

## Metinvest Commended Internationally on Safety Project

Metinvest, SCM's international vertically integrated mining and metals company, has been given an award by the World Steel Association for the Best Occupational Safety Improvement Project.

The company is the first in Ukraine and the only one in Eastern Europe to be highly commended for its efforts in the field of occupational safety.

Launched in the second half of 2009, the project has introduced a set of corporate standards designed to change employees' attitude to health and safety and has resulted in a 19% reduction in lost time attributable to injuries at the company's various steelmaking facilities.

Company CEO Igor Syry said, "Minimization of production-related accidents is one of the fundamental goals of our strategy.



► Igor Syry, CEO of Metinvest and Edwin Basson, Director General, World Steel Association

"Guided by international industrial safety principles, we are doing our best to utilise innovative approaches to employee training and to

implement the most advanced methods and practice."

So far 19,000 employees have received health and safety training.

During the first six months of 2011 the SCM Group invested over UAH 450m in health and safety.

## SCM Publishes Public Report 2010

SCM has published its sixth Public Report, which provides an extensive overview of all the Company's activities for 2010.


The report summarises SCM's financial and production performance indicators and presents the most important information about both the

managing company and all the Group's businesses.


► A downloadable version of the report is available at [www.scmholding.com](http://www.scmholding.com)





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# SCM Group Powers Ahead in First Half of 2011


Interim results for the first six months of 2011 reveal a powerful performance by two of the Group's biggest operating holdings, Metinvest, SCM's vertically integrated mining and metals company, and DTEK, the largest privately owned vertically integrated energy company in Ukraine.

## Metinvest delivers sustained growth and profitability

Metinvest maintained a strong financial position in the first half of the year, achieving one of the highest EBITDA margins in the industry, supported by the company's cost-control measures and increased operational efficiency.

According to interim financial results for the first six months of 2011 Metinvest's consolidated adjusted EBITDA increased by 67.6% with margin stable at 28.6%.

Commenting on the results Igor Syry, Chief Executive Officer of Metinvest, said, "Metinvest's performance over the first half of the year once again reflects our ability to deliver sustained growth and profitability in line with our revised strategy. We have demonstrated an increase in steel sale volumes, and expanded the share of sales to European countries and to close neighbours in the CIS. Our consolidated revenues increased by 71.5% year-on-year to \$7 billion, with our



### Six Month Financial Highlights

#### Metinvest Summary Results

- ▶ Consolidated revenues up 71.5% to US\$6,991m
- ▶ Adjusted EBITDA up 67.6% to US\$2,000m (*margin stable at 28.6%*)
- ▶ Operating Profit up 105.4% to US\$1,571m
- ▶ Net Profit up 117.7% to US\$1,141m
- ▶ Capital expenditures up 202.2% to US\$559m
- ▶ Cash & cash equivalents of US\$724m at the end of the period (*vs. US\$449m as at 31 December 2010*)

#### DTEK Summary Results

- ▶ Revenue increased by 73.67% to UAH 18,452m
- ▶ EBITDA rose by 91.7% to UAH 5,067m
- ▶ Net profit increased by 70.9% to UAH 2,201m
- ▶ Net operating cash flow soared by 203% to UAH 2,993m

operating profit increasing by more than two-fold to \$1.6 billion."

## DTEK profits up 70% in H1 2011

The latest unaudited consolidated financials show that profits of DTEK rocketed by over 70% in the first six months of this year. The profits and other indicators prove once again DTEK's leading market position in Ukraine.

The published data was welcomed by DTEK CEO Maxim Timchenko, who said, "The results of the first half of 2011 show that we set our priorities properly during the last financial crisis.

"Our focus on continued modernisation of operations, development of human resources and investment

in occupational safety is paying off.

"Most importantly, we confirmed our ability to benefit from steadily growing demand for electricity both in Ukraine and abroad arising from the recovery of the economies of Ukraine and Europe.

"Thanks to the implementation of key investment projects we have managed not only to minimise as much as possible the failures and faults of the equipment in place, but have also increased our production capacities."

He added, "Thus, we have secured growth in all our key production and financial indicators.

"Our record financial performance also allowed us to increase expenditure on investment projects and, equally importantly, the social development programmes in the regions of our presence." ■

## SCM, DTEK & Metinvest Top Charts for Transparency

SCM and two industrial businesses in the group – DTEK and Metinvest – were placed in the top 5 of Ukraine's Transparency and Accountability Index for 2011.

The index was produced from an analysis of web pages of participating companies using a range of criteria, from availability of information about CSR policies and approaches, to detailed profiles of implemented social and environmental programmes. The Index covers the country's 100 biggest businesses as well as its internationally-listed companies.

SCM was voted top in the "Holding Companies" category while Metinvest was first in the "Heavy Industry" sector and DTEK led the way in the "Electric Power" category.

Jock Mendoza-Wilson, SCM Director of International and Investor Relations, said,

"SCM is committed to being an open and transparent business. We recognise that as a leading business group in Ukraine, stakeholders of all types want to understand what we do, where we operate and our values."

"To meet the expectations of our stakeholders and meet international business standards we regularly update them about our financial and social performance and publish independently audited annual reports," he went on to say.

"The fact that SCM and businesses from the Group lead their industries by transparency and accountability is another confirmation of the right choice we have made – to do business openly."

SCM's 2009 - 2010 Sustainability Report has also been selected as one of the top 3 non-financial reports produced



▶ Jock Mendoza-Wilson, SCM Director of International & Investor Relations

by Ukrainian businesses in a recent independent review undertaken by the CSR Centre. The electronic version of SCM's Sustainability Report for 2009 - 2010 is available on SCM's corporate website at [www.scmholding.com/en/sustainability/reports/](http://www.scmholding.com/en/sustainability/reports/). ■

## ESTA Holding Brings Park Inn by Radisson to Ukraine

ESTA Holding, Ukraine's biggest investor in the real estate sector, has struck an agreement with the Rezidor Hotel Group to operate a Park Inn by Radisson hotel to be opened in Donetsk.

With a prime location in the city centre, on Pushkina Boulevard, the hotel will be launched in early 2012, in time for the EURO 2012 Football Championships.

The hotel will have 172 rooms, an all-day dining restaurant and four meeting rooms.

Dejan Djordjevic, Managing Director of Hospitality Business at ESTA Holding, said, "Park Inn Donetsk will be the first international mid-range branded hotel in Ukraine and will bring the expertise and high standards of affordable accommodation to Ukraine's hospitality market."

Further comment came from Rezidor



► The upcoming Park Inn hotel in Donetsk

CEO Kurt Ritter, who said, "Ukraine is a key market in Eastern Europe for us. We are already successfully operating our upper upscale brand, Radisson Blu, in

the country and are delighted to follow with our young and dynamic mid-market brand Park Inn for which we see a considerable growth potential." ■

## Metinvest Publishes 2nd CSR Report



Metinvest has published the company's 2nd Corporate Responsibility Report. The Report covers the period 2009-2010 and has been prepared in accordance with the GRI (Global Reporting Initiative) and the Communication on Progress principles of the UN Global Compact. In line with best international practice, the Report has been independently assured by Ernst and Young.

Entitled "From Workplace to Community" the Report can be downloaded from: [www.metinvestholding.com/en/csr/annual\\_reports](http://www.metinvestholding.com/en/csr/annual_reports). ■

## Movers and Shakers of SCM's Agribusiness

SCM has decided to strengthen its position in the agribusiness and introduced the new post of SCM Director of Agricultural Business Development offering it to Sergey Zuzak.

"For me the post of SCM Director of Agricultural Business Development is both a big achievement and high responsibility, because agriculture is strategically important for SCM and the whole Ukraine. I hope I can live up to expectations and properly use all my knowledge and expertise to meet my objectives," Sergey Zuzak



► Sergey Zuzak, SCM Director of Agricultural Business Development

commented on his appointment.

He will represent SCM as a shareholder in the Supervisory Board of HarvEast Holding and be responsible for strategy, investment, finance and risks.

At the same time, 41-year-old Briton, Simon Cherniavsky, has been appointed CEO of HarvEast. He will be in charge of the company's operational and commercial activity and involved in devising the development strategy.

The first public presentation of HarvEast's strategy is scheduled for mid-2012. ■



► Simon Cherniavsky, CEO of HarvEast



## First Ukrainian Energy Index Spotlights Country's Energy Saving Potential

A newly-published energy efficiency index, Ukrainian Energy Index, estimates that significant financial savings could be made in Ukraine if more innovative energy efficiency measures were taken.

The Ukrainian Energy Index puts the spotlight firmly on the country's energy saving potential, saying that the national economy could potentially benefit to the tune of some €11.8bn per year if energy efficiency standards were raised.

The index was initiated by SCM, with the company seeing efficient energy use as a cornerstone and an integral element of its sustainable development strategy. The Index was compiled by the analytical centre BEST, with the media support of Ukrainian business magazine Vlast Deneg.

The index not only highlights the energy efficiency of each Ukrainian region, but also suggests ways to improve performance both nationally and regionally. It is the first time energy efficiency of the Ukrainian economy has been calculated with respect to its structure by comparing its energy consumption

with identical indicators used in the EU. The survey identified Ukraine's most energy efficient oblasts, with Vinnitsa, Chernovtsi and Odessa considered to be the top three regions.

Nikolay Pashkevich, Chairman of the State Agency on Energy Efficiency and Energy Conservation, points out that in order to produce one euro of GDP, Ukraine uses twice as much energy as the EU average. This is reflected in the survey, he said, which shows that energy efficiency in Ukraine is currently only about 52% of that of the EU.

Raising the energy efficiency of sectors such as industry, agriculture, services, housing and utilities towards European levels will, he argues, achieve tangible results.

It is estimated, for example, that improved energy efficiency performance could save the equivalent of 27 million tonnes of oil consumption (cutting consumption by 48%) or approximately 34 billion cubic metres of natural gas.

Commenting on the findings, Natalia Yemchenko, SCM's Director of Public Rel-



▶ Natalia Yemchenko, SCM Director of Public Relations and Communications

ations and Communications, said, "Annually SCM invests at least \$200 million to improve the energy efficiency of our enterprises and sustainable use of resources. We realise like no other the scope and importance of the problem for competitiveness of our country."

She added, "With the index we pursue a very simple goal: to show to Ukraine's regions how efficiently they use energy today compared with Europe and what is their potential saving. Applying EU approaches and technologies in the present economic structure could save almost €12 billion annually across the country."

More information about the Ukrainian Energy Index is available at the website of the project [www.energy-index.com.ua](http://www.energy-index.com.ua). ■

## SCM Supports EU Integration

### SCM delivers keynote at European Parliament debate on the Future of Ukraine

"SCM has always had a clear view of the importance of Ukraine's integration into the European Union, and in particular the need to secure the Deep and Comprehensive Free Trade Agreement," stated SCM Director of International and Investor Relations Mendoza-Wilson in his address at a conference held at the European Parliament in Brussels to mark the 20th anniversary of Ukraine's independence and discuss the country's European integration.

The event, organised by Ukraine's Mission to the European Union and the Brussels-based think tank, the European Policy Centre, featured a strong line-up of European and Ukrainian politicians and representatives of Ukraine's business community.

During September SCM and DTEK also supported diplomatic receptions in Brussels, Washington DC and London to mark the 20th anniversary of Ukraine's independence.

### SCM supports European Youth Parliament

The third regional session of the European Youth Parliament (EYP) took place on 24-28 August in Chernigov



▶ Jock Mendoza-Wilson congratulates Ambassador Dolhov at the Brussels Reception to commemorate Ukraine's 20th Anniversary of Independence

under the motto "Changing the world – challenging youth". Supported by SCM, the forum debated possible ways of tackling the most important economic, social and cultural issues of modern Europe. The international youth forum was an important step towards developing European integration processes in the region and made it possible for its participants to gain invaluable experience working as part of an international team. Mr Jock Mendoza-Wilson commented, "SCM has long supported the initiatives of the European Youth Parliament (Ukraine) as its goals of international cooperation and integration are in line with our own philosophy." ■

## SCM's Filling Stations Business, Parallel LTD



▶ Manages SCM Group assets in the wholesale and retail trade of petroleum products

▶ Managed by CEO Yelena Khiliyenko  
▶ Operates the region's largest chain of more than 80 filling stations which include the brands Parallel, Gefest, Pitstop and a chain of ZZZIP! convenience stores and car wash businesses

▶ Supplies fuel under a franchise programme to 48 filling stations which are being rebranded as "Parallel"

▶ Present in Lugansk, Donetsk, Kirovograd, Zaporozhye, Dnipropetrovsk Oblasts and Crimea

▶ Market leader in petroleum products in Eastern Ukraine, where it is expanding its retail chain

▶ Will open at least 50 new retail outlets by end-2012 ■