DTEK: THE LEADER IN UKRAINIAN COAL & ENERGY MARKETS

SEPTEMBER 2011

CONTENTS

- **DTEK at a glance**
- Ukrainian energy market overview
- Operations
- Financials
- Back-up

LARGEST PRIVATE VERTICALLY INTEGRATED ENERGY COMPANY IN UKRAINE

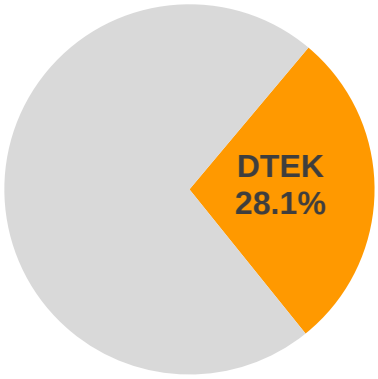






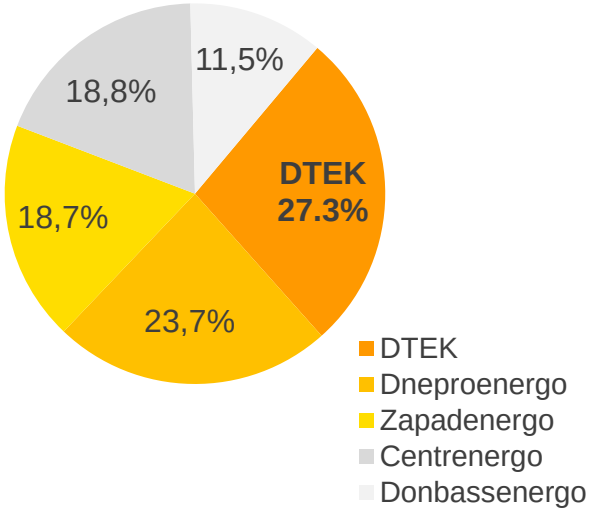
Coal production

Share in coal mining in Ukraine



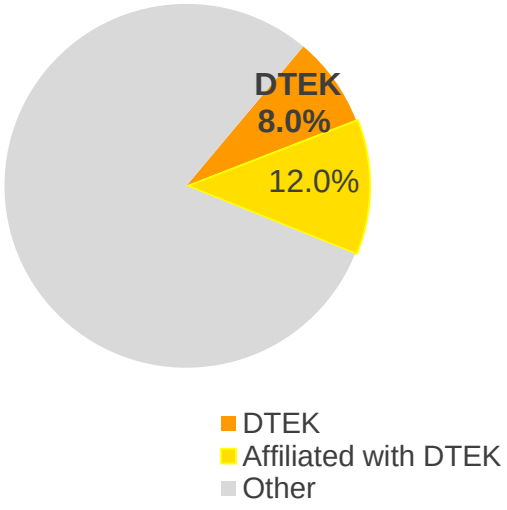
Thermal power generation

Share in power generation in Ukraine[1]



Power supply & sales

Share in power supply in Ukraine[2]



[1] As of 30.06.2011, DTEK owns 47.55% of Dneproenergo, 39.98% of Kievenergo and 25.06% of Zapadenergo
[2] As of 30.06.2011, DTEK owns 30.6% of Donetskoblenergo and 39.98% of Kievenergo

Source: DTEK. The Main Data Processing Center of NPC Ukrenergo

LONG-TERM GOALS

Fuel:

- Coal mining > 50 m t
- Gas production > 3 bn m^3

Power Generation:

- Thermal generation > 16 Gwt
- Renewable energy sources > 1 Gwt

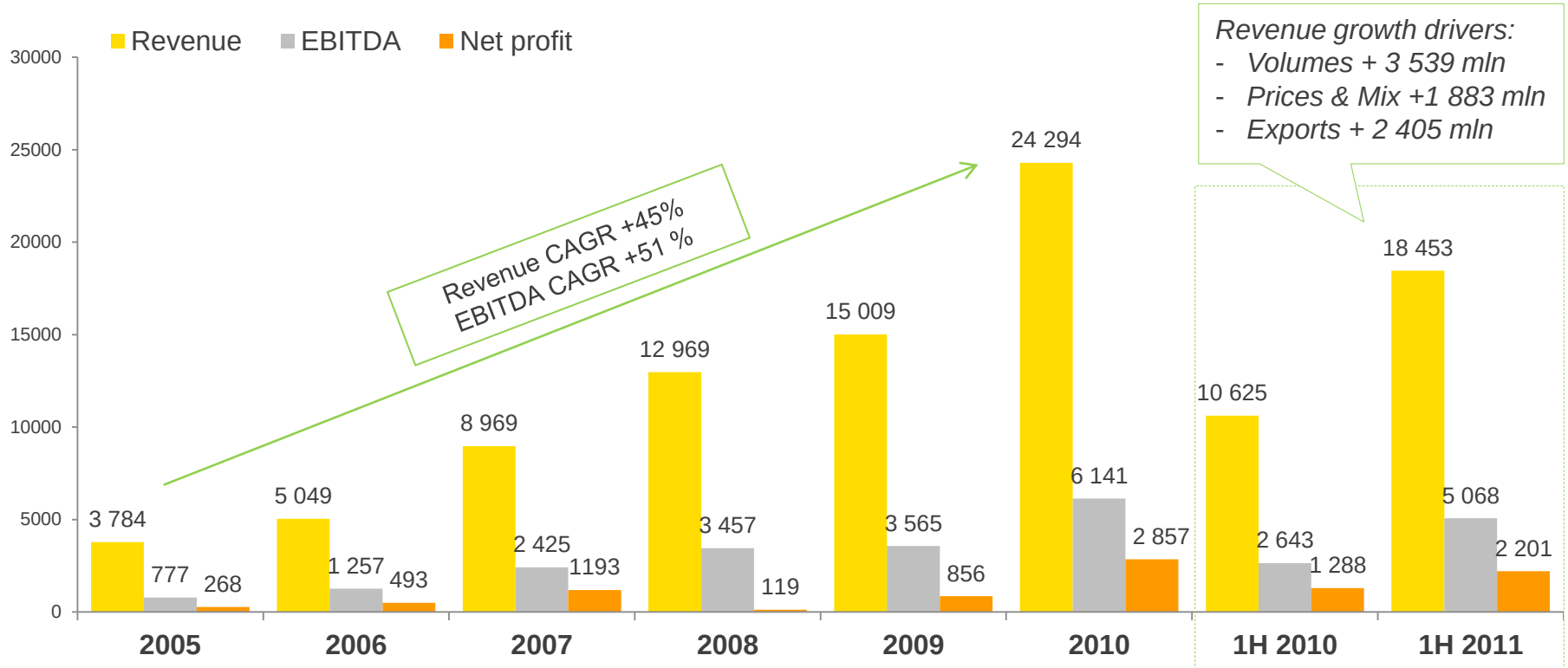
Power Supply:

- Electric power supply > 60 bn Kwt h
- Thermal power supply > 15 000 Gcal



STRONG PROFIT GROWTH

Revenue, EBITDA and Net Profit, *UAH mln*



Revenue growth drivers:
- *Volumes + 3 539 mln*
- *Prices & Mix +1 883 mln*
- *Exports + 2 405 mln*

YoY growth:

	2006	2007	2008	2009	2010	1H 2011
REVENUE	+33%	+78%	+45%	+16%	+62%	+74%
EBITDA	+62%	+93%	+43%	+3%	+72%	+92%
NET PROFIT	+84%	+142%	-90%	+619%	+234%	+71%

All figures for 1H 2011 are actual

Source: DTEK

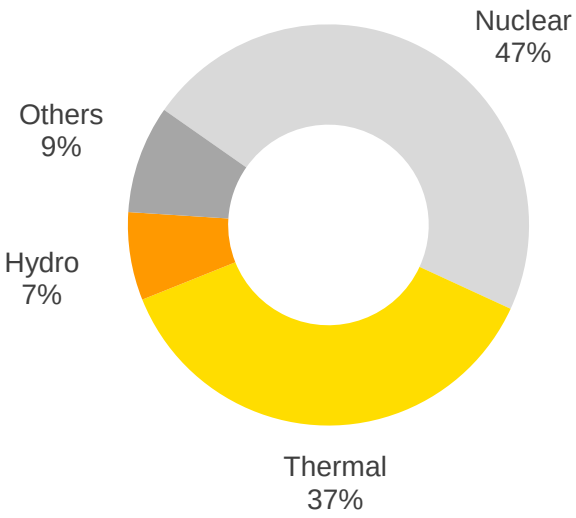
CONTENTS

- DTEK at a glance
- **Ukrainian energy market overview**
- Operations
- Financials
- Back-up

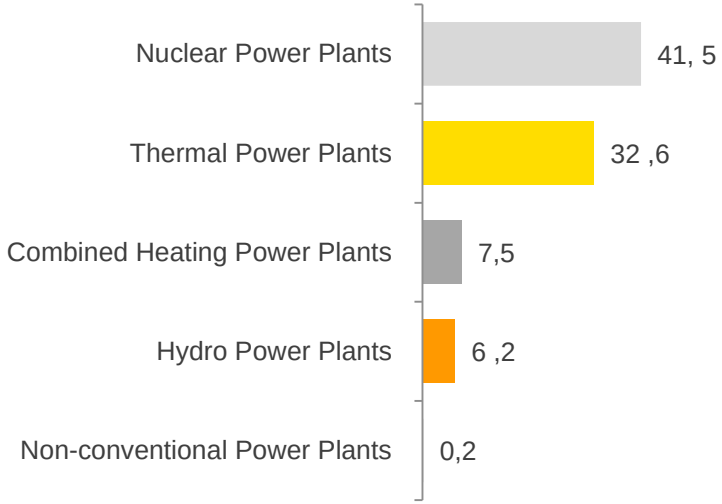
POWER GENERATION MARKET

Thermal power plants are the only generation assets in Ukraine with available capacity to meet mid-term electricity consumption growth

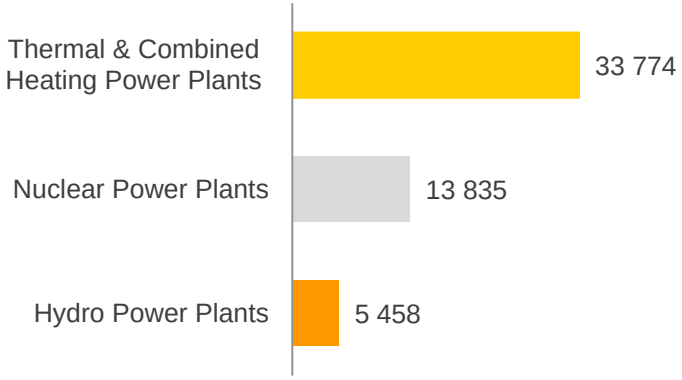
Breakdown of Ukraine's electricity production, *gross*



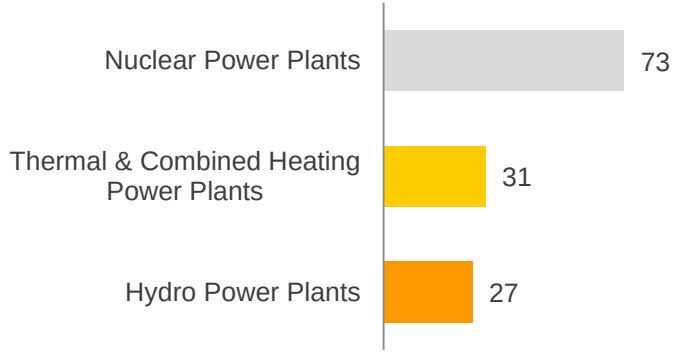
Power plants output to WEM, *TWh*



Installed capacity, *MWt*



Installed capacity utilization, *%*

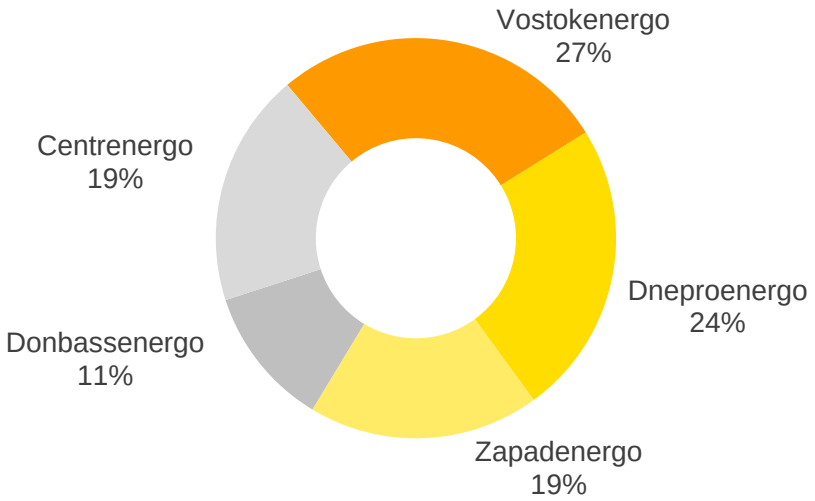


* All figures are 1H 2011 actual

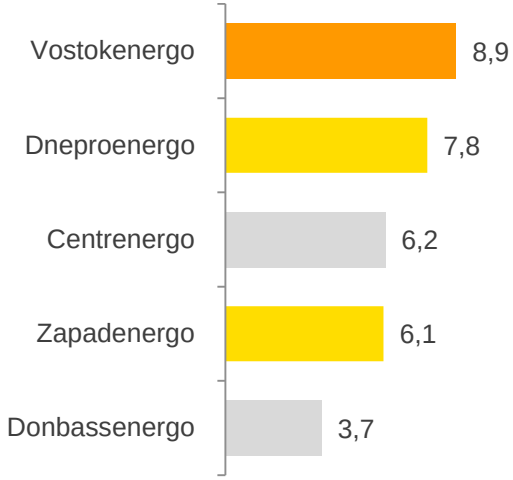
Source: DTEK, Main Data Processing Centre of NPC Ukrenergo

THERMAL POWER GENERATION MARKET

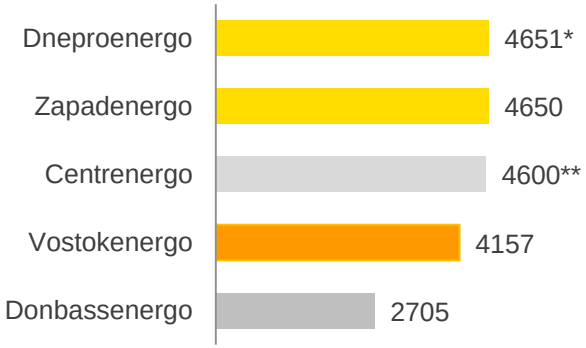
GenCos share of thermal power generation, *%*



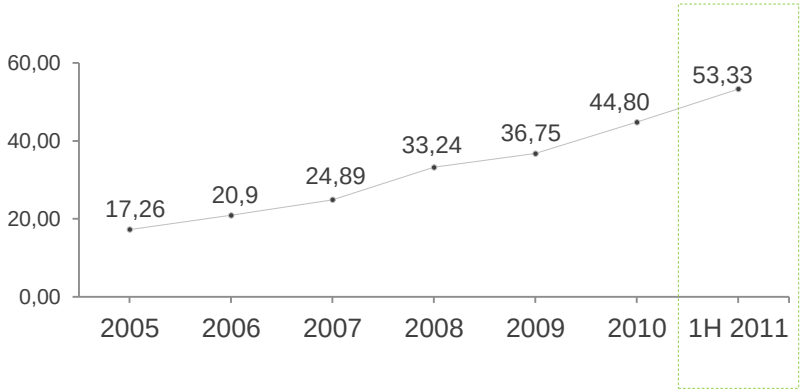
GenCos output to WEM, *TWh*



GenCos installed capacity, *MWt*



GenCos Average tariffs, *kop/ kWt h*



** Dnepronergo's installed capacity is net of suspended oil & gas power units, and out of service units (8185 MWt including all units)*

*** Centrergo's installed capacity is net of suspended oil & gas power units, (7600 MWt including all units)*

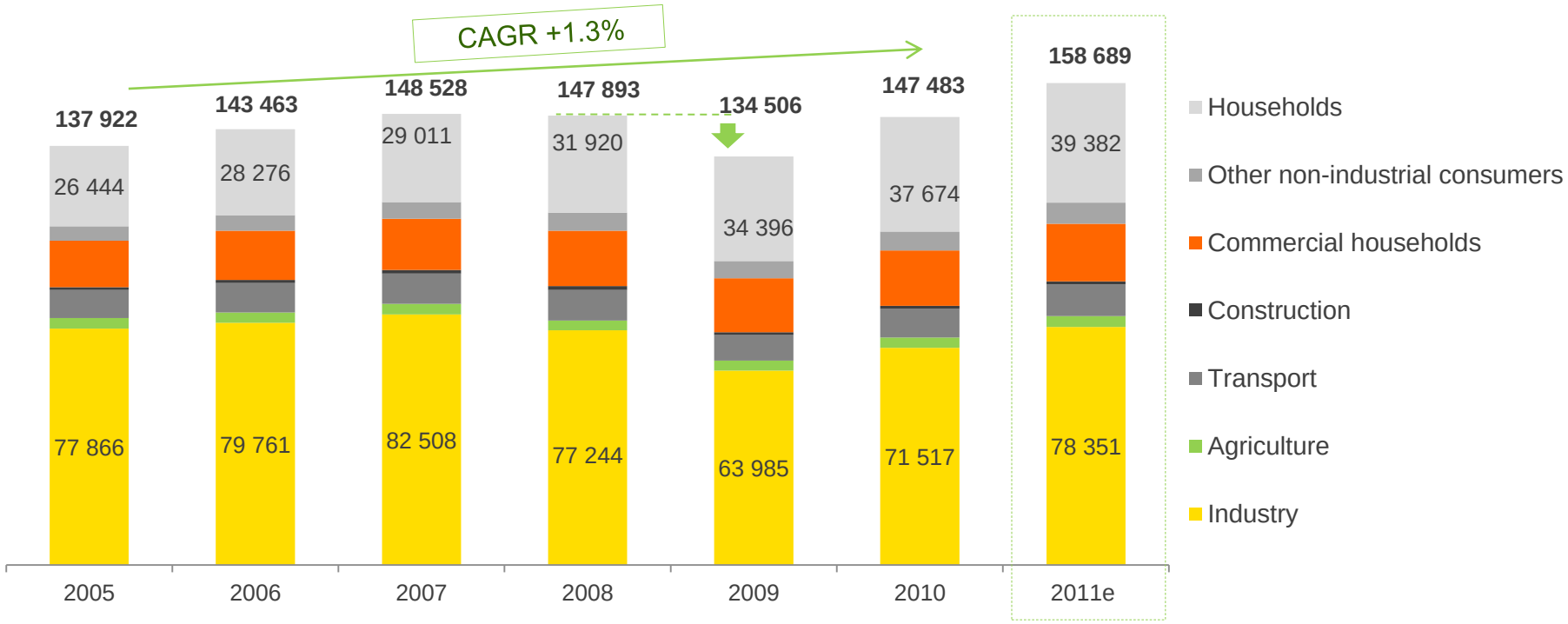
* All figures are 1H 2011 actual

Source: DTEK, the Main Data Processing Center of NPC Ukrenergo

UKRAINIAN ENERGY CONSUMPTION TRENDS

Electricity demand is expected to grow at **CAGR +3.7%** in 2011-2020. In the mid-term (2011-2015) industry electricity consumption is expected to grow at **CAGR +2.8%**. Households demand should outperform the industrial sector with **CAGR +6%,** coming from the lowest in Europe electricity consumption per capita levels.

Electricity consumption by categories, *Mwh*

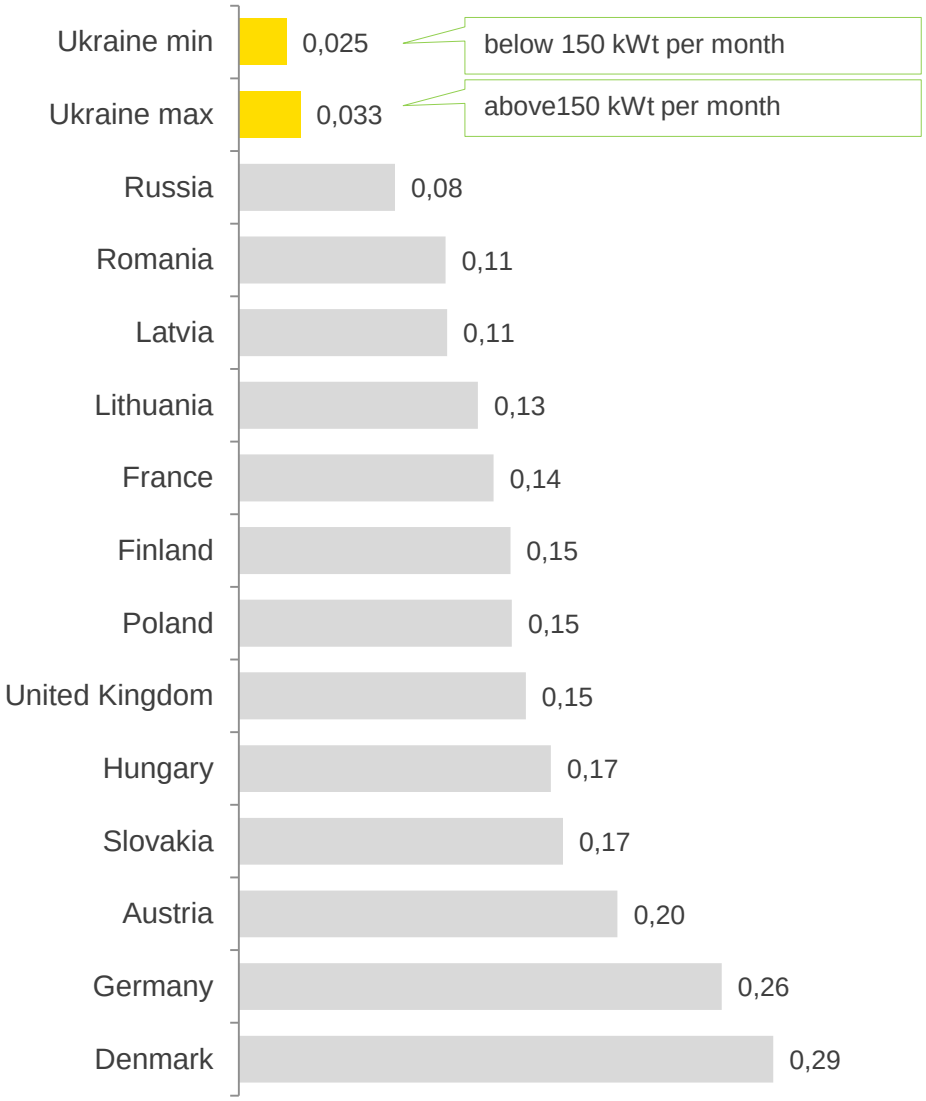


All figures are 1H 2011 actual

Source: DTEK. National Electricity Regulatory Commission of Ukraine (NERC)

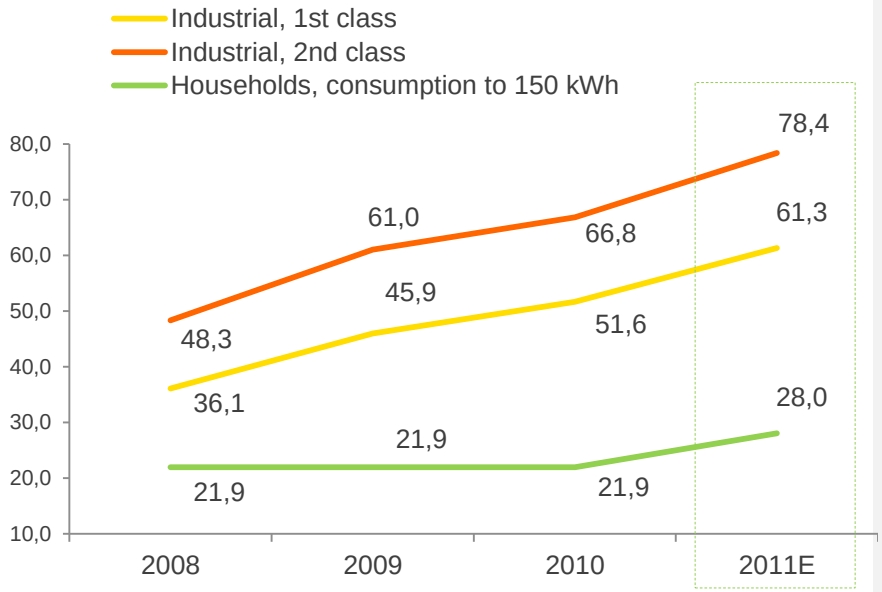
HOUSEHOLD TARIFFS ARE AMONG THE LOWEST IN EUROPE

Average households electricity rates in Europe, *€/ Kwh*



- ***The average household tariff for the EU-27 is 0,16 €/Kwh. with the striking difference to Ukraine at 0,025 - 0,033 €/Kwh.***
- ***To bring Ukrainian tariffs to an economically justified level a four-fold increase is needed.***

Tariff Growth in Ukraine, kop/kWh

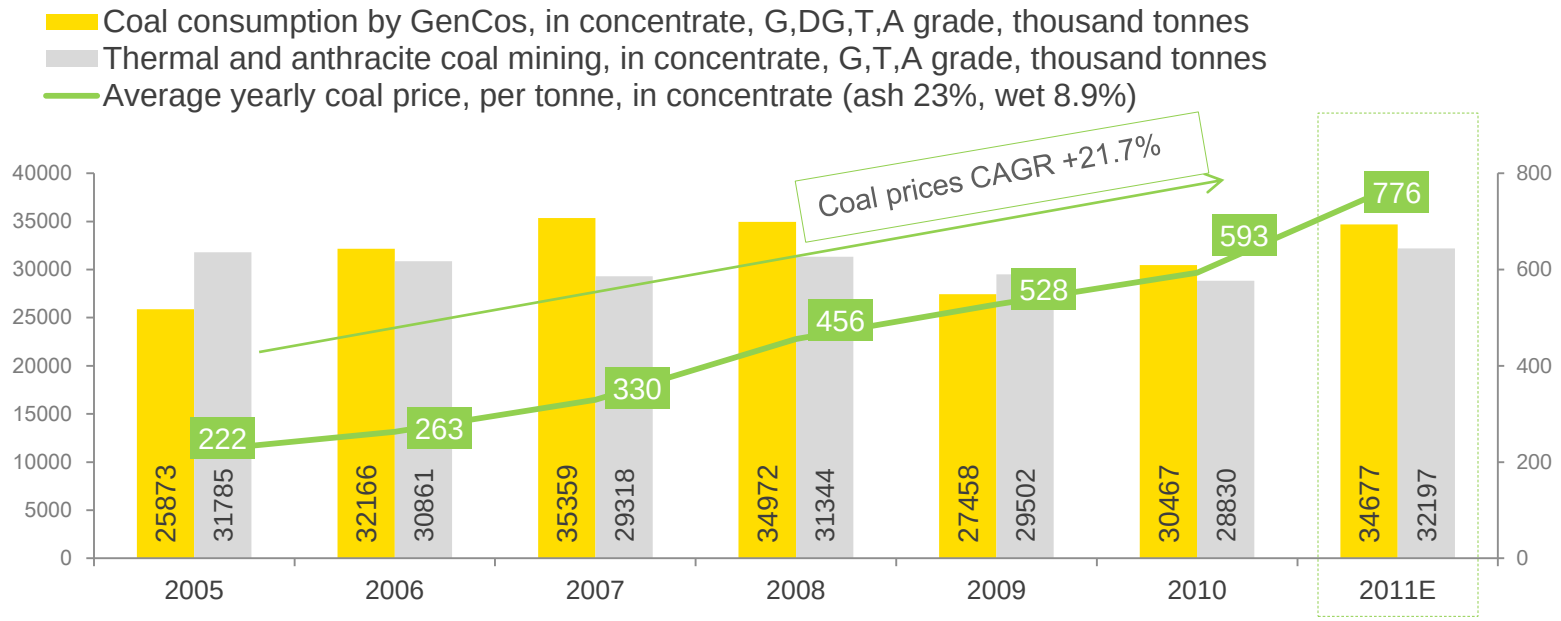


Source: Europe's Energy portal, DTEK

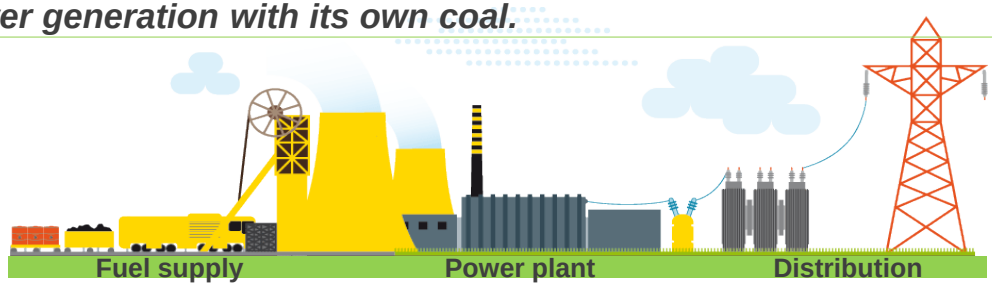
All figures are 1H 2011 actual

UKRAINIAN COAL AND GENCOS CONSUMPTION

Coal remains by far the most important fuel for Ukrainian thermal GenCos, accounting for 96% of their total fuel (natural gas accounts for 4%).



DTEK is a vertically integrated energy company in Ukraine with complete production chain from coal mining to electricity generation and supply. Today DTEK fully covers the needs of its thermal power generation with its own coal.



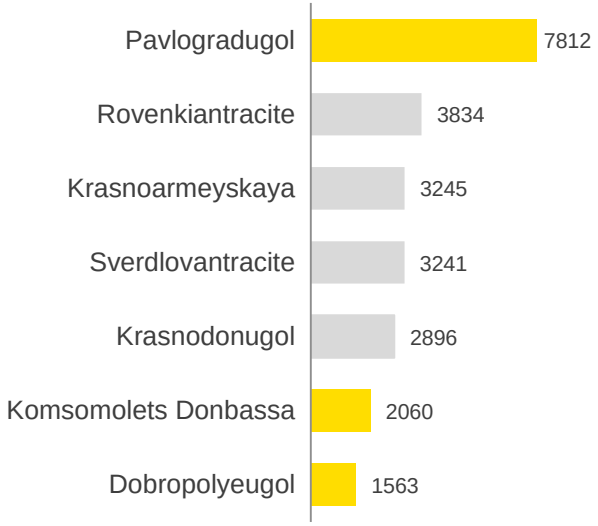
CONTENTS

- DTEK at a glance
- Ukrainian energy market overview
- **Operations**
- Financials
- Back-up

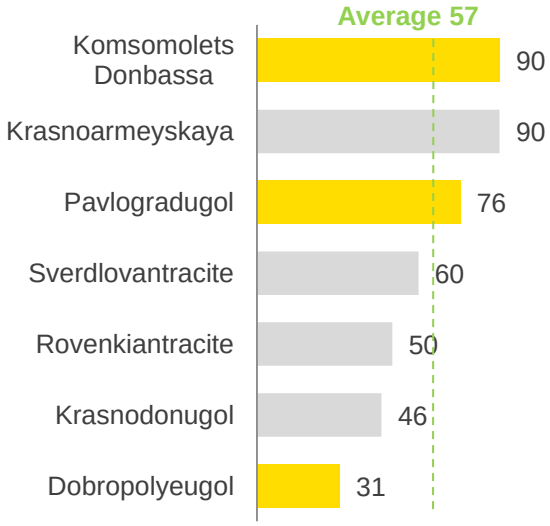
1H 2011: COAL PRODUCTION

DTEK runs some of the most efficient and high quality mines in Ukraine, maintaining constant focus on enhancing operations and cost efficiency.

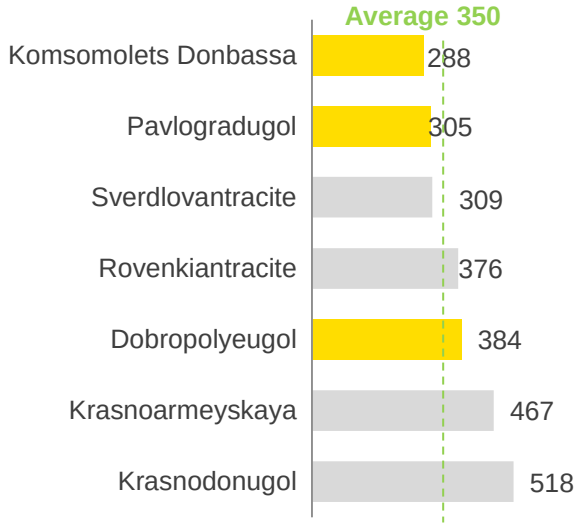
ROM output, *kTonnes**



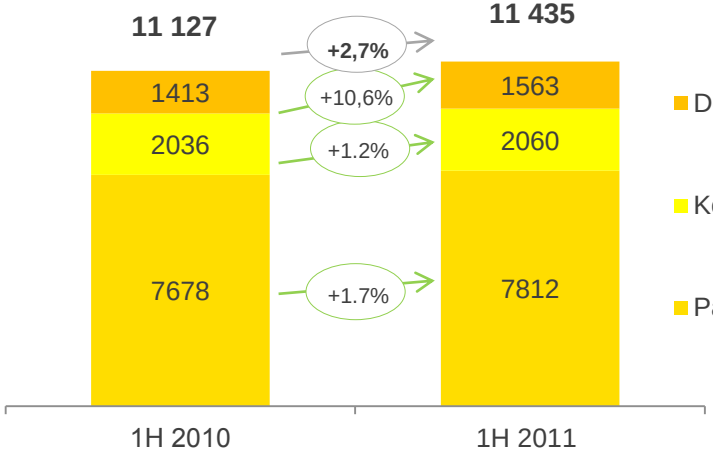
Labor productivity, *Tonne per month/ worker**



Cost of production, *UAH/ Tonne**



DTEK coal mining growth, *kTonnes*



Dobropolyeugol

Komsomolets Donbassa

Pavlogradugol

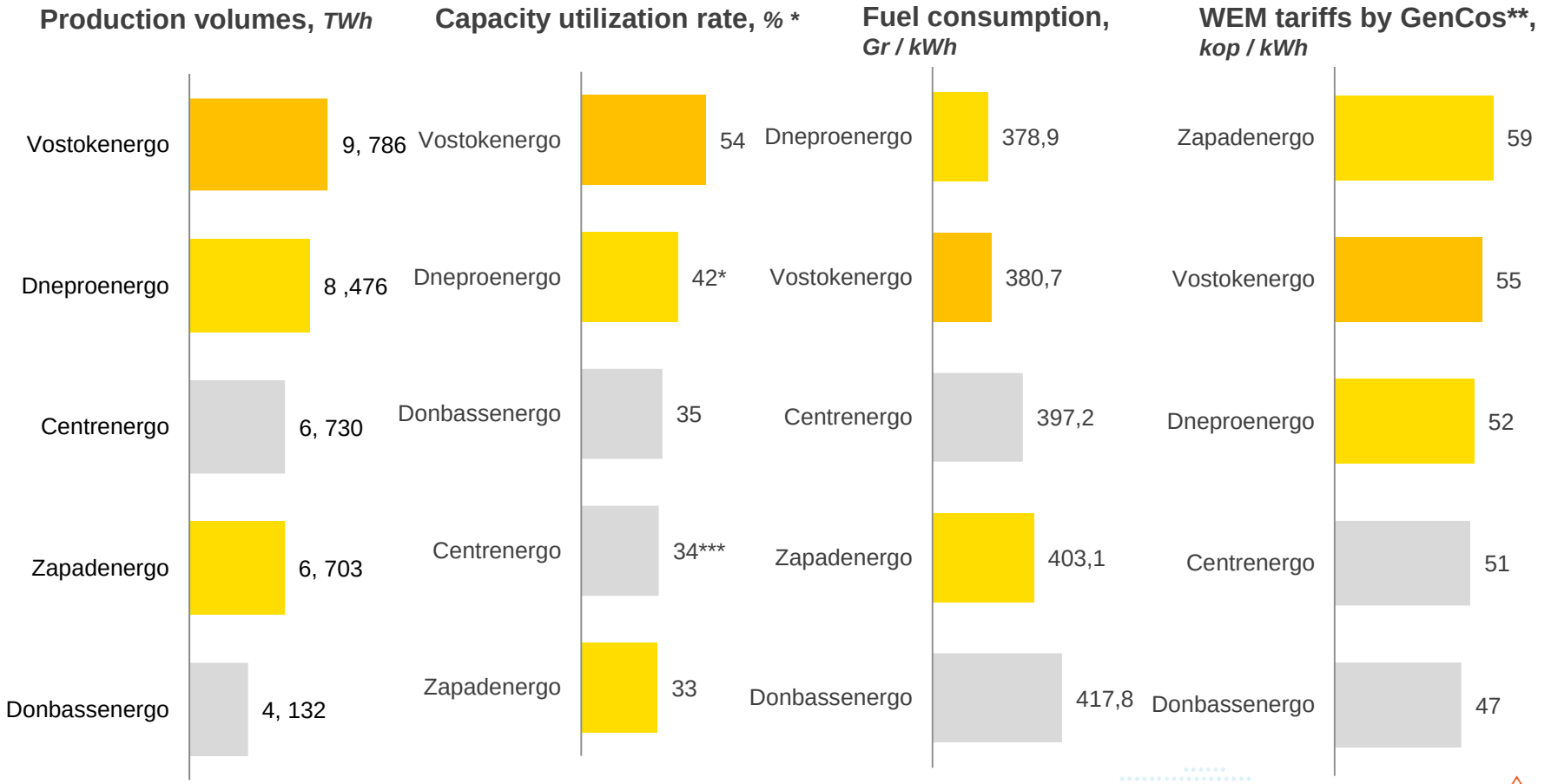
*Dobropolyeugol is consolidated as of January 4th 2011

All figures are 1H 2011 actuals . Source: DTEK, company data



1H 2011: THERMAL POWER GENERATION

DTEK's TPPs are among the most efficient on Ukrainian power generation market. Vostokenergo's TPP`s have highest production volumes and capacity utilization rates.



** Dnepronergo's ICUR is given net of suspended oil & gas power units and out of service units (21.84% including all units)*
*** Investment mark-up is not included*
****Centrergo's ICUR is given net of suspended oil & gas power units, (20,4% including all units)*

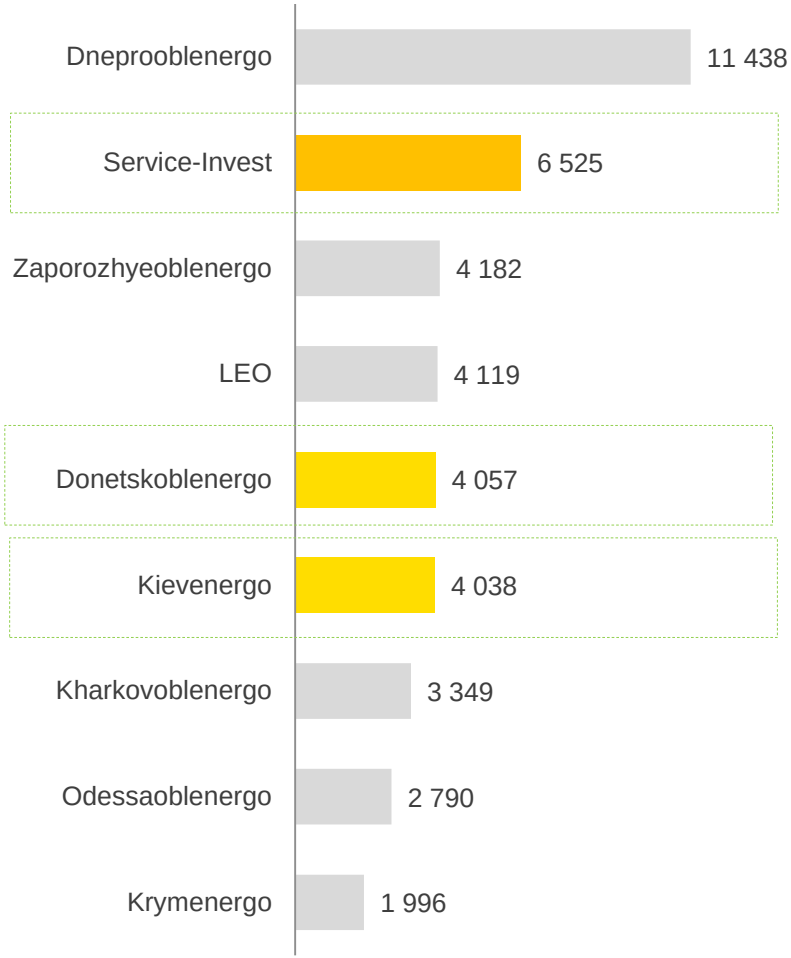


All figures are 1H 2011 actual

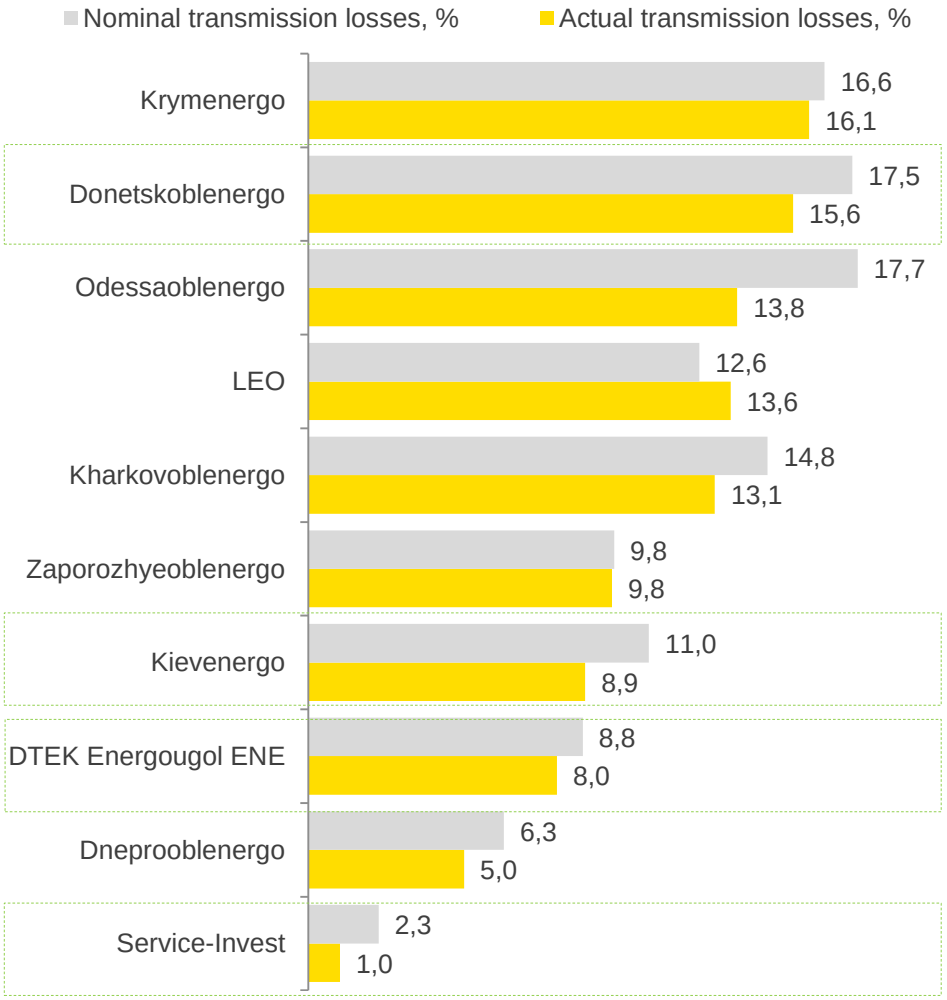
Source: DTEK, the Main Data Processing Center of NPC Ukrenergo

1H 2011: POWER SUPPLY

Electricity transmission & sales, *Mwh*



Nominal vs. Actual transmission losses, %



All figures are 1H 2011 actual

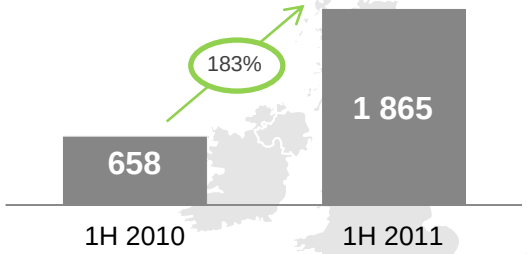
Source: National Electricity Regulatory Commission of Ukraine (NERC)

1H 2011: COAL & ELECTRICITY EXPORTS

DTEK is the largest privately-owned exporter of coal and electricity in Ukraine with ambitious plans to increase export volumes.

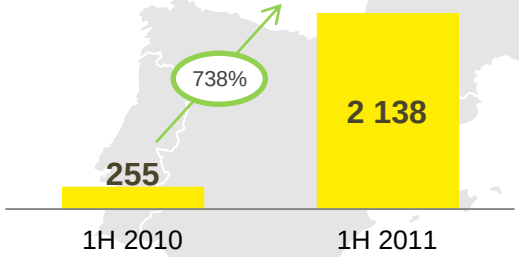
Coal export revenue grew from USD 65 mln (1H 2010) to USD 231 mln (1H 2011) demonstrating 253% growth*

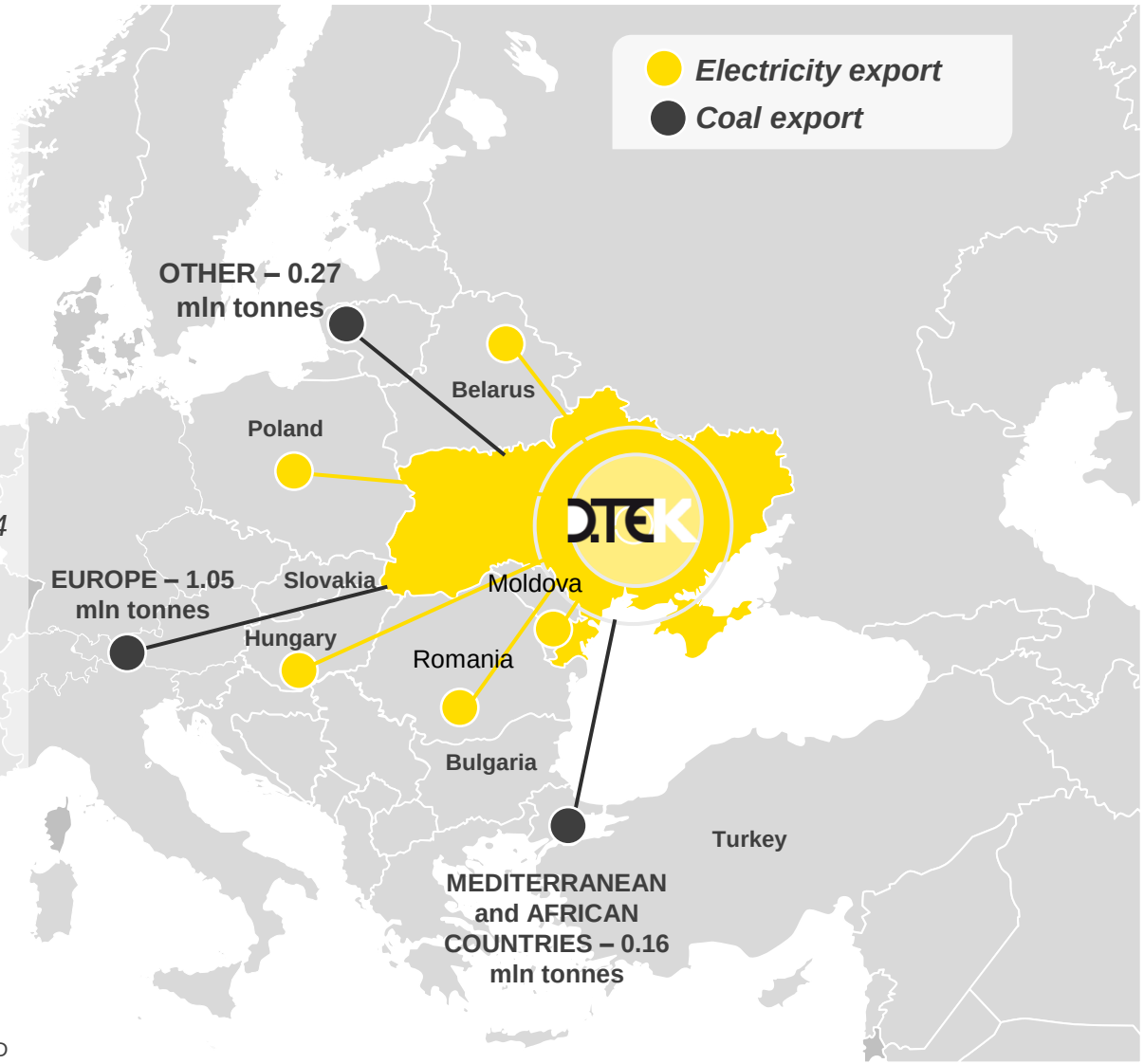
Coal export breakdown, ***thousand tonnes***



Electricity export revenue grew from USD 14 mln (1H 2010) to USD 146 mln (1H 2011) demonstrating 934% growth*

Electricity export, ***mln KWh***





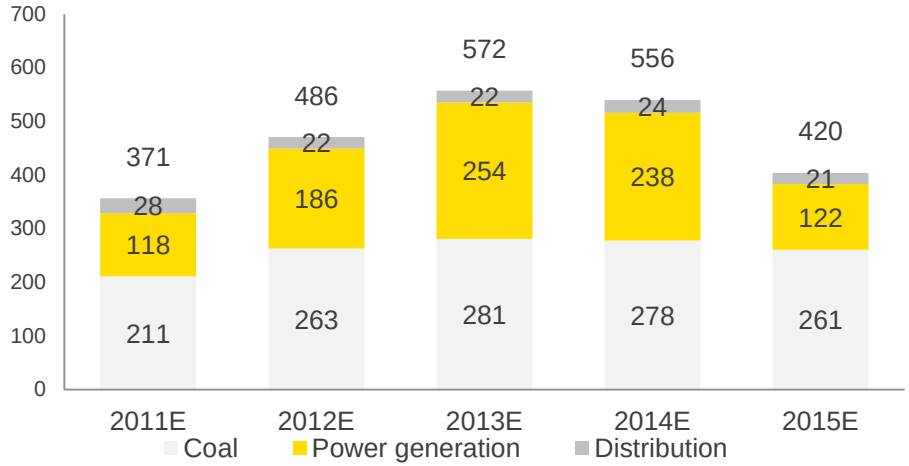
*Using NBU exchange rate as of 30 Jun 2011 – 8,10 UAH per USD

POWER PLANTS MODERNIZATION

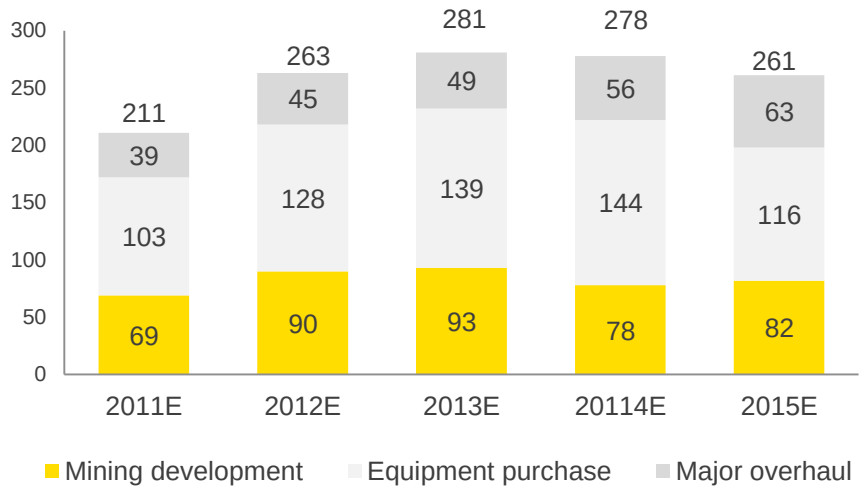
	Vostokenergo. Kurahovskaya TPP	Vostokenergo. Luganskaya TPP
		
Modernization results	**Unit-by-unit retrofit (200+222+225+4x 210 MWt)** ▪ Dismantling of the boiler, turbine, generator, Automated Process Control System, and electrostatic precipitator completed ▪ New equipment: Ovation (Emerson) software-technical unit for upgrading the Automated Process Control System ▪ New transformer, thyristor excitation system (ABB) installed ▪ *Two blocks have been reconstructed so far. By the end of 2011, the modernization of one more block will be finished. By the end of program in 2016, four more energy blocks will be reconstructed.*	**Unit-by-unit retrofit (3x175+ 4x200+ 100 MWt)** ▪ Dismantling of the turbine, generator, Automated Process Control System, and scrubbers completed ▪ New equipment: full turbine upgrade (Turboatom, Power Machines), Ovation (Emerson) software-technical unit for upgrading the Automated Process Control System ▪ New starter for the generator installed ▪ *By the end of 2011, one block will be reconstructed. By the end of the program in 2016, modernization of five energy blocks will be finished.*
Investments 2008-1H 2011	**USD 72, 778 mln**	**USD 22, 420 mln**
Timelines	Project start – *April 1, 2008* Expected completion (Management's view) – *November-December 2016*	Project start - *October 12, 2009* Expected completion (Management's view) – *November-December 2016*

AMBITIOUS CAPEX PLANS

Total Capex, *USD mln**

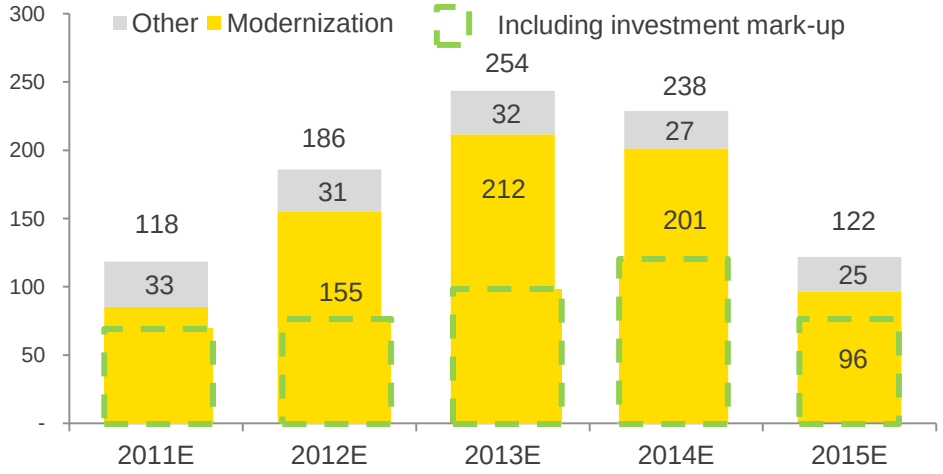


Capex Coal mining, *USD mln**



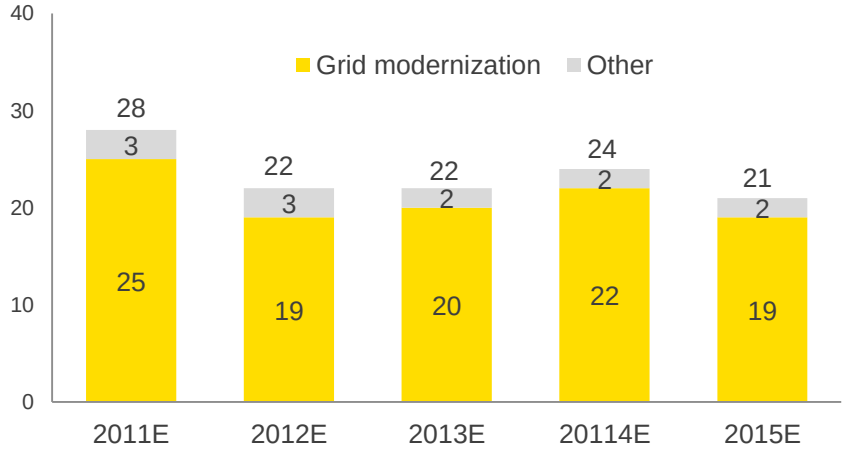
Capex Power generation, *USD mln**

Partially funded via tariff investment mark up



Capex Power distribution, *USD mln**

Fully funded via tariff investment mark up



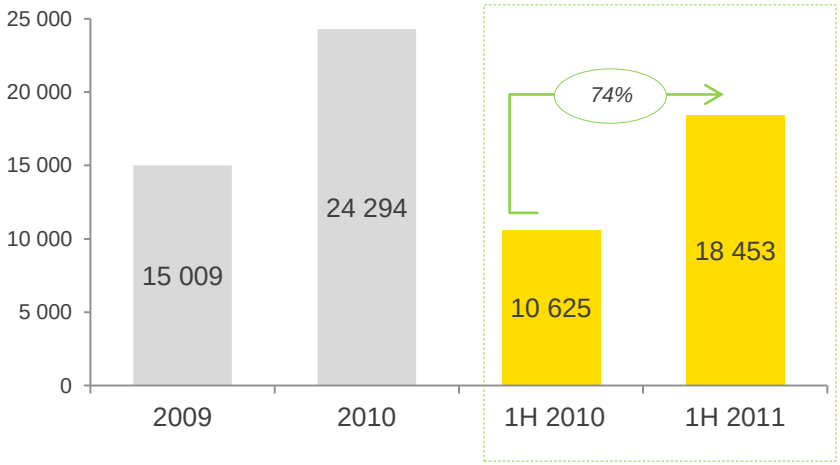
* For comparison, UAH values of exact planned CAPEX are converted into USD at UAH 7.91/USD

CONTENTS

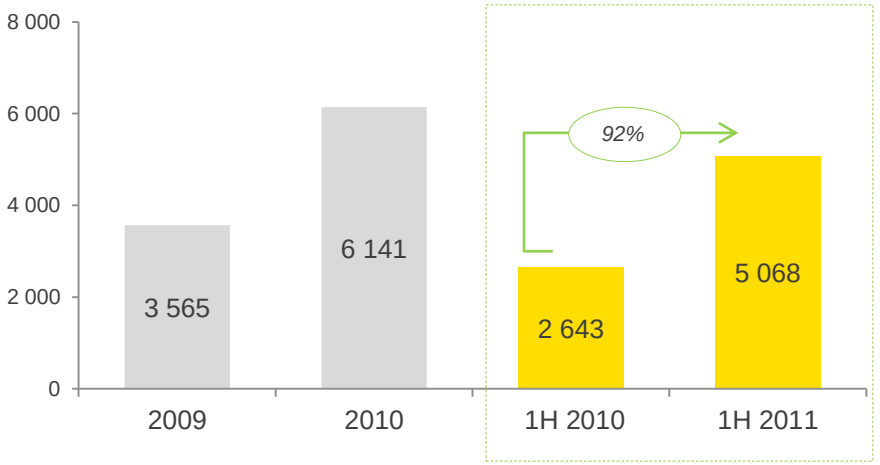
- DTEK at a glance
- Ukrainian energy market overview
- Operations
- **Financials**
- Back-up

OUTSTANDING FINANCIAL PERFORMANCE

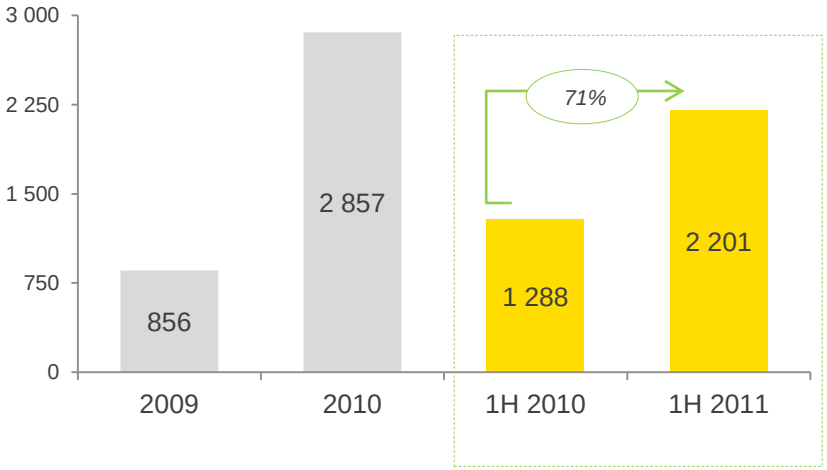
Revenue, *UAH mln*



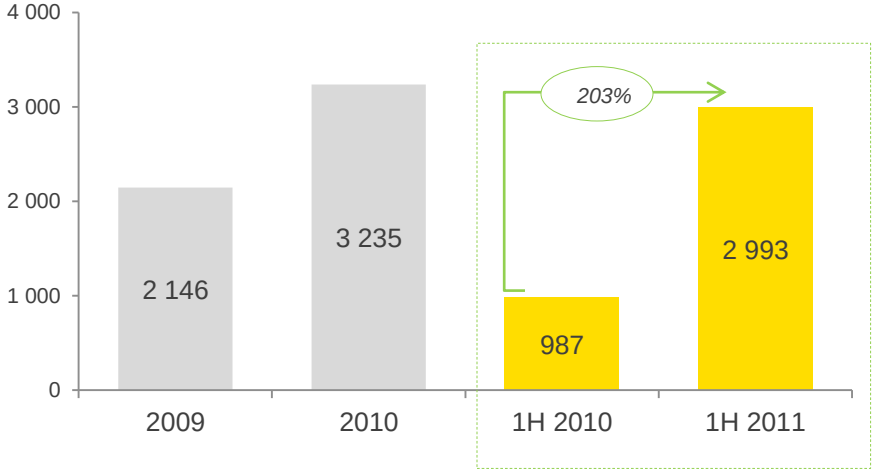
EBITDA, *UAH mln*



Net profit, *UAH mln*

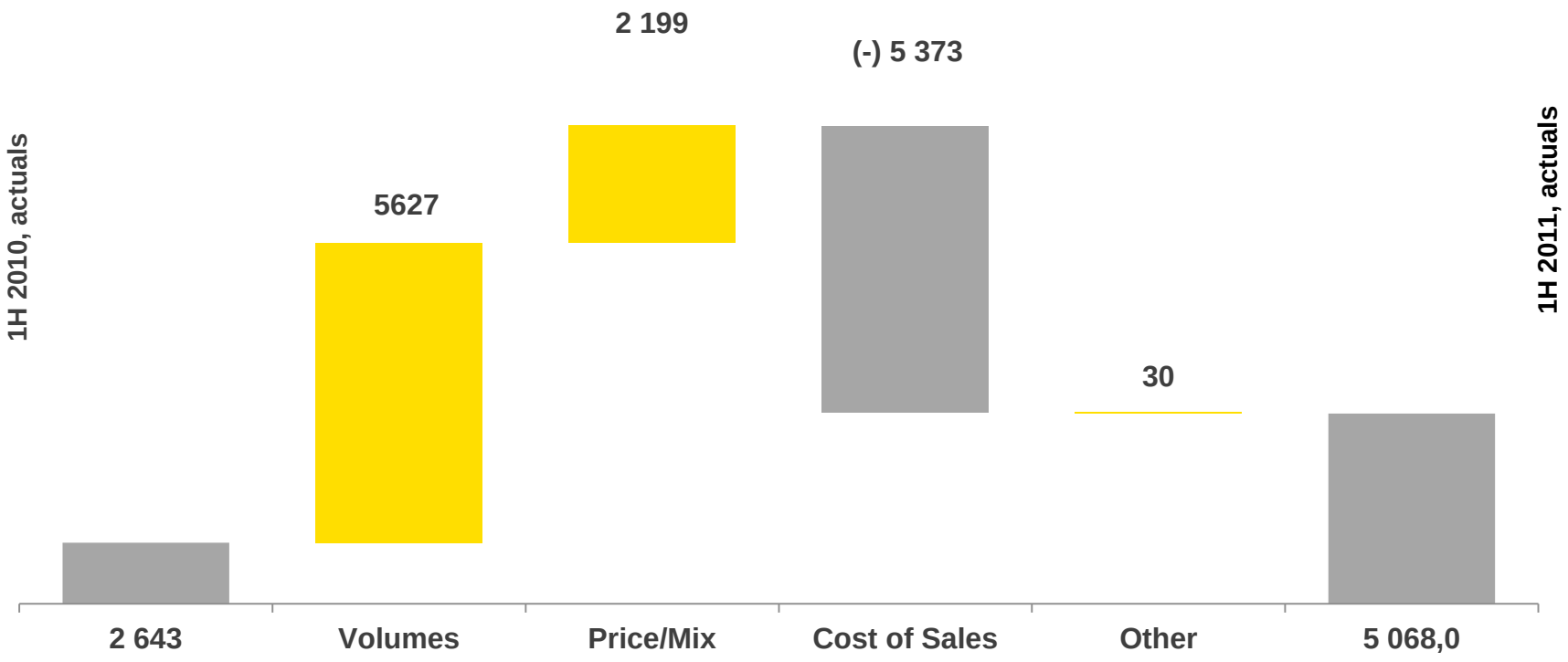


Net operating cashflow, *UAH mln*



All figures are 1H 2011 actual

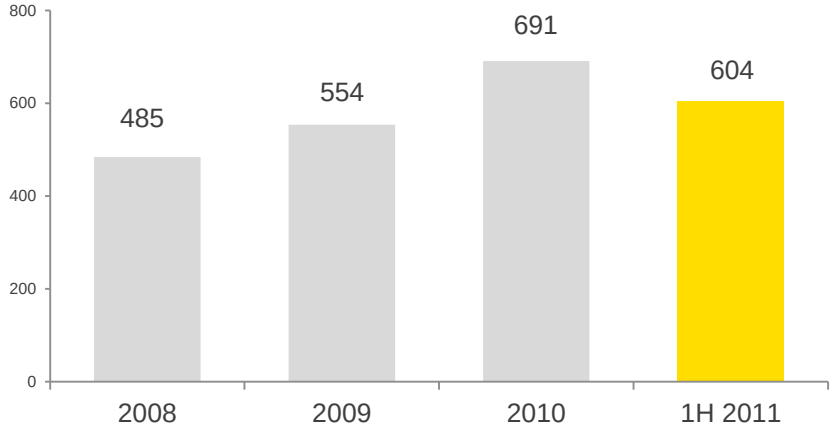
EBITDA GROWTH MAIN DRIVERS



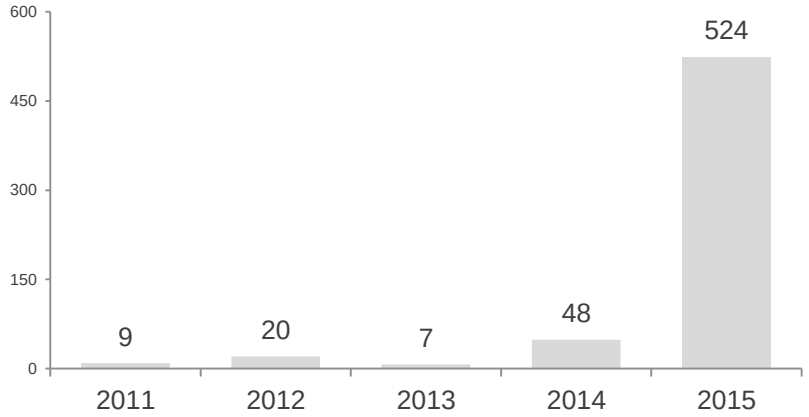
All figures are 1H 2011 actual

HEALTHY DEBT PROFILE

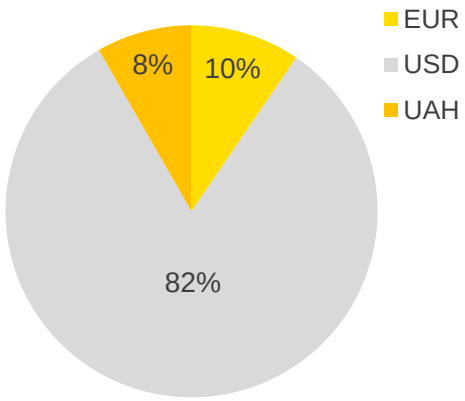
Loan portfolio, *USD mln*



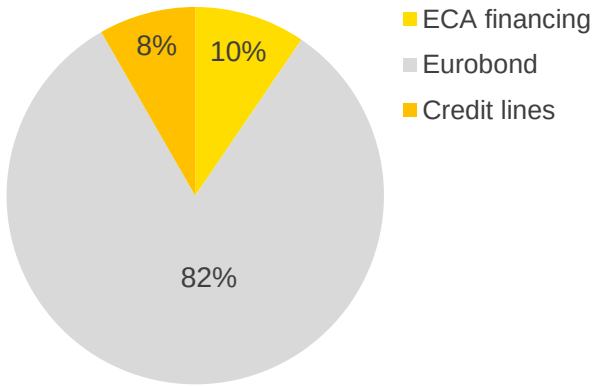
Loan maturity profile*, *USD mln*



Debt currency profile, *USD mln*



Loan portfolio by types of financing, *USD mln*



All figures are 1H 2011 actual

* Undiscounted principal amount repayment

LOW LEVERAGE LEVELS

Key leverage ratios

Ratio	2008	2009	2010	1H 2011
Gross Debt* \ Adj EBITDA**	1.1	1.2	0.9	**0.7**
Net debt*** \ Adj EBITDA**	0.9	1	0.6	**0.4**
Adj EBITDA** \ Interest expenses	13	8	13.5	**23.8**

• Gross debt - bank loans, accrued interest and Eurobonds

** Adjusted EBITDA represents profit for the year after excluding the following non-operating income statement items: foreign exchange losses less gains from borrowings, certain finance costs, income tax expense, depreciation and amortization and impairment of property, plant and equipment.

*** Net debt - bank loans, accrued interest and Eurobonds less cash and cash equivalents. Calculated for information purposes only.

Credit ratings

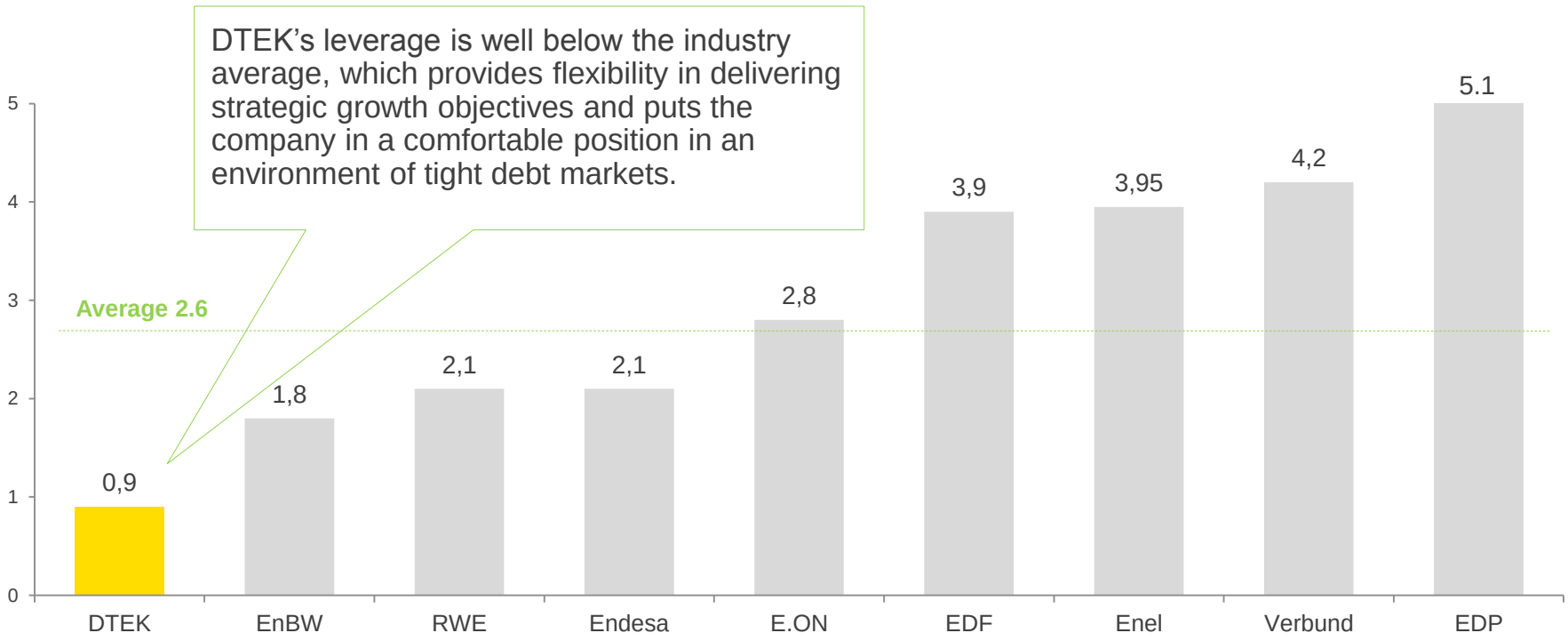
	Rating	Outlook	Last review
Fitch			
LT FC IDR	B	Positive	July 2011
LT LC IDR	B+	Positive	July 2011
Moody's			
LT CFR	B2	Stable	Nov 2010

"The ratings reflect DTEK's leading positions in the Ukrainian coal mining, thermal power generation and distribution sectors… DTEK continues to benefit from a high level of integration between its coal-mining and coal-fired power generation business units, which helped it maintain its operating margins…"

Fitch Ratings, 2011

DTEK'S LEVERAGE IS WELL BELOW INDUSTRY PEERS

Debt/EBITDA, 2010 actual



All figures are 2010 actual. Source: DTEK, companies' data

CONTENTS

- DTEK at a glance
- Ukrainian energy market overview
- Operations
- Financials
- **Back-up**

SELECTED FINANCIALS 2005 – 2010, UAH

mln UAH	2005	2006	2007	2008	2009	2010
Income statement						
Revenues	**3 784**	**5 049**	**8 969**	**12 969**	**15 009**	**24 294**
Sale of steaming and coking coal	1 714	1 018	1 607	3 407	4 678	9 612
Sale of electricity to electricity pool	2 062	3 456	4 489	5 665	5 543	7 845
Sale of electricity to final customers	0	538	2 400	3 736	4 672	6 208
Other sales	8	37	473	161	116	58
Operating expenses	**3 007**	**3 792**	**6 544**	**9 512**	**11 444**	**18 153**
Cost of electricity purchased for resale	0	505	2 211	3 519	5 107	9 628
Raw materials	1 338	773	1 263	1 799	2 325	3 787
Staff cost, including payroll taxes	1 330	1 637	1 913	3 015	3 020	3 560
Other expenses, net	339	876	1 157	1 179	992	1 178
EBITDA	777	1 257	2 425	3 457	3 565	6 141
EBITDA margin	*20.5%*	*24.9%*	*27.0%*	*26.7%*	*23.8%*	*25.3%*
Depreciation	277	290	771	1 080	1 429	1 479
EBIT	500	967	1 654	2 377	2 136	4 662
EBIT margin	*13.2%*	*19.2%*	*18.4%*	*18.3%*	*14.2%*	*19.2%*
Net profit	268	493	1 193	119	856	2 857
Balance sheet						
Non-current assets	3 353	7 468	11 383	15 587	16 177	18 763
Current assets	640	1 299	2 019	2 483	4 037	6 874
- out of that cash and cash equivalents	86	237	368	595	739	1 693
Total assets	**3 993**	**8 767**	**13 402**	**18 070**	**20 214**	**25 637**
Shareholders equity (including minority)	2 388	5 181	7 069	9 989	10 793	13 280
Interest bearing debt	145	858	1 947	3 731	4 428	5 502
Other liabilities	1 460	2 728	4 386	4 350	4 993	6 855
Total liabilities	**1 604**	**3 586**	**6 333**	**8 081**	**9 421**	**12 357**

SELECTED FINANCIALS 2005 – 2010, USD

mln USD	2005	2006	2007	2008	2009	2010
Income statement						
Revenues	**738**	**1 000**	**1 776**	**2 462**	**1 926**	**3 061**
Sale of steaming and coking coal	334	202	318	647	600	1 211
Sale of electricity to electricity pool	402	684	889	1 076	711	989
Sale of electricity to final customers	0	107	475	709	600	854
Other sales	2	7	94	31	15	7
Operating expenses	**587**	**751**	**1 296**	**1 806**	**1 469**	**2 288**
Cost of electricity purchased for resale	0	100	438	668	655	1213
Raw materials	261	153	250	342	298	477
Staff cost, including payroll taxes	260	324	379	572	388	449
Other expenses, net	66	174	229	224	127	148
EBITDA	**152**	**249**	**480**	**656**	**458**	**774**
EBITDA margin	*20.5%*	*24.9%*	*27.0%*	*26.7%*	*23.8%*	*25.3%*
Depreciation	54	57	153	205	183	186
EBIT	98	192	328	451	274	587
EBIT margin	*13.2%*	*19.2%*	*18.4%*	*18.3%*	*14.2%*	*19.2%*
Net profit	52	98	236	23	110	360
Average x-rate USD/UAH	*5,12*	*5,05*	*5,05*	*5,27*	*7,79*	*7,94*
Balance sheet						
Non-current assets	664	1 479	2 254	2 024	2 026	2 357
Current assets	127	257	400	322	506	863
- out of that cash and cash equivalents	17	237	73	77	93	213
Total assets	**791**	**1 736**	**2 654**	**2 347**	**2 531**	**3 220**
Shareholders equity (including minority)	473	1 026	1 400	1 297	1 352	1 668
Interest bearing debt	29	170	386	485	555	691
Other liabilities	289	540	869	565	625	861
Total liabilities	**318**	**710**	**1 254**	**1 049**	**1 180**	**1 552**
Average x-rate UAH / USD	*5,05*	*5,05*	*5,05*	*7,7*	*7,99*	*7,96*

ENERGY MARKET OF UKRAINE: REGULATORY FRAMEWORKS

Regulatory framework

Power generation market is regulated by:

- Ministry of Energy and Coal Industry of Ukraine (regulator)
- National Electricity Regulatory Commission of Ukraine (regulator)
- Energorynok (single state operator).

Investment compensation model for GenCos

Investments are included in tariffs for all NPPs, HPPs and CHPPs
The tariff for TPPs includes:

- 80% of project implementation costs
- 95% of environmental investments

Investment compensation model for distribution companies

Currently, the regulator approves an annual figure for investments and includes it in the tariff.

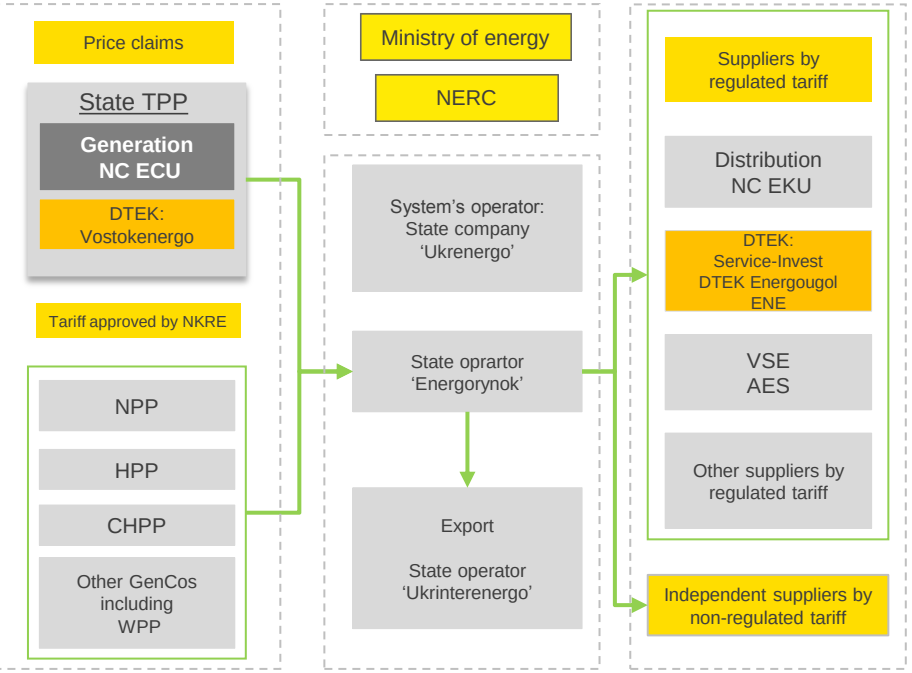
Losses compensation model

Annually, the regulator sets a losses standard for each company. If actual losses are lower, it translates into profit; if higher, it translates into losses.

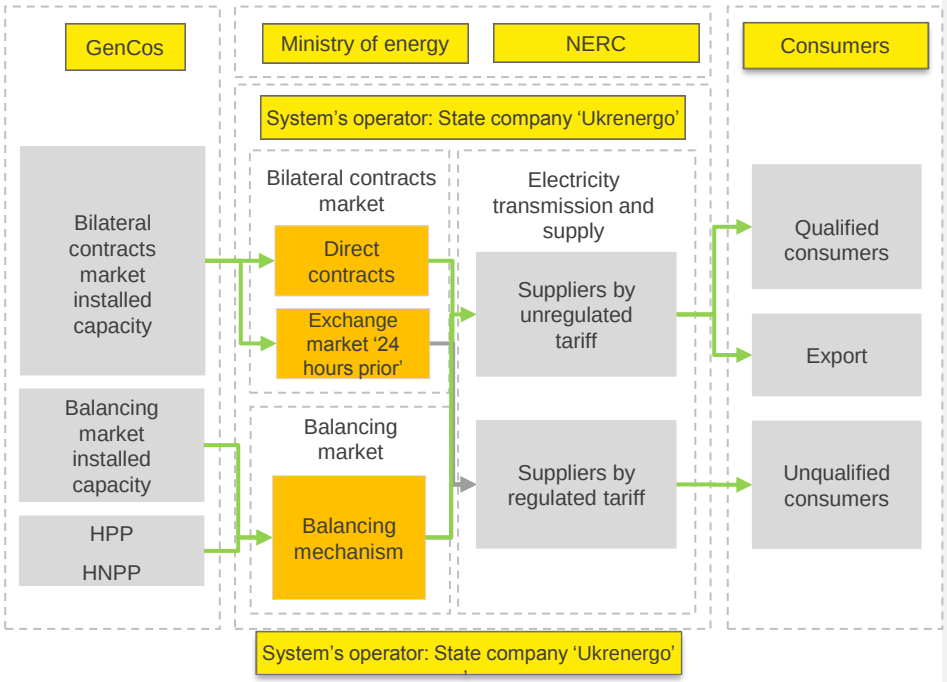
Source: DTEK

UKRAINE ENERGY MARKET: REGULATION MODELS EVOLUTION

Current model of the Wholesale Energy market (single buyer pool)



Bilateral contracts market with a balancing market



Advantages of the current model:

- Simple in arrangements and price-setting
- Practically guaranteed purchases of electricity from generating companies.

Drawbacks of the current model:

- High level of administrative interference
- Imperfect price-setting system, cross-subsidies
- No market system and ancillary services.

Advantages of the new market model:

- The market is competition-based
- Low administrative interference
- Favorable investment climate.

New market model characteristics:

- The new market mechanism is based on the concept of bilateral contracts between generating companies and electricity suppliers
- Suppliers, at an unregulated tariff, supply electricity to qualified consumers, and suppliers, at a regulated tariff, supply it to unqualified consumers
- The process of centralized planning and managing of electricity generation schedules by the market is replaced with a process of load schedules being compiled based on consumer use, supplier load and volume
- The balancing mechanism provides for balancing deviations in the declared amounts of electricity generation and actual consumption. The operator controls fulfillment of load schedules and can manage imbalances in the system.

Source: DTEK

UKRAINE ENERGY MARKET: TRANSITION TO RAB MODEL

Since 2007, The National Electricity Regulatory Commission, together with a group of foreign consultants supported by the European Bank for Reconstruction and Development, has been implementing a project to introduce an incentive tariff-setting system in the electricity distribution market in Ukraine.

The 2010-2014 Economic Reforms Programme and the 2011 National Action Plan envisage switching to incentive-based tariff-setting. The following has been planned for 2011, but has not been implemented so far:

- Introducing amendments to the Law On Natural Monopolies
- Designing and introducing methodology for incentive regulation – approval of the methodology by NERC.

The baseline scenario assumes that the new model will start functioning in 2013. Switching to the new tariff regulation, which should stimulate companies to improve their efficiency and investment attraction, should be accompanied by transmission and supply tariff growth.



STAGE I

- Preparing the tariff-setting mechanism.
- Amending administrative-regulatory documents.

STAGE II

- Stage where the incentive tariff-setting mechanism is in place, but market conditions allow participants to adapt to the new rules without considerable financial risks.

STAGE III

- The incentive tariff-setting method has been fully introduced.

Source: DTEK

MEMBERSHIP



EU-Ukraine Business Council

Eurelectric

European Business Association

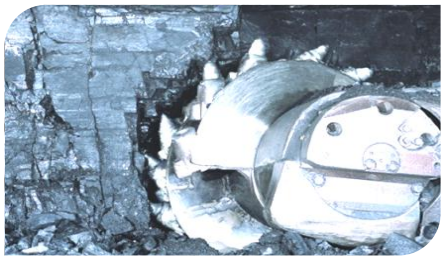
American Chamber of Commerce in Ukraine

European Association for Coal and Lignite

UN Global Compact

US-Ukraine Business Council

OPERATING ASSETS OWNERSHIP







Coal production

DTEK Pavlogradugol – 99.92%

DTEK Mine Komsomolets Donbassa-94%

DTEK Dobropolyeugol – 49 years lease

DTEK Dobropolskaya CPP – 60.06%

Pavlogradskaya CPP – 99%

Kurakhovskaya CPP – 99%

Mospinskoye CPP – 99%

DTEK Oktyabrskaya CPP – 60.85%

DTEK Trading – 100%

Power generation

Vostokenergo – 100%

Wind Power – 100%

Dneproenergo – 47.55%

Kievenergo – 39.98%

Zapadenergo – 25.06%

Electricity supply

DTEK Energougol ENE– 91.12%

Service-Invest – 100%

DTEK Power Trade – 100%

Kievenergo – 39.98%

Donetskoblenergo – 30.59%

This document may contain forward-looking statements related to planned measures or future financial indicators of DTEK. Accordingly, actual results may differ materially from those expressed or implied by the forward-looking statements. We undertake no obligation and do not intend to update these forward-looking statements to reflect events or circumstances occurring after publication date. You are cautioned not to place undue reliance on these forward-looking statements, which are pertinent only as of the date of this document. By their nature, forward-looking statements are subject to numerous assumptions, risks and uncertainties.