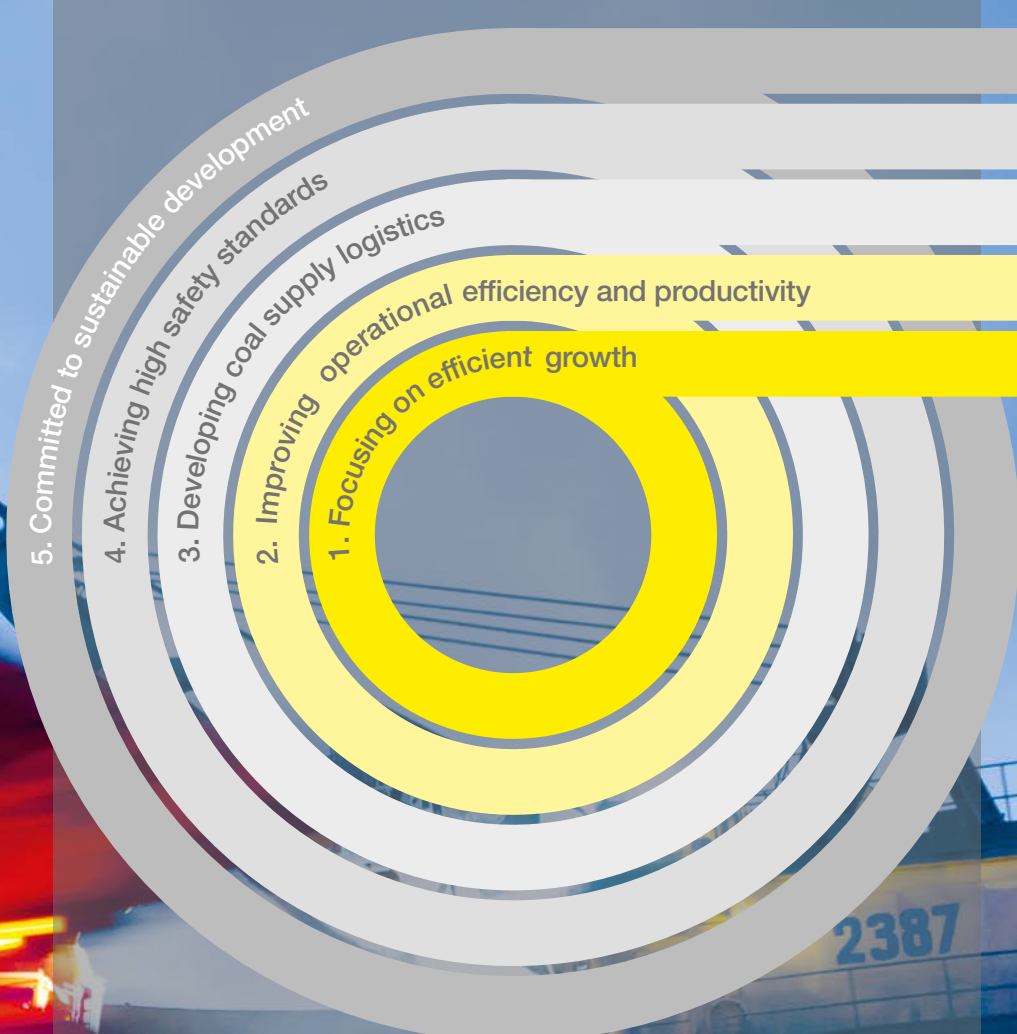


STRATEGY FOR SUSTAINABLE LEADERSHIP



Securing our leading position in the industry is an important goal for SUEK Group. We continually look for opportunities to reinforce competitive advantage, expand our market share and develop a socially responsible business. To meet these objectives, we have identified five strategy pillars.



Our objective is to increase supply to and strengthen our presence in the premium, high-margin markets, especially in the Asia-Pacific region. We are growing the share of washed coal within our product portfolio, developing sales of premium sized coal and increasing the trading of semi-soft and hard coking coal with international and Russian metallurgical customers. Current investment in the development of new coal deposits is solely targeted at the most economically efficient projects. We also expect to maintain synergies from association with the Russian electric power industry by signing long-term contracts with energy producers.

We maintain low-cost and efficient coal production by refining our operational processes and modernising our equipment and production units. We will continue to improve internal management processes with the express intention of boosting the profitability of the business.

We plan to keep costs under control through focused investment. Increasing the loading capacity of our port facilities will maximise exports shipped out of our own ports. Working with Russian Railways (RZhD), we are also undertaking projects to reduce the time it takes to deliver coal by rail.

All SUEK's companies comply with the best international standards in occupational and industrial safety. Our fundamental aim is to reduce injury rates and prevent fatal accidents.

Our aim is to contribute to global energy security by producing coal safely and sustainably while delivering value to all our stakeholders. Our environmental programmes are designed to minimise any impact our business might have in the areas where we work. SUEK also seeks to sustain its position as one of the most attractive employers in the Russian mining industry, primarily through the quality of our employee training and development programmes. Ongoing investment in environmental, public, educational and social projects should improve the quality of life within the communities where SUEK operates.

Our competitive advantages

Vast mineral reserves

The average life of our hard coal deposits exceeds 30 years.

Integrated business model

Control over the value chain secures operational and cost efficiency.

Cost-efficiency

Cost control at each stage of the business cycle makes us one of the most cost-efficient coal producers globally.

High operational efficiency

Investment in modern production equipment and employee development programmes helps to increase productivity across the company.

Favourable geographic position

We benefit from reduced transportation costs as we are closer to key Asian markets than many of our Russian competitors.

Reputation

We have a proven track record as a reliable supplier to the Russian and international markets.

Highly skilled personnel and expertise

We hire and retain talent by offering scholarships, internships and career development opportunities. Training through experience-sharing, SUEK is also able to transfer a wealth of knowledge from skilled experts within the Group.



Focusing on efficient growth

Increasing production of high-quality and desirable coal products

2015 results

In 2015, SUEK Group decreased production by 1.1 million tonnes compared to 2014. This decrease is explained by difficult geological conditions during underground mining.

The proportion of washed hard coal by the Group increased from 49% in 2014 to 55% in 2015.

In 2015, a new washing plant was launched at the Taldinskaya-Zapadnaya 1 mine. The first unit of the Chegdomyn washing plant reached its maximum operating capacity.

KPI according to strategy

TOTAL PRODUCTION

97.8Mt
-1%

SHARE OF WASHED HARD COAL

55%

Plans for 2016

- The Group's priority is to produce quality products which are in high demand in international and Russian markets;
- We intend to improve operational efficiency, cost control and productivity;
- We plan targeted investments in mining expansion at the most economically attractive deposits. We are planning to expand mining in Urgal by developing an open pit in the Pravoberezhny area;
- In 2016, we plan to increase shipments of coal through ports where the Group has a major shareholding interest.

Balanced management of the reserves portfolio

2015 results

In 2015, we acquired licences for developing new coal mining areas in Kuzbass, close to existing SUEK facilities.

KPI according to strategy

JORC RESERVES

5.5Bt

AVERAGE LIFE OF HARD COAL DEPOSITS

over **30** years

Plans for 2016

- The objective is to ensure a sustainable portfolio of high-quality thermal and coking coal to satisfy market demand. We will continue to monitor promising coal deposits.

Strengthening our position in the Asia-Pacific region and retaining our presence in the largest Atlantic markets

2015 results

SUEK coal sales to Asia in 2015 totalled 27.7 million tonnes, 5% higher than in 2014.

SUEK coal sales to the Atlantic market in 2015 totalled 19.2 million tonnes, flat year-on-year.

KPI according to strategy

TOTAL EXPORT SALES

46.9Mt
+3%

SALES TO ASIAN COUNTRIES

27.7Mt
+5%

Plans for 2016

- We intend to enhance our presence in the premium markets of Japan, Korea and Taiwan;
- We plan to increase direct sales by developing further our distribution networks in China, South Korea and Poland.

Retaining our position as the largest coal producer and supplier of thermal coal in Russia

<p>2015 results</p> <p>We strive to remain the leading thermal coal supplier in the Russian market – the Group's market share in 2015 was 39%.</p>	<p>KPI according to strategy</p> <p>SALES TO RUSSIAN MARKET</p> <p>54.2Mt</p> <p>+9%</p> <hr/> <p>SALES TO SGK:</p> <p>23.9Mt</p> <p>+16%</p>	<p>Plans for 2016</p> <ul style="list-style-type: none"> • We plan to maintain our leadership in the Russian market and to seek new opportunities to increase sales to Russian customers; • We intend to continue selling coal to the major Russian energy producers – SGK, E.ON, Gazprom Energoholding, TGK-14, DGK and others.
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Increasing sales in metallurgical and premium sized-coal markets

<p>2015 results</p> <p>International sales of metallurgical coal amounted to 1.8 million tonnes in 2015, while Russian sales were 0.2 million tonnes.</p> <p>In 2015, sized-coal sales totalled 2.3 million tonnes.</p>	<p>KPI according to strategy</p> <p>METALLURGICAL COAL SALES TO INTERNATIONAL MARKET</p> <p>1.8Mt</p> <p>-18%</p> <hr/> <p>METALLURGICAL COAL SALES TO RUSSIAN MARKET</p> <p>0.2Mt</p> <p>+241%</p> <hr/> <p>SIZED-COAL INTERNATIONAL SALES</p> <p>2.3Mt</p> <p>+28%</p>	<p>Plans for 2016</p> <ul style="list-style-type: none"> • We plan to increase production of premium, low-ash, semi-hard, mid-volatile coking coal from the Apsatsky open pit; • We also intend to grow sales of semi-coking high-volatile coal in the new markets; • We aim to increase sales of sized coal to Poland through our dedicated distribution company SUEK Polska, as the Polish government plans to close the country's loss-making coal mines.
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Strategy in action

Targeted investment in efficient expansion

At the end of 2015, SUEK acquired a licence to develop the Kotinsky Zapadny area in Kuzbass. The reserve block is rich in low-ash coal with high calorific value (similar to coal currently mined at the Kotinskaya mine) and can be exported without washing. Acquisition of these reserves means SUEK can postpone the transition to high-ash seams at the Kotinskaya mine and defer the costs associated with construction of a washing plant.

In 2015, the company commissioned a new washing plant at the Taldinskaya-Zapadnaya 1 mine. The plant will wash coal mined at Taldinskaya-Zapadnaya 1 and Taldinskaya-Zapadnaya 2 mines and the nearby Zarechny open pit. It will produce coal with calorific value of 6,500 kcal/kg for deliveries to premium international markets. In this way, the new plant will ensure the production of coal with high calorific value, even when areas with elevated ash content and lower-quality coal are mined.



Improving operational efficiency and productivity

Improving efficiency of production activities

2015 results

In 2015, we achieved a number of new productivity records, including:

- a world record in excavating coal in Khakasia;
- a world record in loading overburden into dump trucks at the Tugnuisky open pit;
- a world record in gas drainage hole drilling rates in Kuzbass; and
- a Russian record in underground roadway development rates at the Taldinskaya Zapadnaya 2 mine in Kuzbass.

At the Tugnuisky open pit we introduced automated centralised lubrication systems for excavators, thus reducing lubrication time. We optimised the engine and transmission control programme for dump trucks, resulting in lower fuel consumption. We developed and implemented an automated system for the logging of timesheets on shifts. We also introduced an IT system to collect and exchange innovative ideas within the workforce.

KPI according to strategy

PRODUCTIVITY OF MINING UNIT
PRODUCTION PERSONNEL

435
tonnes per
man-month
+3%

Plans for 2016

- The Group plans to increase overall production by improving underground mine layouts, overcoming geological challenges in some reserve areas, improving operational efficiency and modernising equipment;
- We will also continue to implement a programme for improving energy efficiency across all our production units.

Improving coal quality

2015 results

We completed the construction of the washing plant at the Taldinskaya-Zapadnaya 1 mine.

We made it possible to produce sized coal at the Kirova and Polysaevskaya washing plants.

KPI according to strategy

COAL WASHED

33.3Mt
+4%

Plans for 2016

- We intend to fully utilise our coal-washing facilities and improve their productivity;
- We plan to reach the optimum operating capacity at the Chegdomyn washing plant.

Ongoing programme for modernising mining equipment

2015 results

To optimise the costs of equipment modernisation, the company implemented a programme aimed at increasing purchases from suppliers in Russia and CIS countries. We acquired BELAZ dump trucks, and bulldozers from the Cheboksary Tractor Plant. Foreign equipment, for which there are no Russian equivalents, was purchased from the major international manufacturers: Joy, Komatsu, Famur and DML.

KPI according to strategy

INVESTMENT IN MODERN
MINING EQUIPMENT

\$190m

Plans for 2016

- In 2016, we will continue to modernise mining equipment and will focus on strategically important investment projects.

Strategy in action

First deployment of unmanned longwall mining technology in Russia

In August 2015, we commissioned new longwall equipment for Panel 1747 in the 1.6-metre-thick Breyevsky seam at the Polysaevskaya mine in Kuzbass. The panel has 2.1 million tonnes of reserves, and the investment in the technical upgrade exceeded \$26m.

The Polysaevskaya longwall is unique in the Russian coal mining industry. It is based on cutting edge technology, co-developed by SUEK-Kuzbass and German companies Marco and Eickhoff, which enables remote, unmanned mining. By removing people from

potentially hazardous areas, the major advantage of unmanned longwall mining is safety. The equipment is controlled by an operator from the adjacent gate road, utilising multiple sensors on the shearer and roof supports, as well as special infra-red surveillance cameras that can work in the dark. Software automatically controls the most efficient movement of the shearer, advance of the roof supports and push-over and operation of the face conveyor. According to the designers, other than SUEK only one coal producer in Australia is currently using this ground-breaking technology.

Despite the limited thickness of the seam, the expected monthly longwall coal production is 300,000 tonnes.



3 Developing coal supply logistics

Development of Group's rail infrastructure and rail fleet

<p>2015 results</p> <p>In 2015, the Group's managed rail fleet was enhanced by the addition of 2,660 new, higher-capacity rail cars.</p>	<p>KPI according to strategy</p> <p>RAIL CARS WITH HIGHER CAPACITY</p> <p>9,160</p> <p>+41%</p>	<p>Plans for 2016</p> <ul style="list-style-type: none"> • We will continue to increase capacities at our dedicated loading stations and to modernise our locomotive fleet; • In 2016, we aim to acquire additional higher-capacity rail cars. This will reduce transportation costs and increase coal shipments through port facilities.
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Efficient management of port facilities and expansion of our export ship-loading capacity from Russia

<p>2015 results</p> <p>We continued to develop our Vanino Bulk Terminal. We completed the first stage of expansion of the railway infrastructure of the terminal. We also completed a key stage of the upgrade for coal dust suppression.</p> <p>The Vanino Bulk Terminal loaded 18.3 million tonnes in 2015 (+8% compared to 2014).</p>	<p>KPI according to strategy</p> <p>SHIP-LOADING CAPACITY THROUGH DEDICATED PORTS</p> <p>41Mt</p>	<p>Plans for 2016</p> <ul style="list-style-type: none"> • We intend to meet all of our ship-loading needs within our own dedicated ports; • We plan to increase the ship-loading capacity of Vanino Bulk Terminal to 24 million tonnes by 2018 and Murmansk Commercial Seaport to 16 million tonnes by 2017.
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Strategy in action

Increase in coal shipment through Vanino Bulk Terminal

In 2015, SUEK continued its modernisation of the Vanino Bulk Terminal with the aim of reaching a ship-loading capacity of 24 million tonnes by 2018. The key priority is to remove the constraints created by the limited capacity of the railway leading to the terminal.

The first stage of expansion of the railway infrastructure was completed in 2015. This included construction of a connection line and an adjacent road, culvert pipes, electricity infrastructure, a cross-over bridge and facilities to thaw coal in wagons. Investment in the project over the year amounted to \$24m.

In 2016, we plan to continue the second stage of construction, with a view to increasing the port's capacity up to 24 million tonnes.



Achieving high safety standards

Introducing high international standards in Health and Safety

2015 results

We have significantly improved the supervision of industrial safety in all areas where we operate. In 2015, we developed a new company-wide Occupational Health and Safety Policy, which set out the key principles that all SUEK employees must follow to eliminate workplace injuries and accidents across the Group. We conducted a special assessment of working conditions to identify hazards potentially affecting personnel at our production sites in Khakasia, Zabaikalye, Buryatia, Krasnoyarsk, Khabarovsk and Primorye.

We also implemented a video information system to develop and monitor employees' competence and compliance with safety requirements.

Tragically there were five fatal accidents at our sites in 2015. We deeply regret this loss of life, and during the year we carried out a rigorous investigation into each case in order to prevent such accidents reoccurring in the future.

READ MORE ABOUT OUR MEASURES TO IMPROVE SAFETY ON PAGES 67-69.



KPI according to strategy

FATAL ACCIDENTS

5

LTIFR

1.23
-22%

Plans for 2016

- During 2016, we will continue to invest time and money in developing systems for monitoring and providing safety alerts, particularly in relation to ventilation and gas drainage, stonedusting and the installation of explosion-proof starters;
- We will conduct a special assessment of working conditions to identify hazards potentially affecting personnel at our production sites in Kuzbass;
- Structured personnel training programmes should reduce accidents at work.

Strategy in action

Improving reliability of safety and monitoring systems in Kuzbass

Several of SUEK's mines in Kuzbass have been equipped with the following multifunctional systems: wi-fi personnel tracking and communication, computerised gas and atmospheric monitoring and underground radio communication. These monitoring systems are able to track workers underground, send emergency alert messages to

workers at any location, and assist search and rescue operations for people trapped underground.

We have also established centralised mine production and safety control centres in Kuzbass regional headquarters and at each mine. Information on ventilation and gas levels at all of our mines is displayed on monitors in the central control room at regional headquarters. Production safety controllers also check the mines round the clock both at mine and regional level.



Committed to sustainable development

Developing social infrastructure in the regions where we operate

2015 results

We are actively cooperating with regional and municipal governments to develop social infrastructure and educational institutions in the communities where we work.

In 2015, we developed a model of the Municipal Centre of Social Development, providing support to socially beneficial business initiatives and social projects. Under this programme, 53 projects are being implemented.

We sponsored the treatment of more than 1,000 employees' children and 250 labour veterans in leading Russian health centres.

The company is working with different educational institutions. SUEK provides funding for equipment and research, and awards scholarships to the best students.

KPI according to strategy INVESTMENT IN PUBLIC AND SOCIAL PROJECTS

\$13m

Plans for 2016

- We will continue to invest in important public and social projects.

Reducing adverse environmental impact

2015 results

We use modern technologies to reduce the adverse impact of our operations on the environment. We design and construct water treatment plants, implement projects for reducing greenhouse gas emissions as a result of methane drainage activities, and improve land rehabilitation.

During 2015, we utilised almost 7.51 million m³ of methane captured from mined-out areas for the generation of heat and electricity, a 32% increase compared to 2014.

Our Chernogorsky open pit and washing plant and Vostochno-Beisky open pit in Khakasia were certified compliant with ISO 14001:2004 environmental management system standard.

We developed a draft of the comprehensive environmental programme for 2016-2019, aimed at mitigating environmental risks.

KPI according to strategy INVESTMENT IN ENVIRONMENTAL ACTIVITIES

\$15m

Plans for 2016

- We will strive to minimise our environmental impact by implementing appropriate programmes, including projects for reducing methane emissions and construction of treatment facilities;
- We will continue to implement energy saving programmes by introducing automated energy management systems. This will enable us to control energy consumption by monitoring mining equipment energy consumption rates and ultimately decrease emissions.

Strategy in action

Treatment and rehabilitation of children from the regions where SUEK operates

For the last five years, SUEK has been sponsoring treatment in the Rehabilitation Centre of the Department of Presidential Affairs of the Russian Federation located in Moscow region for children from all the regions where SUEK operates. This includes, among others, children

from orphanages and from vulnerable families who have little financial support.

The Rehabilitation Centre uses state-of-the-art equipment to run diagnostics quickly to develop treatment and rehabilitation programmes for every child. Since its inception, around 800 children have benefited from treatment under the programme, which is run in collaboration with the Department of Presidential Affairs.