

Leadership through vertical integration

SUEK Group is a leading, vertically integrated producer of coal, one of the most important energy sources in the world. We create and deliver long-term value to our shareholders at every stage of our value chain – mining, processing, transportation, shipment through port facilities, sales and distribution. Our integrated business model enables us to benefit from economies of scale and helps us maintain our status as the leading coal exporter from Russia.



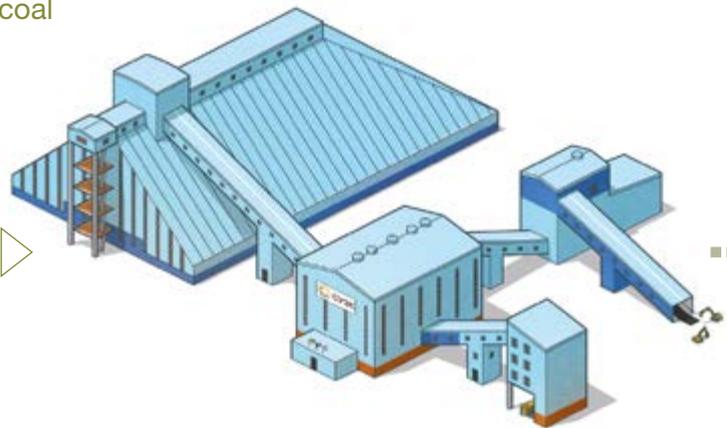
Mining

Our mining activities deliver a sustainable supply of high-quality thermal coal. Our strong reserve base and low-cost operations enable us to maintain a leading position and pursue ambitious growth targets. To achieve these, we invest heavily in modern equipment and continually upgrade our production units.

We intend to expand our production of high-quality hard coal, principally for international sales to the Asia-Pacific region from Vanino Bulk Terminal. We aim to operate our high-quality portfolio of assets safely, reliably and efficiently.

Having successfully managed the business through the recent market downturn with tight cost control, we produced 98.9 million tonnes of coal in 2014 – up from 96.5 million tonnes in 2013. Investment in production facilities has helped to increase output at most of our operating units.

 See Operating review for more details on page 62.



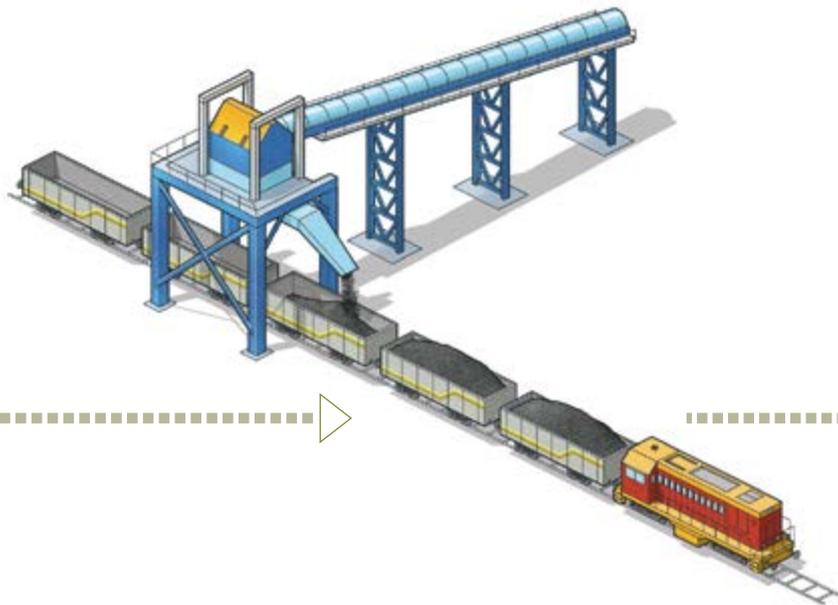
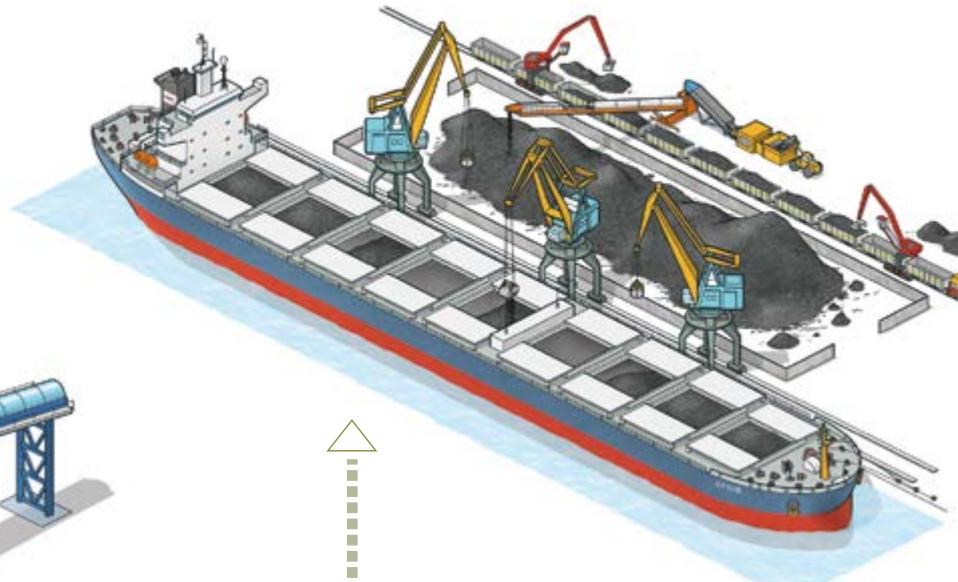
Washing and processing

The Group's processing and coal-washing facilities enable us to enhance the quality of mined coal: reducing ash and moisture improves coal's calorific value, and lowering transportation costs. Our international sales volumes are to a certain extent also driven by our coal washing and processing capacity, enabling us to meet the higher-quality requirements for coal sold on international markets.

We have responded to increasing global demand for higher-quality coal by building new facilities and by improving the operating efficiency of existing washing plants. Our actions have produced positive results, as we increased our processing capacity by 17% in 2014 compared to 2013, and helped boost our international sales by 8%.

We are particularly focused on developing facilities that will maximise opportunities in the Asia-Pacific region.

 See Operating review for more details on page 63.



Sales

We sell coal to a long-standing and diverse customer base through our established distribution and trading platform. We sell coal in more than 35 countries internationally with the help of our representative offices. We maintain a strong focus on the key markets of Asia-Pacific and Europe. More than 80% of international sales are direct to end users.

We continue to expand our presence in international markets, primarily in China. We recently opened a third Chinese office at Harbin in the north east (joining existing Shanghai and Beijing locations) to drive the growth of railway-based business. The establishment of SUEK Shanghai Trading has also allowed us to reach end users who buy only on domestic terms. We are able to extract additional value on price by removing intermediate traders. We have made real progress in developing business to Japan – a great achievement given it is such a hard market to penetrate – and established long-term business in new markets such as South Korea, Malaysia and Sri Lanka. In addition, we have maintained strong third-party sourcing of products from Indonesia, Chile and US to satisfy our customers' different quality requirements.

In Europe, we have a strong retail network in Poland which we are looking to expand. We plan to open more stockyards and to boost coal sales. In 2015, we also intend to increase our focus on sales to Mediterranean markets such as Italy, Morocco and Israel.

Our coal sales in Russia are principally to power plants under long-term contracts. This creates an important synergy for us, providing stable demand from locations close to our mines.

 See our Map of supplies on pages 28-29.

Logistics

The favourable locations of our coal assets, combined with easy access to key transport infrastructure and to Vanino Bulk Terminal, Murmansk Commercial Seaport and Maly port, enables us to reliably and cost-effectively supply the major markets of Russia, Europe and Asia-Pacific. We are closer to key Asian markets than many of our competitors, so we benefit from reduced transportation costs.

The Group currently manages the rail distribution of our coal to over 1,300 customers in Russia and to eastbound and westbound seaports for onward delivery to nearly 200 customers in 35 countries. We employ our own rail stations and infrastructure and also use contracted rail cars under various terms and conditions. These provide us with the flexibility to manage the rail fleet in the long term and to minimise risks associated with renting rolling stock in a volatile market. We aim to eliminate bottlenecks through reconstruction of our rail stations and also by adding new, higher-capacity rail cars to our fleet.

We continue to invest heavily in our infrastructure near mines and to expand the capacities of our dedicated port – Vanino Bulk Terminal.

 See Operating review for more details on pages 63-64.