

How We Work: Principles & Values of SCM Group

SCM Group has published its standards and principles document, *How We Work*, which sets out the ethical values for business conduct to be followed by the Group's employees and serves as the basis for the codes of ethics for SCM's operating businesses.

SCM Group's Principles of Business Ethics

- ▶ honesty and good faith in relations within the company
- ▶ integrity in relations with customers and business partners
- ▶ respect for the individual and observance of human rights
- ▶ transparency and openness
- ▶ zero tolerance for bribery and corruption
- ▶ sustainable development and social responsibility
- ▶ legitimacy and the rule of law

How We Work is based on SCM's key principles of business ethics and describes

how the company manages its business and what it thinks to be the right way of doing business and what is unacceptable.

"Actions speak louder than words. The behaviour of everyone from senior manager to shop worker influences how successful we are, how effectively we work and how SCM is seen and perceived by the wider public," said SCM CEO Oleg Popov.

"If everyone at SCM works to these principles, we are sure to succeed and share this success with others. This would be a success for which both Ukraine and the world will recognise and respect us," he continued.

SCM is launching a number of practical tools to ensure principles and values are embedded into the Group's corporate culture. The company will establish Business Ethics Committees for



▶ Employees at the presentation of *How We Work*

each business area, develop ethical codes for its businesses based on group-wide rules, principles and values, and organise training sessions to roll out the policy. SCM has also set up the SCM Group trust line as a way to give direct

feedback to senior executives and supervisory boards.

SCM encourages current and future business partners to follow these ethical values and business conduct standards outlined in the document.

Metinvest Joins Forces with Canada's Black Iron to Develop Iron Ore Assets

Metinvest, Ukraine's largest mining and steel business, has come to an agreement with Black Iron Inc, a Canadian iron ore exploration and development company, to invest in

its development projects.

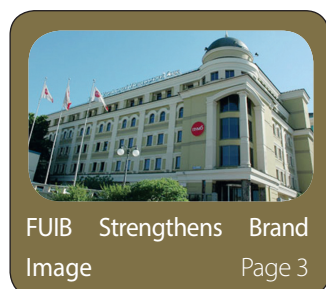
Metinvest has a strong track record of developing and operating iron ore projects in Ukraine, which will prove invaluable to Black Iron in

the advancement of its new project.

Subject to final regulatory approvals, Metinvest will invest \$20m to buy a 49% shareholding of BKI Cyprus, which is

currently a subsidiary of Black Iron and develops its Shymanovskoye and Zelenovskoye deposits, both located in Krivoy Rog, Ukraine.

>> Continued on Page 2



>> Continued from Page 1

Metinvest Joins Forces with Black Iron

Based on projected total capital investment requirements of over \$1bn, Metinvest's potential investment could reach as much as \$536m.

Metinvest will also be granted a non-transferable option to acquire additional shares in BKL Cyprus to increase its effective ownership to 51% following achieving full run rate production of 9.2m tonnes per annum of iron ore concentrate for three consecutive months.

Completion of the arrangement is subject to all necessary regulatory approvals, including Ukraine's Anti-Monopoly Committee.

The agreement was welcomed by Matt Simpson, President and CEO of Black Iron, who said, "Black Iron selected Metinvest for its industry-leading experience in iron ore mining and steel making as

well as its operational history in Ukraine. This agreement greatly strengthens our development team and I look forward to being closely associated with Metinvest. Together, we will help bring new world-class iron ore processing, safety and environmental technologies to Ukraine."

Further reaction came from Igor Syry, CEO of Metinvest, who said, "Metinvest believes that development of Black Iron's Shymanovskoye project will be important for Ukraine and its economy. It will represent a major investment in Ukraine, resulting in increased local employment, the improvement of local infrastructure and environmental standards in Krivoy Rog, and it will be a catalyst for regional and national social and economic development."

SCM is a major shareholder of Metinvest.



► Metinvest annual report 2012

[Click to download](#)

Stage 2 of Botievo Wind Farm Nears Completion

Wind Power, a subsidiary of SCM Group's energy holding DTEK, has raised a €138m loan from LandesBank Berlin, one of the largest banks in Germany. The 10-year term credit will finance construction of Stage 2 of Botievo Wind Farm which will include 35 of the latest Vestas V-112 wind turbines with a total capacity of 105 MW. The installation is to be completed in 2014.

DTEK CFO Vsevolod Starukhin said, "DTEK has been active in introducing new technologies into the production process and the world's best practices of corporate management and transparent business



► The Botievo Wind Farm

conduct. These steps enhance trust of investors and provide a good basis for raising finance from international banks."

This is the second time Wind Power and LandesBank Berlin have cooperated

in the construction of Botievo wind farm. The previous €107m deal was recognised a Deal of the Year 2012 by Euromoney's Trade Finance and Global Trade Review magazines.

DTEK Starts Gas Imports from Europe

DTEK Trading, a trading business operating under the umbrella of SCM Group's energy holding DTEK, has begun importing gas from Europe.

The company imported an estimated 100m cubic metres of natural gas in July. Further imports throughout the rest of this year will depend on the economic feasibility and outlook for the Ukrainian and European gas markets.

Following its development strategy to 2030 DTEK envisages the creation of a diversified energy company operating both domestically and internationally. The goal of the strategy foresees energy sales, including gas, on energy trading platforms and under direct contracts

with both domestic and global partners.

Andrey Favorov, DTEK's Commercial Director, commented, "Our goal is to improve business efficiency and the competitive strength of our products and services. Having built up an efficient vertically integrated chain in coal, we are now turning to gas, as DTEK consumes over 3bn cubic metres of natural gas per year. Currently, European gas prices are lower than those of Naftogaz of Ukraine, so we are planning not only to produce our own gas, but also to import it."

The entire SCM Group consumes a total of 6bn cubic metres of natural gas per year.



► DTEK annual report 2012

[Click to download](#)

FUIB Strengthens Brand Image and Reputation

First Ukrainian International Bank (FUIB) is going from strength to strength, featuring prominently in global and national surveys.

A survey by The Banker, the UK-based international financial affairs publication, reports that FUIB boosted its position in the annual rankings of the world's largest banks.

In 2013, it is placed 844 in the world's top 1,000 banks, some 82 positions higher than in 2012. FUIB has been ranked in the top 1,000 for the third year running.

Sergey Chernenko, Chairman of the Management Board at FUIB, said, "We were pleased to see the higher position of FUIB in the ranking of the Top 1000 world's largest banks by assets published by The Banker. Once again it shows the effectiveness of our development strategy, which in the continuing challenging economic conditions facing Ukraine continues to provide business growth at a controlled risk level. For 1.5m individuals and more than 20,000 corporate customers FUIB remains one of the largest and most reliable banks in the country."

FUIB has also joined the Top 100 Biggest Banks in the CIS by Assets, a rating compiled by Ria Analitika Centre for Economic Studies (Russia). Although economic growth has slowed down in Ukraine, the bank maintains 76th place on the list.

Along with strong positions in financial rankings, FUIB systematically and consistently follows best corporate governance practices. This is the verdict of Concorde Capital's research team in the fourth Corporate Governance Standards 2013 study covering Ukrainian public companies. This year the ranking included FUIB for the first time and recognised the bank as a leader in corporate governance quality by placing it 3rd on its bond issuer list.

FUIB Financial Performance, H1 2013

Key indicators		Growth
► Net profit	\$26.3m	+ 47.8%
► Net assets	\$3.9bn	+ 19.6%
► Loan portfolio	\$2.7bn	+ 5.8%
► Customer accounts	\$2.5bn	+19.0%
► Equity	\$661m	+ 7.1%

New Sinter Plant Opened at Zaporozhstal

Ukrainian President Viktor Yanukovych has opened the new sinter plant at Zaporozhstal, said to be one of the most advanced facilities in Eastern Europe. Zaporozhstal is 49.9% owned by Metinvest.

New cutting-edge technology means the plant will be able to recycle about 6,000 tonnes of iron-containing waste per year and slash dust and gas emissions by approximately 10% of its total emissions.

The new facility is expected to help Zaporozhstal reduce its environmental footprint in the region.

Rinat Akhmetov, the President of SCM which is the largest shareholder in Metinvest, said at the opening ceremony, "We are committed to making this plant one of the best facilities in Eastern Europe. We have two major objectives: economy and environment, which cannot be achieved without significant investment. Despite the current crisis in the global markets we will continue to support modernisation. I am confident that we will build a strong economy."



► Rinat Akhmetov at the opening ceremony

He added, "I am sure that Zaporozhye will have clean air as it will benefit everybody: businesses, employees, the city, the region, and the country."

Further comment came from Zaporozhstal CEO Rostislav Shurma, who said, "To date we've done a lot. We built a coal terminal for the pulverized coal injection facility and launched new sinter plant No.1. We have new ambitious targets ahead. Our staff understand well the "efficiency-future" linkage and work to win the prize of being the most efficient steel mill."

SCM Sells Ukrainian Pharmacy Holding



SCM has closed the deal to sell 100% of Ukrainian Pharmacy Holding (Zdravitsa and Dobri Liky pharmacy chains, Tsentralnaya Pharmacy, and A'STA regional wholesale pharmacy company), which have operated under SCM Group's umbrella since September 2010.

The parties agreed not to disclose the amount and other details of the deal.

SCM Group Public Report 2012

"Our actions speak louder than any words... According to the Economic and Social Impact Assessment we conducted with Ernst&Young, added value of SCM Group comprises 3.9% of Ukrainian GDP. Group enterprises employ 1% of the economy's workforce, and taxes and fees to all budgets and off-budget funds equaled \$2bn or 4.7% of total tax revenues of Ukraine... Our capital investments account for nearly 10% of the total fixed asset investments in the Ukrainian economy. In 2012 we spent over \$2.2bn in total on modernisation of our business."

Excerpt from SCM CEO Oleg Popov Statement



[Download the report](#)

Mining Machines & VINACOMIN Sign MoC

SCM Group's Mining Machines, which is the CIS's largest producer of mining equipment, has signed a memorandum of deeper cooperation with Vietnamese state-owned producer of mineral resources VINACOMIN.

The deal will forge closer cooperation to install machinery and design mine shafts and vertical handling systems for the mines in Quang Ninh region.

VINACOMIN is set to almost double its annual coal production to 75m tonnes over the next four years, mostly through underground mining operations. Quang Ninh province coal mines produce around 90% of the national output.

Underground mining is in the spotlight in Vietnam today as the estuary of Song

Hong river, where most of the country's coal is produced, was included into UNESCO's World Heritage list. Therefore, open-cast mining is impossible in the region.

"Mining Machines has unmatched expertise in extracting coal from thin and steep seams, and our Vietnamese partners can benefit from this," said CEO of Mining Machines, Yevgeniy Romaschin.

The company has already been building two vertical shafts at Nui Beo mine and expects to be engaged as the general contractor by VINACOMIN for a variety of mine construction projects, offering the full range of services from design and installation of machinery to coal mining automation.

Follow SCM Group Directors' insights at blog.scm.com.ua

THIS IS HOW WE WORK & WE WILL WORK ONLY THIS WAY

Natalia Yemchenko, SCM Director of Public Relations and Communications, on the principles and values of the SCM Group.



"Today SCM Group employs about 300,000 people and there are over 5 million people in the regions where we operate. I believe that most of our employees share our principles and values and work in line with them. I also believe that if everyone at SCM, without exception, works to these principles, the quality of life for the people in the regions of our presence will become better." ... [Read more](#)

UKRTELECOM: NO REVOLUTIONS, ONLY WORK AHEAD

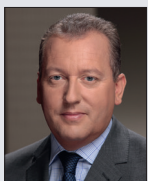
Ilya Arkhipov, Managing Director of SCM Advisors (UK) Limited, on making Ukrtelecom a success and creating value for its subscribers.

"We are ready to develop Ukrtelecom and we are ready to invest. We want to attract new subscribers, offer new services to the existing subscribers, and build a modern telecommunications infrastructure in Ukraine. We understand the needs and wishes of end users and we are confident that Ukrtelecom will be able to meet their expectations with our help." ... [Read more](#)



IMPROVING THE INVESTMENT CLIMATE FOR UKRAINE

Jock Mendoza-Wilson, SCM Director of International and Investor Relations, on Ukraine's steady progress and the challenges that remain to be addressed.



"Adoption of EU regulatory principles should lead to an improved ease of doing business in the country, reduce risk and act in the medium term to boost foreign direct investment – where Ukraine has for long lagged behind its Eastern European neighbours. Many countries are chasing the same investment euro or dollar in competition with Ukraine. Enhancement of the business climate and investment potential that regulatory reform would bring would significantly aid Ukraine's competition for these funds." ... [Read more](#)

FACT FILE

SCM Transportation Business



Established in 2010, Portinvest manages SCM's port assets and implements investment projects in the Ukrainian transport industry.

► Stevedoring services are performed by Sevastopol-based Avlita, one of Ukraine's largest private transshipment facilities in the Black and Azov Sea basin. Annually it can handle up to 5.5m tonnes of cargo.

► Portinvest Logistic provides ship agency, cargo forwarding, customs clearance, brokerage and container transportation services.

► Marine Industrial Complex is one of the largest shipyards in the Black and Azov Sea basin. It operates the largest dry dock in the region.

► Yuzhny Marine Terminal and Mariupol Marine Terminal are constructing terminals in the seaports, where SCM is the biggest consignor.

► Investment in Yuzhny will be \$250m, in Mariupol – about \$200m.

► Portinvest Holding's CEO is Aleksandr Smirnov.

www.portinvest.com.ua



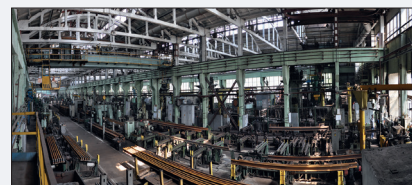
Lemtrans is Ukraine's biggest private company in the rail transportation and forwarding market offering railway cargo transportation services for SCM Group's holdings.

► The company operates more than 13,500 open rail-cars and annually transports over 51m tonnes of freight.

► Lemtrans has a 18.4% share of the national open-car freight transportation market.

► Lemtrans's CEO is Vladimir Mezentsev.

www.lemtrans.com.ua



SCM Group set up Transinvest Holding in November 2012 to manage construction and repair of railway tracks, initially, for SCM Group's transport infrastructure.

► Transinvest Holding comprises Donbass Industrial and Transportation Enterprise and Kerch Rail Switch Factory.

► Transinvest Holding focuses on construction, modernisation and repair of railway tracks along with production of railroad switches.

► Transinvest Holding's CEO is Andrey Shpilka.

For further information, or to subscribe, please contact:

Jock Mendoza-Wilson, Director of International and Investor Relations
System Capital Management, 1 ul. Maryinskaya, Donetsk 83001, Ukraine
ir@scm.com.ua – www.scmholding.com



MIX
From responsible
sources
FSC® C004491