RESILIENCE, STRENGTH AND **NEW OPPORTUNITIES**

Each year, we measure our financial and non-financial performance in order to assess our progress against the company's strategic goals. In 2015, despite tough market conditions we recorded a good operational performance and maintained financial stability. Our efforts to enhance coal washing technologies also laid the foundations for future growth and opportunities, ensuring we can continue to help to meet global energy needs in an efficient and environmentally friendly way.

In 2015, a challenging market environment and further drop in global coal prices affected SUEK's earnings and EBITDA.

However, the company managed to preserve and strengthen its leading position in the Russian and international markets. This performance was the result of timely investment in washing and sizing capacity 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 reduced injury rate.

Non-financial highlights

Lost time injury frequency rate (LTIFR)



Measurement and relevance to the business: Lost time injury frequency rate (LTIFR) is a key indicator of the company's performance in health and safety. LTIFR demonstrates work-related injury frequency for the purpose of developing measures to track and promote safety at production units across the Group.

LTIFR is calculated according to the number of lost time injuries per one million hours worked within the calendar year.

Performance: In the past few years, the LTIFR at our production units has been steadily decreasing. The 2015 indicator dropped by 22% to 1.23 as a result of our comprehensive health and safety action plan. We remain committed to improving our LTIFR index and will accelerate our efforts in this area in future.

Strategic priority: Achieving high safety standards

Production

(million tonnes)



compared

Measurement and relevance to the business: Our production volumes show us how SUFK Group is performing and demonstrate the rate of growth of our coal mining business.

Performance: In 2015, SUEK Group's coal mining units produced 97.8 million tonnes of coal, which was a 1% decrease year-on-year compared to 2014.

The decline in production volumes was the result of challenging mining and geological conditions in Kuzbass and Urgal (Khabarovsk region) during the year and the response to the adverse market environment.

Strategic priority: Focusing on efficient growth

Performance: In 2015, we washed and

processed 33.3 million tonnes of coal at

Coal washed

(million tonnes)



The washing of mined coal is the main method of improving product quality. It enables us to remove rock and high-ash coal from pure coal. It also separates products into size ranges suited to different markets, and enables moisture levels to be controlled. In this way, we produce higher value products for international markets. Additionally, due to reduced rail transportation of waste materials, coal washing leads to lower

Measurement and relevance to the business: overall transportation costs.

our washing plants, a 4% rise compared to the previous year. The increase in volumes was due to increased output at the newly commissioned Chegdomyn plant in Khabarovsk, the commissioning of a new washing plant in Kuzbass and upgrading of existing facilities. Strategic priority:



Improving operational efficiency and productivity

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



compared

Measurement and relevance to the business: The productivity of production workers at our mining units is a measure of our workforce efficiency and the success of our business strategy. Labour productivity is calculated as coal mined, divided by the average number of production personnel at our mining units within the calendar year.

Performance: Labour productivity at our production units increased by 3% in 2015. This was the result of improved operational efficiency at our mines and open pits.



Strategic priority: Improving operational efficiency and productivity

| STRATEGIC REPORT | 02 |
|----------------------|----|
| CORPORATE GOVERNANCE | 81 |
| FINANCIAL STATEMENTS | 95 |

FOR OUR STRATEGY, SEE PAGES 30-37



FOR OPERATING REVIEW, SEE PAGES 53-56



FOR FINANCIAL REVIEW, SEE PAGES 57-61.



International sales volumes





Measurement and relevance to the business: International sales volumes demonstrate the Group's performance and position in major coal markets.

Performance: SUEK's international sales volumes have been steadily increasing year-on-year. In 2015, we saw growth in the Asian markets with the largest volumes going to Japan, China, South Korea and Taiwan. The Group also started to explore new markets,

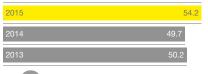
including Sri Lanka, Vietnam and the Philippines. In the Atlantic market, sales volumes remained consistent with 2014, but there was a change in the focus of sales: supplies to the UK decreased, while coal sales to the Netherlands and Mediterranean countries increased.



Strategic priority: Focusing on efficient growth

Sales to Russian market





compared to 2014

Measurement and relevance to the business: We are focused on maintaining and increasing the Group's share in the Russian market and retaining our position as the largest supplier of thermal coal in the country.

Performance: In 2015, the Group's sales to the Russian market increased by 9% driven by higher consumption of coal-fired power plants. This was the result of low water levels, particularly in the reservoirs of Siberia and the Far East, which led to reduced output from hydroelectric power plants.



Strategic priority: Focusing on efficient growth

Share of supplies to Russian thermal coal market (%)

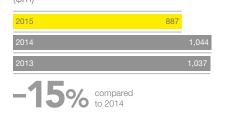


Financial highlights

EBITDA

(\$m)

(%)



EBITDA margin

21%

Measurement and relevance to the business: EBITDA is a key indicator of the company's financial performance and is used to assess the company's operating profitability. It is calculated as earnings before interest on loans, taxes, depreciation and amortisation within the calendar year. EBITDA margin is a measurement of the company's primary profit margin and is calculated as EBITDA divided by revenue.

EBITDA and EBITDA margin are important indicators of our financial health. They exclude depreciation and amortisation, therefore providing a more accurate view of our operating profitability and a clear measure of the success of strategy implementation.

Performance: In 2015, EBITDA decreased by 15% compared to 2014 to \$887m. Meanwhile, increased coal sales volumes in the Russian and international markets, and the reduced cost of coal sold in US dollars due to the devaluation of the Russian Rouble, partially compensated for the negative impact of global coal prices on our financial performance. The Group managed to maintain its EBITDA margin at 21%.



Strategic priority: Focusing on efficient growth

Net debt/Bank EBITDA



compared to 2014

Measurement and relevance to the business: Net debt to bank EBITDA is a measure of the ability of the company to pay off its debts. As such, it clearly demonstrates our financial health and liquidity position. Net debt to bank EBITDA is calculated as the Group's total financial borrowings, minus cash and cash equivalents, divided by bank EBITDA.

Performance: At 31 December 2015, net debt to bank EBITDA equalled 2.96x, which was well below the maximum 4.0x provisioned by our current loan agreements. These figures demonstrate that the Group has sufficient funds to meet its financial obligations.



Strategic priority: Focusing on efficient growth

SUEK ANNUAL REPORT 2015