

## DTEK & Linc Energy Cooperate on Syngas Production

DTEK, the energy holding of SCM Group, and the Australian company Linc Energy, have agreed to cooperate on development of underground coal gasification (UCG) technology in Ukraine for the production of synthetic gas.

DTEK had been studying options for applying UCG technology at its coal companies for several years. As a result DTEK decided to develop a partnership with Linc Energy, the world leader in underground coal gasification. The two parties signed an agreement in November 2012 for a provisional feasibility study.

The overall aim is to partially replace natural gas which is currently imported at huge cost from abroad. According to estimates, production costs of syngas are less than shale gas extraction and closer to the

cost of natural gas produced in Ukraine.

"Cooperation with Linc Energy allows for a new way of looking at the issue of efficiently and safely utilising Ukraine's proven coal reserves," stated DTEK CEO Maxim Timchenko. "Environment-friendly production of syngas will enable us to exploit coal reserves that cannot be developed by traditional mining methods. UCG gives new life to gas-based projects in electricity generation. All of this will help to reduce the energy dependency of Ukraine. We expect syngas production will start in 2014."

Further comment came from Adam Bond, the President of Clean Energy, Linc Energy's business division, who said, "Linc Energy has invested heavily in the development of UCG technology. The company



► Adam Bond, President of Clean Energy, shakes hands with DTEK CEO Maxim Timchenko

has been producing syngas from its Australian facility for 12 years. With oil and natural gas becoming increasingly expensive, more countries and companies are beginning

to show interest in UCG. DTEK has become a pioneer in this field in Ukraine."

DTEK's subsidiary DTEK Oil&Gas will be in charge of the UCG project.

SYNGAS PRODUCTION

## SCM Moves Headquarters to Pushkinskiy Business Center in Donetsk

The corporate headquarters of SCM has moved into a new Donetsk-based office, the Pushkinskiy business center.

The state-of-the-art building has been built by ESTA Holding, SCM's real estate company,

working with contractors from Germany, Italy, Serbia and the USA.

The business center employs a double skin façade - a unique technology for Ukraine - which ensures the building's

energy efficiency and reduces disturbance from external noise.

Pushkinskiy is Ukraine's most advanced business centre from the point of engineering solutions and uses the


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NEW SCM HEADQUARTERS



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## SCM Moves Headquarters



► The main hall inside Pushkinskiy

intellectual building concept, ensuring a single point of control over lighting, ventilation, air conditioning and security.

More than 2,000 people were employed during the 4-year construction project. Today about 100 people are engaged to service the building. ESTA Holding has already started renovating and landscaping the neighbouring area.

Both SCM and ESTA Holding are confident that Pushkinskiy business center will become a landmark for Donetsk citizens. ■

# Metinvest Invests \$325m in Mining Division

In 2012 Metinvest, an international vertically integrated group of steel and mining companies, invested more than \$325m in its mining division enterprises.

The Group invested over \$250m in capital construction projects and overhaul of capital equipment. Major projects in 2012 included:

- construction of an iron ore crushing and transfer complex and capital repairs to a pellet-roasting machine at Northern Iron Ore Enrichment Works;
- optimisation of beneficiation waste pumping at Ingulets Iron Ore Enrichment Works;
- development of ferrous sand fields at the Central Iron Ore Enrichment Works tailing dump.

Investments in acquisition of mining equipment for Metinvest's mining division amounted to \$75m.

These activities and purchases, said Nikolai Ishchenko, Director of Metinvest's Mining Division, were part of the company's long-term investment programme.

He added, "Systematic implementation of Metinvest's investment programme allows us to improve the competitiveness



► Nikolai Ishchenko, Director of Metinvest's Mining Division

of our mining enterprises. In this way we cut production costs, while at the same time reducing environmental impact and improving the safety of our employees."

Taking into account investments made in its steel division enterprises, Metinvest invested more than \$750m in 2012. SCM is the major shareholder of Metinvest. ■

### Metinvest to Build a Sintering Facility

Metinvest has started preparing a construction site for the future sintering facility at Yenakiyev Steel Plant. Presently the company is demolishing dilapidated buildings on the area of 22 hectares. The investment in construction of a new environmentally friendly sintering facility will be \$360m. It will be launched in 2016. This is going to be the first sintering facility built since Ukraine's independence.

## DTEK Gets US Trade and Development Agency (USTDA) Grant

SCM's energy holding, DTEK, has been awarded a US Trade and Development Agency (USTDA) grant to carry out a feasibility study for the construction of advanced power generating units at Burshtyn Thermal Power Plant. To obtain the grant valued at \$600,000, DTEK had to successfully complete due diligence in the USA to confirm its business transparency.

The new energy units will allow the company to replace four obsolete 200 MW units constructed in the 1960s. The contractor developing the feasibility study will have to determine the technology and capacity of the unit/units and prove their feasibility, taking into consideration the analysis of fuel resources and the legal requirements of Ukraine and the European Network of Transmission System Operators for Electricity (ENTSO-E).

The project is in line with Ukraine's commitments to modernise the energy sector and the units will meet the environmental standards of the European Energy Community.



► Burshtyn Thermal Power Plant

The new units are designed to improve overall efficiency of Burshtyn Thermal Power Plant, significantly reduce harmful emissions of dust and improve the ecosystem of the whole Ivano-Frankovsk region, where the plant operates.

DTEK CEO Maxim Timchenko said, "DTEK cooperation with the US government is an important part of our development. Since 2008 we have been working on a number of projects to promote energy efficiency, combat tuber-

culosis and design regional sustainable development strategies jointly with the USAID."

"The construction of new, modern power units is the first project of this kind in Ukraine. This will dramatically improve the environmental situation in the town of Burshtyn. Environmental protection is, after all, our first priority," he went on to say. "The grant is an acknowledgement of DTEK's professionalism and the transparency of our business." ■



## SCM Supports Production of the Flying Dutchman Opera



► A scene from the Flying Dutchman opera

A premiere of a new joint Ukrainian-German production of Richard Wagner's famous opera "The Flying Dutchman" was staged in Donbass Opera with the support of SCM and the Embassy of Germany in Ukraine.

The production of this famous opera was some 18 months in the making and involved 300 performers from four countries.

It is not only the original German language which makes this production of the famous opera one-of-a-kind, but also the unprecedented multicultural cooperation and ultra-modern staging,

with the latest set design technologies and video projection.

Natalia Yemchenko, SCM's Director of Public Relations and Communications, said, "One of SCM's goals is to ensure a good quality of life for Ukrainians in the regions of our operations. A good life is also about good education, continuous improvement of culture and development of the arts. Our support of this modern and dynamic version of The Flying Dutchman is SCM's contribution to the development of opera, theatre and cultural life in Donetsk and Ukraine."

## SCM Establishes New Industrial Holding: Transinvest

SCM has launched Transinvest Holding, a new industrial group of its transportation business. The new company will develop the construction and the maintenance of railway tracks as part of the SCM Group's transport infrastructure.

The new holding will include Donbass Industrial and Transport Company (Donpromtrans) and Kerch Railroad Switch Plant, which was previously controlled by Lemtrans, the biggest national private railway operator, also owned by SCM. Its principal consumers will be the industrial businesses within the SCM Group.

Commenting on this development, SCM Director of New Business Development Nikolay Nesterenko said, "A single corporate centre for managing the maintenance of our railroad assets will help both to capitalise the assets and improve management efficiency in this area. Lemtrans will focus on its main area of activity – freight operations."



► Nikolay Nesterenko, SCM's Director of New Business Development

Andrey Shpilka, CEO of Transinvest Holding, added, "SCM Group has more than 3,500 km of railroad tracks, which have to be maintained and repaired on a regular basis, including the replacement of railroad switches. At the same time we see some potential in providing these services in external markets, first of all, in the CIS."

## New Company Joins Mining Machines

Mining Machines, a heavy engineering holding owned by the SCM Group, has taken a new operation under its wing – the Svet Shakhtyora machine building plant in Kharkiv, Ukraine. Yevgeniy Romashchin, CEO of Mining Machines, is confident that the step will enhance the company's overall competitiveness and boost exports.

The Svet Shakhtyora operation will focus on the production of 'chain-and-flight' conveyors and coal plough units, which it has been successfully producing for many years.

"Mining Machines' businesses concentrate on individual product groups and this ensures the high quality of the manufactured equipment and best quality/price ratio for customers," says Yevgeniy Romashchin.

As Mining Machines has sales offices in Russia, Kazakhstan and Vietnam and has an aggressive export sales policy for entering the new markets, Svet Shakhtyora will be able to increase exports. In addition, its buyers can use the services of Mining Machines' maintenance departments and benefit from high quality after-sales service and post-warranty maintenance.



## SCM Publishes Sustainability Summary Report 2011

SCM has published its 5th Sustainability Report covering 2011. This year, for the first time ever, it has made a summary version to make it more convenient for readers to access the information.

The report shows that in 2011 SCM paid over \$2.3bn in taxes to local and national budgets and invested around \$2bn in development of its assets.

Around \$1bn was allocated to different programmes including: employee development, health and safety, environmental protection, energy efficiency and the development of local communities where Group companies operate.

The total payroll of the SCM Group was over \$1.6bn

in 2011, and the average salary of an SCM Group employee was more than double the national average.

Introducing the report, Natalia Yemchenko, SCM's Director of Public Relations and Communications, said, "SCM Group is Ukraine's biggest private investor. We seek to develop a successful business to ensure good work and pay for our employees and good living standards for our local communities. Pursuing this goal, we invested heavily in modernisation, the development of our employees and regions of our operations."

To download the report please go to SCM's corporate website: [www.scmholding.com](http://www.scmholding.com)

## Vega Telecommunications Group Secures British Telecom Partnership Deal

Vega Telecommunications Group, one of Ukraine's largest fixed-line communications operators owned by the SCM Group, has signed an agreement to become an authorised partner of British Telecom (BT), the global telecommunications provider. Vega is the first and the only authorised partner of British Telecom in Ukraine.

The partnership will help Vega, represented in the international market by the Ucomline brand, to promote and sell British Telecom services and products to its clients. In addition, Vega will gain access to British Telecom's proven technical expertise and R&D achievements.

Vega has been cooperating with BT since 2005, but to develop the relationship further, it has had to meet a set of strict requirements, including guaranteeing the quality of services and the successful

completion of help desk certification.

Pawel Karlowski, General Manager of British Telecom in Central and Eastern Europe, Russia and the CIS, noted in his comment on the deal, "Partnership at a local level will enable clients to access world-class network services using a local supplier in the national currency and with their mother tongue. This is a very attractive proposal consolidating the best qualities of both partners."

Lasha Mikava, CEO of Farlep-Invest, which provides the operational management of Vega, stated, "By choosing British Telecom as our partner in Ukraine we confirm the high quality of our services. Much closer cooperation will help us to share commercial marketing, technical resources and know-how. Thus it will improve the quality of network solutions for our clients." ■

## FACT FILE SCM Group's Retail



**Ukrainskiy Retail, operating under the retail brand Brusnichka, is responsible for the management of SCM's retail business.**

- ▶ The chain operates 99 stores in Donetsk, Kharkov, Dnepropetrovsk, Lugansk, Zaporozhye and Poltava Oblasts.

- ▶ The brand operates a "neighbourhood store" format, with food products dominating the product mix.

- ▶ In September 2011, the company presented a new concept for stores – freshmarkets offering quality and fresh products from trusted suppliers at reasonable prices and with friendly service.

- ▶ The company's assets also include three distribution centres of around 12,000 sqm and a production facility supplying the stores with meat products, fresh pastry and with cooked food.

- ▶ The company is headquartered in Donetsk and employs around 3,000 people.

- ▶ CEO for Ukrainskiy Retail is Dmitry Kulik.

- ▶ The company assets are fully owned by SCM.

[www.brusnichka.com.ua](http://www.brusnichka.com.ua)



**SCM's pharmaceuticals business is represented by Ukrainian Pharmacy Holding, which is fully owned by the Group.**

- ▶ Ukrainian Pharmacy Holding owns and manages networks consisting of 160 pharmacies and outlets serving about 35,000 customers daily.

- ▶ There are three retail brands: Zdravitsa (39 stores), Tsentralnaya (1 store) and Dobri Liky (124 outlets) – a rebranding exercise is about to be completed to migrate five currently unbranded stores to the Dobri Liky brand.

- ▶ Ukrainian Pharmacy Holding includes A'STA, a large supplier of pharmaceutical products and medical goods to healthcare facilities of Donetsk region.

- ▶ The pharmacies under the umbrella of Ukrainian Pharmacy Holding operate to the highest standards of service and quality control with skilled staff and careful compliance.

- ▶ The number of employees is around 1,350 people.

- ▶ CEO of Ukrainian Pharmacy Holding is Yuriy Zolotaryov.

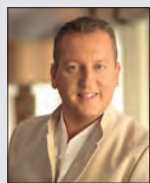
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## SCM Attends World Economic Forum in Davos

SCM took part in the World Economic Forum Annual Meeting 2013 held in Davos. SCM, which is the only Ukrainian strategic partner of the Forum, was represented by CEO Oleg Popov and Director of International and Investor Relations Jock Mendoza-Wilson. DTEK CEO Maxim Timchenko also participated in the meeting.

This year the theme of the Davos meeting was "Resilient Dynamism", and discussions focused on such issues as leadership in adversity, restoring economic growth, and how to strengthen society's ability to deal with risk and challenges.

Mr Mendoza Wilson acted as a rapporteur for the Davos meeting's session on "Pathways to a Sustainable Future" and wrote a number of stories about his impressions from Davos for Forum's ([forumblog.org](http://forumblog.org)) and SCM's blogs ([blog.scm.com.ua](http://blog.scm.com.ua)).



### Perspectives from the Magic Mountain

*"One of the phrases heard at this year's Davos was the idea of the "Great Rotation" meaning the rise of China, back to its global economic dominance, and the relative decline of the USA. The winners of this sea change in global economic leadership will be China's neighbours and the loser is likely to be the west, as global income is redistributed to the east..." Read more*

### So Just What is Resilient Dynamism?

*"To echo the Forum's theme, business needs to be dynamic to deal with the pace of change, but we must be resilient to the risks we face and be flexible to respond. I expect the key to success for business will be getting the best people in place and being ready and open for change..." Read more*

### Pathways to a Sustainable Future

*"If you want to be credible and focused, set achievable targets and then report on progress and outcomes – including the negatives. And, importantly, communicate. Never forget that openness and transparency are going to build trust and get that buy-in that makes projects work effectively..." Read more*

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