Focused on quality growth

Mission
Our mission is to fuel the world by producing coal and generating heat and electricity safely and sustainably, helping to ensure global energy security while delivering value to all of our stakeholders.

Vision
Already the largest coal producer in Russia, our aim is to be one of the world’s leading coal and energy companies. We will achieve this by expanding our existing mining, processing and power generating assets, investing in new production facilities and continuing to develop our logistics systems. We also aim to increase our coal output and heat and power generation from assets located closer to our target markets, while continuing to drive innovation and change across the business.
We are continually looking for opportunities to reinforce our competitive advantage, expand our market share and develop a socially responsible business. Following the consolidation of the power generation business in 2018, we have updated our five strategy pillars and KPIs.

### S1: Focusing on Efficient Growth

**Priorities**
- Efficiently managing our reserves portfolio
- Increasing production of high-quality and high-demand coal products
- Strengthening our position in the Asia-Pacific region and retaining our presence in the Atlantic market
- Increasing sales of metallurgical and sized coal in premium markets
- Consolidating our position in the Russian thermal coal, heat and electricity market

**Stakeholders**
- Shareholders
- Financial stakeholders and potential investors
- State authorities
- Employees
- Power consumers, electricity and coal customers

**Relevant risks**
- Risk of changes to current legislation
- Regulatory risk
- Risk of reduction in coal demand
- Risk of reduction in coal prices
- Anti-monopoly risk
- Inflation risk
- Liquidity risk
- Foreign exchange and interest rate risks
- Emergency risk
- Risk of restricted infrastructure availability
- Production risk

### S2: Improving Operational Efficiency and Productivity

**Priorities**
- Improving operational efficiency and productivity
- Expanding our port capacity to maximise exports
- Developing transport infrastructure and the company’s railcar fleet

**Stakeholders**
- Shareholders
- Financial stakeholders and potential investors
- Employees
- Suppliers
- Power consumers, electricity and coal customers

**Relevant risks**
- Risk of changes in current legislation
- Cyber risk
- Credit risk
- Risk of restricted infrastructure availability
- Production risk
- Environmental risk
- Human resource risk

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M1-M14 ARE MATERIAL ISSUES, FOR REVIEW SEE PAGES 34-37.
MAINTAINING A ROBUST BALANCE SHEET

Priorities
- Sustaining profit against the cyclical nature of the business
- Maintaining a conservative financial policy

Stakeholders
- Shareholders
- Financial stakeholders and potential investors
- State authorities

Relevant risks
- Risk of reduction in coal demand and prices
- Anti-monopoly risk
- Inflation risk
- Credit risk
- Liquidity risk
- Risk of changes in current legislation
- Regulatory risk
- Foreign exchange and interest rate risks
- Emergency risk
- Health and safety risk

ACHIEVING HIGH SAFETY STANDARDS

Priorities
- Prevention of accidents

Stakeholders
- Employees
- Local communities
- State authorities
- Shareholders
- NGOs
- Financial stakeholders and potential investors

Relevant risks
- Emergency risk
- Health and safety risk
- Environmental risk
- Human resource risk

COMMITTED TO SUSTAINABLE DEVELOPMENT

Priorities
- Reducing adverse environmental impacts
- Development and well-being of our employees
- Developing social infrastructure in the regions where we operate

Stakeholders
- Shareholders
- Financial stakeholders and potential investors
- State authorities
- Employees
- Local communities
- NGOs

Relevant risks
- Regulatory risk
- Environmental risk
- Human resource risk
**S1 FOCUSING ON EFFICIENT GROWTH**

Our objective is to strengthen our presence in stable high-margin international coal markets to provide long-term business sustainability. In Russia we focus on the synergies between coal and energy businesses and the co-generation of heat and electricity to remain a cost-efficient and responsible power producer.

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**Efficiently managing our reserves portfolio**

**2018 results**
The company maintains a sustainable, high-quality reserves portfolio of thermal and coking coal.

**KPIs**

<table>
<thead>
<tr>
<th><strong>Reserves</strong></th>
<th><strong>5.2 Bt</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average life of hard coal deposits</strong></td>
<td><strong>over 30 years</strong></td>
</tr>
</tbody>
</table>

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**Increasing production of high-quality and high-demand coal products**

**2018 results**
SUEK’s total production exceeded 110 Mt for the first time in the company’s history in line with our plan, with hard coal accounting for 65% of total production.
The share of washed hard coal rose to 59%, which enabled us to increase the share of high-calorific coal products in our export portfolio to a record 84%.

**KPIs**

<table>
<thead>
<tr>
<th><strong>Coal production (Mt)</strong></th>
<th><strong>2016</strong></th>
<th><strong>2017</strong></th>
<th><strong>2018</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hard coal production</strong></td>
<td><strong>71.3</strong></td>
<td><strong>72.2</strong></td>
<td><strong>72.1</strong></td>
</tr>
<tr>
<td><strong>Total international sales</strong> (Mt)</td>
<td><strong>2016</strong></td>
<td><strong>2017</strong></td>
<td><strong>2018</strong></td>
</tr>
<tr>
<td><strong>Share of washed hard coal (%)</strong></td>
<td><strong>52%</strong></td>
<td><strong>58%</strong></td>
<td><strong>59%</strong></td>
</tr>
<tr>
<td><strong>The share of high-calorific coals in exports (%)</strong></td>
<td><strong>73%</strong></td>
<td><strong>77%</strong></td>
<td><strong>84%</strong></td>
</tr>
</tbody>
</table>

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**Strengthening our position in the Asia-Pacific region and retaining our presence in the Atlantic market**

**2018 results**
SUEK’s deliveries to Asia increased to 33.1 Mt, due to larger supplies to the premium markets of Japan, South Korea and Southeast Asia.

Our sales to the Atlantic market increased by 2% year-on-year due to increased sales to Germany, Denmark and the UK.

**KPIs**

<table>
<thead>
<tr>
<th><strong>2019+ plans</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Our goal is to maintain a sustainable portfolio of high-quality thermal and coking coal in order to satisfy market demand, customer requirements and our own power generating needs. We will continue to explore and monitor attractive coal deposits.</strong></td>
</tr>
</tbody>
</table>

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**2019+ plans**
We plan to continue developing high-quality deposits and washing capacities, to ensure 100% of exported coal washed.
We aim to increase hard coal output at open-pit mines in Buryatia, Khakassia and Khabarovsk. Accordingly, we will develop our washing capacities, building new washing plants in Buryatia and Khakassia and increasing utilisation rate at the Chegdomyn plant in Khabarovsk region.

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**2019+ plans**
We intend to further enhance our presence in Japan, South Korea, and premium markets in Southeast Asia.
We plan to continue increasing direct sales through our distribution networks in China, South Korea, Poland and the Baltic states.

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1. SUEK’s proved and probable reserves, according to the April 2011 report by SRK Consulting, amounted to 5.9 Bt. Including extraction between April 2011 and December 2018 and SRK assessment of the Apsatsky coalfield carried out in 2015, these reserves stood at 5.2 Bt as at 31 December 2018.
2. Coals with a calorific value of 5600+ kcal per kg.
3. Includes petcoke and other sales.
Increasing sales of metallurgical and sized coal in premium markets

2018 results

International sales of metallurgical coal remained stable at 2.9 Mt, while sales in the Russian market grew by 20% year-on-year, mainly due to an increase in demand from metals producers. Our sized coal sales to the international market in 2018 totalled 3.3 Mt, a 0.7 Mt decline year-on-year, due to redirection of sales into higher priced thermal coal markets.

<table>
<thead>
<tr>
<th>Metallurgical coal sales (Mt)</th>
<th>Russian market</th>
<th>International market</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3.1</td>
<td>0.4</td>
</tr>
<tr>
<td>2017</td>
<td>3.4</td>
<td>2.9</td>
</tr>
<tr>
<td>2018</td>
<td>3.5</td>
<td>2.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sized coal sales (Mt)</th>
<th>Russian market</th>
<th>International market</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>4.1</td>
<td>1.3</td>
</tr>
<tr>
<td>2017</td>
<td>5.4</td>
<td>4.0</td>
</tr>
<tr>
<td>2018</td>
<td>4.5</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Consolidating our position in the Russian thermal coal, heat and electricity market

2018 results

SUEK’s domestic coal sales grew by 10% due to increased supplies to its own power generation facilities. The company increased its heat and electricity market shares in Siberia to 40% and 23% respectively. This was due to the acquisition of new assets in the Novosibirsk and Altai regions and the replacement of inefficient stand alone boilers with heat supplied by co-generation heat and power plants.

<table>
<thead>
<tr>
<th>Coal sales to Russian market (Mt)</th>
<th>Other customers</th>
<th>Other customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>27.4</td>
<td>23.8</td>
</tr>
<tr>
<td>2017</td>
<td>28.4</td>
<td>24.8</td>
</tr>
<tr>
<td>2018</td>
<td>30.2</td>
<td>24.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Heat generation (million Gcal)</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share in Siberian heat generation (%)</td>
<td>24%</td>
<td>24%</td>
<td>49%</td>
</tr>
<tr>
<td>Electricity generation (TWh)</td>
<td>2016</td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Share in Siberian electricity generation (%)</td>
<td>17%</td>
<td>18%</td>
<td>23%</td>
</tr>
</tbody>
</table>

2019+ plans

We plan to develop our presence in the metallurgical coal export market through selling concentrate from Kirov and coking coal from Apsatsky, and by increasing supplies to customers in this sector in Asia.

We also aim to increase sales of sized coal to international markets, mainly to Poland, China and Turkey.

<table>
<thead>
<tr>
<th>Electricity generation (TWh)</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share in Siberian electricity generation (%)</td>
<td>35.0</td>
<td>36.0</td>
<td>37.0</td>
</tr>
</tbody>
</table>

2019+ plans

We plan to increase coal production at Borodinsky to 23.6 Mt in 2019 and further to meet the rising demand.

We plan to maintain our increased market share in the Siberian heat and electricity market through capacity upgrades.

We will also submit tenders for participation in the DPM-2 state-supported power capacity development programme.

In 2019 we will submit our capacity supply proposals for 2022-2025 and will plan our investment programme accordingly.
Improving operational efficiency and productivity

2018 results

The productivity of mining personnel continued to improve due to the extension of the longwall at Yalevsky mine to 350–400 metres, and the introduction of more efficient open-pit mining equipment. Capacity utilisation at the power plants remains stable at around 49%, due to the long period of work in the combined generation cycle.

KPIs

<table>
<thead>
<tr>
<th>Productivity of mining unit production personnel (tonnes per man-month)</th>
<th>Specific fuel consumption per unit of energy production (gram of equivalent fuel /kWh)</th>
<th>Specific fuel consumption per unit of heat (kg of equivalent fuel/Gcal)</th>
</tr>
</thead>
<tbody>
<tr>
<td>489</td>
<td>535</td>
<td>540</td>
</tr>
<tr>
<td>50%</td>
<td>50%</td>
<td>49%</td>
</tr>
</tbody>
</table>

2019+ plans

SUEK plans to continue introducing advanced underground mine layouts and upgrading equipment to increase the length of longwalls in other underground mines to 350–400 metres. At our open-pit mines we will optimise loads for excavator and truck units to ensure we increase output and reduce investment costs.

2019+ plans

We also plan to construct a conveyor between the Nikolsky mine and Tugniisky washing plant to speed up processing. We will continue to focus on co-generation of heat and electricity to further optimise the capacity utilisation and fuel consumption.

Expanding our port capacity to maximise exports

2018 results

SUEK transshipped a record 37.9 Mt, which is over 80% of the company’s coal exports, through its own ports. Transshipment increased at the Vanino Bulk Terminal following the recently completed capacity development programme. In March 2018 we delivered a new monthly transshipment record of 2.1 Mt, and the largest bulker ship ever berthed in any Russian port moored at Vanino. Transshipment also increased at the Murmansk Commercial Seaport, where we continued the development programme, including crane renovation, berth reconstruction and environmental activities.

KPIs

| Transshipment through dedicated ports and share of volume (Mt, %) |
|---|---|---|
| 2016 | 2017 | 2018 |
| 36.5 | 37.0 | 37.9 |

2019+ plans

We will begin upgrading the Vanino Bulk Terminal to reach the shipment capacity of 40 Mt per year. The company will continue developing the Murmansk Commercial Seaport to achieve the target coal-shipment capacity of 15.5 Mt, including a long-term environmental programme of introducing the best available technologies in line with international best practice, as well as attracting third-party goods, including for the development of the Arctic. We plan to complete the upgrading of Maly Port in order to increase its capacity to 4 Mt per year.
Developing transport infrastructure and the company’s railcar fleet

2018 results

SUEK’s railcar fleet under management increased to 42,900 units, covering 80% of SUEK’s transportation needs.

We continued the development and introduction of new-generation railcars, designed according to SUEK’s specifications.

The company also continued to collaborate with Russian Railways in the following areas:

- Improving railcar turnover along SUEK’s routes
- Eliminating constraints on infrastructure
- Increasing the capacity of connecting stations and their approaches in Kuzbass, Khakassia and Murmansk, and at Nakhodka-Vostochnaya station in the Far East

KPIs

<table>
<thead>
<tr>
<th>Railcar fleet under management and transportation needs coverage (units, %)</th>
<th>59%</th>
<th>70%</th>
<th>80%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railcar fleet</td>
<td>27,650</td>
<td>34,300</td>
<td>42,900</td>
</tr>
<tr>
<td>Transportation needs (%)</td>
<td>2016</td>
<td>2017</td>
<td>2018</td>
</tr>
</tbody>
</table>

2019+ plans

We plan for SUEK managed railcars to continue supplying at least 80% of the company’s needs.

We will continue to develop technology in cooperation with Russian Railways to improve the railcar turnover along SUEK’s routes.

We will continue interacting with Russian Railways and state authorities to attract investment for the development of priority sections of the national rail network infrastructure and approaches to the ports used by SUEK. The first of these will be access routes to the ports in Vanino, Murmansk and Nakhodka. We plan to increase the capacity of our loading stations as production output increases.
The company's goal is to maintain profitability by controlling costs, diversifying cash flow and focusing on premium markets.

### Sustaining profit against the cyclical nature of the business

#### 2018 results

Increased coal sales volumes and higher year-on-year international coal prices, as well as the consolidation and expansion of the energy business enabled SUEK to boost its revenue by 20% to $8,296m.

A favourable pricing environment and cost control contributed to EBITDA growth of more than 23%, with the EBITDA margin increasing to 31%.

#### 2019+ plans

In 2019, the company plans to sustain its profitability by maintaining cost control and focusing on high-margin markets.

### Maintaining a conservative financial policy

#### 2018 results

Despite the large-scale CAPEX programme, the company maintained its Net debt/EBITDA ratio well within the limits required by SUEK’s credit facilities.

#### 2019+ plans

In 2019, we plan to maintain the optimal ratio of Net debt/EBITDA within the target KPI.

### KPIs

#### Revenue ($m)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>4,003</td>
<td>5,079</td>
<td>5,956</td>
</tr>
<tr>
<td>Coal</td>
<td>3,888</td>
<td>5,797</td>
<td>6,939</td>
</tr>
<tr>
<td>Energy</td>
<td>6,990</td>
<td>10,876</td>
<td>10,918</td>
</tr>
</tbody>
</table>

#### EBITDA ($m)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>987</td>
<td>1,514</td>
<td>1,973</td>
</tr>
<tr>
<td>Coal</td>
<td>2,069</td>
<td>568</td>
<td>2,541</td>
</tr>
</tbody>
</table>

#### EBITDA margin (%)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>25%</td>
<td>30%</td>
<td>31%</td>
</tr>
<tr>
<td>Coal</td>
<td>20%</td>
<td>24%</td>
<td>25%</td>
</tr>
</tbody>
</table>
Prevention of accidents

2018 results

A strict focus on safety, wider introduction of digital control systems and new equipment enabled SUEK to decrease its LTIFR in both its coal and power businesses.

SUEK developed its monitoring and safety alert systems further.

We added new control subsystems, including dynamic phenomena, local ventilation fans, fire water supply, pumping stations and power supply within our mines.

In 2018, there were no fatal group accidents in SUEK. Regrettably, there were six single fatal accidents at our operations.

KPIs

<table>
<thead>
<tr>
<th>LTIFR (ratio)</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>1.0</td>
<td>0.47</td>
<td>0.37</td>
</tr>
<tr>
<td>Coal</td>
<td>0.29</td>
<td>0.57</td>
<td>0.47</td>
</tr>
</tbody>
</table>

2019+ plans

We will continue to promote our occupational safety culture, including zero tolerance to accidents, across all of SUEK’s units.

We plan to deliver additional personnel training programmes to help limit accidents at our sites.

SUEK will continue investing in the development of monitoring and safety alert systems.

In 2018, SUEK’s coal assets were certified for compliance with the requirements of the Bettercoal Code.

Bettercoal is a global not-for-profit membership-based organisation set up by a number of leading European energy utilities to advance continuous improvement of corporate social responsibility, including social, environmental, and ethical practices, in the coal supply chain.

Bettercoal experts noted that SUEK has a coherent management structure at corporate and site levels, with the capacity to implement sustainability policies and apply good business practices in order to fulfil its commitment to the Bettercoal Code.

A significant role in the positive assessment of SUEK was played by the availability of the compliance system: its implementation and distribution to employees is indicated in the report as a best practice.

Passing the audit increases the company’s competitive advantages in contracting volumes to European coal consumers.
Reducing adverse environmental impacts

2018 results
We focused on air emissions and water consumption minimisation in the energy business. SUEK’s air emissions from power facilities remained flat well below the required limit. We started replacement of inefficient boiler houses with supply from co-generation power plants. We also upgraded cleaning equipment, wet gas cleaning systems for flue gases and electric filters at the power plants. We also continued to develop our coal washing capacities, which resulted in reduced emissions during the transportation and use of our products. Higher-performance transshipment and dust-suppressing equipment installed at the Vanino Bulk Terminal and Murmansk Commercial Seaport enabled us to further reduce the environmental impact of our ports.

SUEK ports in 2018 received certificates of environmental management ISO 14001, Clean Port voluntary certification system, as well as from the Japanese Nomura Research Institute. Water consumption by power facilities decreased due to the implementation of measures for the prudent use of natural resources, such as closed water cycle use and others. We also launched a major resource-saving project to reuse ash and slag waste from power generation and incorporate them back into our processes, including for mine rehabilitation. The company’s coal assets were certified for compliance with the requirements of the Bettercoal Code.

KPIs

<table>
<thead>
<tr>
<th>KPI</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air emissions from power facilities (CO, NO\textsubscript{X}, SO\textsubscript{2}) (kg/kWh)</td>
<td>0.008</td>
<td>0.008</td>
</tr>
<tr>
<td>Water consumption by power facilities (m\textsuperscript{3}/kWh)</td>
<td>0.050</td>
<td>0.048</td>
</tr>
<tr>
<td>Waste utilisation of the total waste (%)</td>
<td>Energy 2017: 77%</td>
<td>Energy 2018: 73%</td>
</tr>
</tbody>
</table>

2019+ plans
SUEK aims to minimise its environmental impact through environmental programmes, including projects to reduce air and water emissions, and projects to increase waste recycling. We will continue our initiatives to reduce air emissions from our power plants including the construction of taller chimneys and the installation of filters. We will also proceed with the substitution of inefficient stand alone boilers with co-generation power plant heat.

Development and well-being of our employees

2018 results
Employee turnover in 2018 remained flat in the Coal Segment and increased by 7.7 p.p. in the Energy Segment due to the administrative staff optimisation implemented as part of the consolidation. We focused on the measures to attract and retain talent:
- work to increase the internal mobility of employees between the company’s enterprises and regions
- continued implementation of the housing assistance programme
- a comprehensive programme to attract young people

KPIs

|----------------------------------------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|

2019+ plans
We will also continue to develop our coal washing facilities to enhance the calorific value of our products, which reduces air emissions and energy use during coal transportation, transshipment and combustion.

We will continue to run programmes aimed at improving employee development and the well-being and satisfaction of our employees and their families. We will also continue the process, initiated after the consolidation of the energy business, of unifying the Group’s corporate values systems. This aims to develop common principles and approaches, in order to develop a strong corporate culture. It will also extend SUEK’s Code of Corporate Ethics and its implementation system across the Group.

1. SUEK’s coal air emissions and water consumption account for less than 6% of the Group’s total air emissions and water consumption.
Developing social infrastructure in the regions where we operate

2018 results

During the year, SUEK provided around 64,000 jobs and paid $633m taxes in Russia. SUEK delivered over 220 social and charitable projects in the regions where we operate, increasing community investment by over 70% to $38m.

The number of new organisations contributing to community development ("growth points") increased steadily thanks to the active involvement of local populations in social entrepreneurship programmes.

KPIs

<table>
<thead>
<tr>
<th>Growth points</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>70</td>
<td>78</td>
<td>80</td>
</tr>
</tbody>
</table>

2019+ plans

We will continue our long-term commitments to developing social infrastructure and supporting local communities in the regions where we operate.

We will also continue to collaborate with regional and municipal governments to develop local social and educational infrastructure.