and managed to preserve and strengthen its leading position in the Russian and international markets. This was the result of timely investments in washing capacities and transport infrastructure, as well as the expansion of trading activities. A particular focus on operational efficiency and safety also led to increased productivity and a significantly reduced injury rate.

## Production (million tonnes)

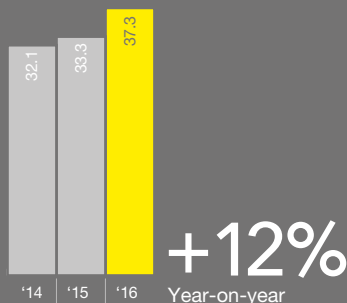


STRATEGIC PRIORITY:  
FOCUSING ON EFFICIENT  
GROWTH

**S1**

In 2016, the SUEK Group's coal mining units produced a record 105.4 million tonnes of coal, an 8% year-on-year increase compared to 2015. This significant uplift in production volumes was the result of further implementation of our operational efficiency programme, the launch of new highly productive mining equipment at mines in Kuzbass and Khakasia, and the development of the Nikolsky hard-coal open pit in Buryatia.

## Coal washed (million tonnes)

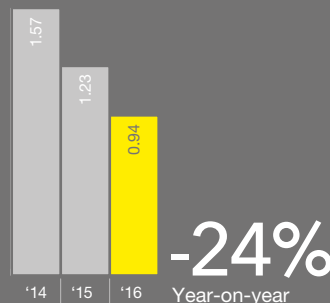


STRATEGIC PRIORITY:  
IMPROVING OPERATIONAL  
EFFICIENCY AND PRODUCTIVITY

**S2**

In 2016, we washed and processed 37.3 million tonnes of coal at our washing plants, a 12% rise compared to the previous year. This increase in volumes was due to the expansion of our coal-washing capacities, achieved by upgrading and increasing the load of existing plants to satisfy the growing demand for coal of a higher calorific value.

## Lost time injury frequency rate (LTIFR)



STRATEGIC PRIORITY:  
ACHIEVING HIGH SAFETY  
STANDARDS

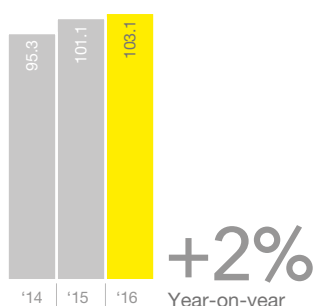
**S4**

In 2016, LTIFR at our production units fell by 24% to 0.94, the lowest in SUEK's 15-year history and one of the lowest levels in the global coal industry. This was a result of the continuing improvements we are making to our industrial safety systems and the promotion of a safety culture across the company.

FOR OUR STRATEGY, SEE PAGES 34-49.  
FOR OPERATING REVIEW, SEE PAGES 54-58.  
FOR FINANCIAL REVIEW, SEE PAGES 59-63.



**Total sales volumes**  
(million tonnes)

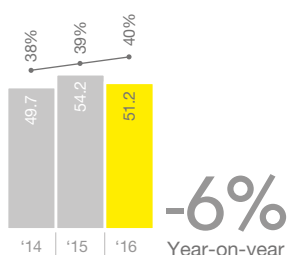


STRATEGIC PRIORITY:  
FOCUSING ON EFFICIENT GROWTH

S1

In 2016, strong demand from the Pacific region for imported coal, coupled with the development of SUEK's export sales network, contributed to record sales of 103.1 million tonnes of coal, which represented 2% year-on-year growth.

**Share of supplies to the Russian thermal coal market (%)**  
**Sales to the Russian market**  
(million tonnes)

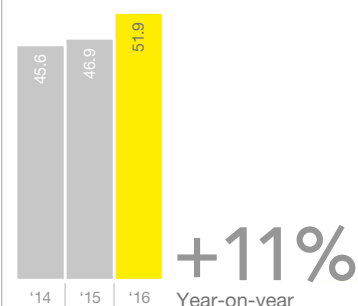


STRATEGIC PRIORITY:  
FOCUSING ON EFFICIENT GROWTH

S1

In 2016, SUEK's sales to the Russian market totalled 51.2 million tonnes of coal, with 77% of volumes supplied to power-generating plants. The 6% year-on-year decline in sales was mainly due to lower coal consumption by power plants, as high water levels in Siberia and the Russian Far East supported higher output at hydropower plants. Still, we maintained a 40% market share in Russia.

**International sales volumes**  
(million tonnes)

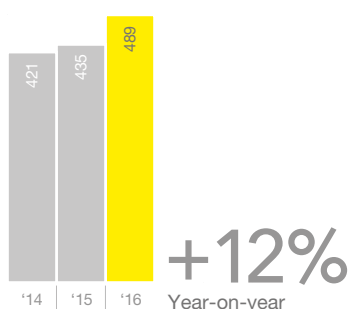


STRATEGIC PRIORITY:  
FOCUSING ON EFFICIENT GROWTH

S1

In 2016, SUEK's international sales volumes increased by 11%. We saw 16% growth in the Asian markets, with the largest volumes going to South Korea, Japan, China and Taiwan. In the Atlantic market, sales volumes increased by 3% compared to 2015, but there was a change in the sales mix: supplies to the UK fell, while sales to the Netherlands and Mediterranean countries increased.

**Productivity of mining unit production workers**  
(tonnes per man-month)

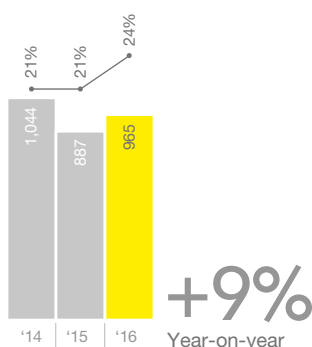


STRATEGIC PRIORITY:  
IMPROVING OPERATIONAL EFFICIENCY AND PRODUCTIVITY

S2

Labour productivity at our production units increased by 12% in 2016. This was the result of modernised equipment, improved operational efficiency and staff development programmes at our mines and open pits.

**EBITDA margin (%)**  
**EBITDA (\$m)**

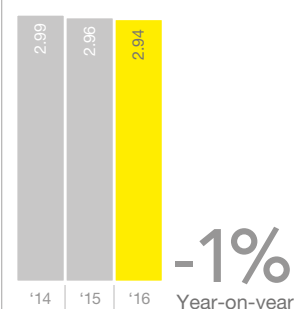


STRATEGIC PRIORITY:  
FOCUSING ON EFFICIENT GROWTH

S1

In 2016, EBITDA increased by 9% compared to 2015, to \$965m. Factors including a substantial increase in sales to premium markets, caution regarding costs, the efficiency of our logistic assets and the expansion of our sales and distribution network, led to an EBITDA margin of 24% in 2016, up from 21% a year earlier.

**Net debt/bank EBITDA**  
(ratio)



STRATEGIC PRIORITY:  
FOCUSING ON EFFICIENT GROWTH

S1

At 31 December 2016, net debt to bank EBITDA stood at 2.94x, substantially below the maximum 4.0x provisioned by our current loan agreements. These figures demonstrate that the company has sufficient funds to meet its financial obligations.