

# 1H 2014 Results Corporate Presentation

September 2014

Energy in action

DTEK

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- Capital Expenditures
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Energy
in action



# 01 DTEK Highlights

Energy
in action

# Leading Vertically Integrated Power & Utility Company in CEE

| | |
|---|---|
| **Vertically integrated business model** | • Power generation is effectively self-sufficient in low-cost coal feedstock – strong competitive advantage vs. other thermal generators<br>• Own mining operations offer effective hedge for fuel supply and fuel price risks<br>• Value creation across the production chain: from coal mining to power distribution<br>• Cost advantage in electricity exports due to straight-through margin: coal – thermal generation – distribution |
| **Exposure to non-cyclical end-markets** | • Exposure to utility market with low volatile demand for electricity<br>• Diversified local customer base and exports helped DTEK to show stable performance despite slowing Ukrainian economy |
| **#1 coal miner with sizeable coal reserves** | • Dominant proportional share in coal mining: 48.3% of coal production in Ukraine<br>• Largest Ukrainian coal exporter*<br>• Diversified portfolio of long-life coal reserves |
| **Leader in power generation and electricity distribution** | • 28.8% in overall power output in Ukraine<br>• 39.2% in electricity transmission<br>• Largest Ukrainian electricity exporter |
| **Resilient financial performance despite turbulent markets and political situation** | • Economies of scale and strong synergies between segments<br>• Competitive cost position across value chain<br>• Track record of sustainable leverage with above 3 years average debt maturity profile |

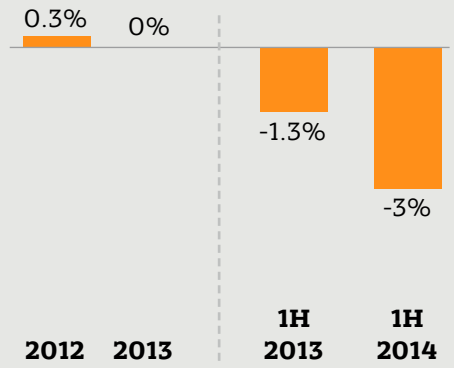
* By metric tonnes of coal
Source: Energobiznes, Ministry of Energy and Coal Industry

# Ukraine Market Environment (1/2)

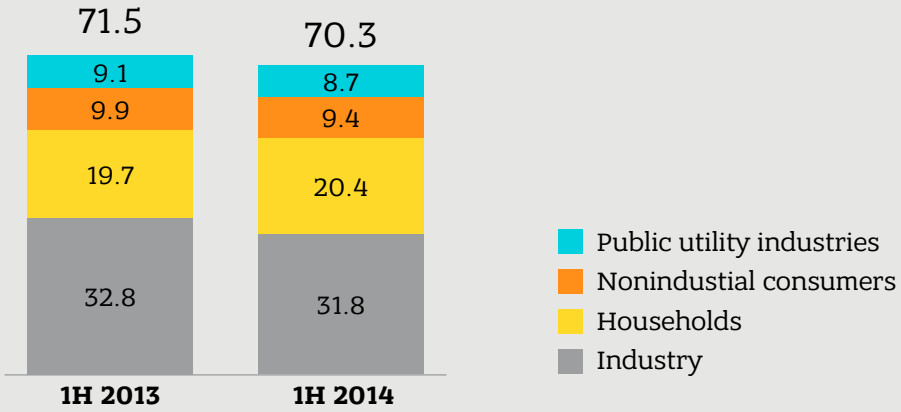
**Overview**

- Ukraine GDP declined in 1H 2014 by 3.0% (YoY). Industrial production in 1H 2014 declined by 4.7% and was primarily driven by 8.7% drop in metallurgy and 18% decline in machinery. Overall manufacturing output decreased by 7%, when mining and quarrying declined by 2.2%.
- Ukraine's sovereign foreign currency long-term ratings were downgraded in the 1H 2014 by Moody's, S&P and Fitch to CCC level. DTEK's foreign currency long-term ratings remained constrained by the country ceilings, set by the agencies. In July, Fitch downgraded DTEK's Long-Term Local-Currency rating because of the perceived exposure to political and economic instability. Rating by Moody's remains at Caa2, one notch above Ukraine sovereign rating.
- Driven by industrial production decline, electricity consumption* decreased by 1.6% to 70.3 billion kWh. Industry consumption dropped by 3.1% YoY to 31.8 billion kWh. At the same time the consumption by households increased by 3.4% YoY to 20.4 billion kWh.

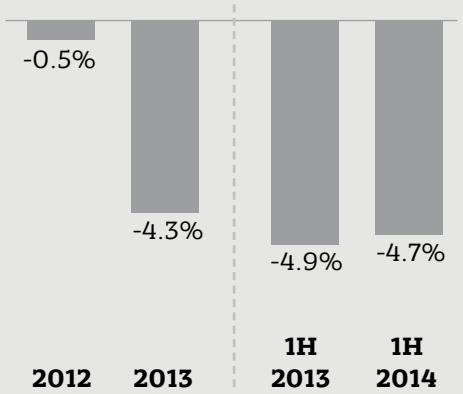
**Ukraine GDP development, YoY**




**Ukraine electricity consumption*, TWh**




**Industrial production, YoY**



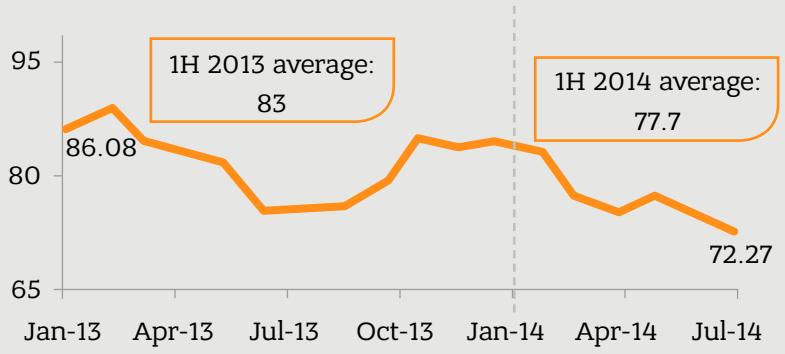

* Excluding losses in the grid
Source Ukrstat, Ministry of Energy and Coal Industry

# Ukraine Market Environment (2/2)

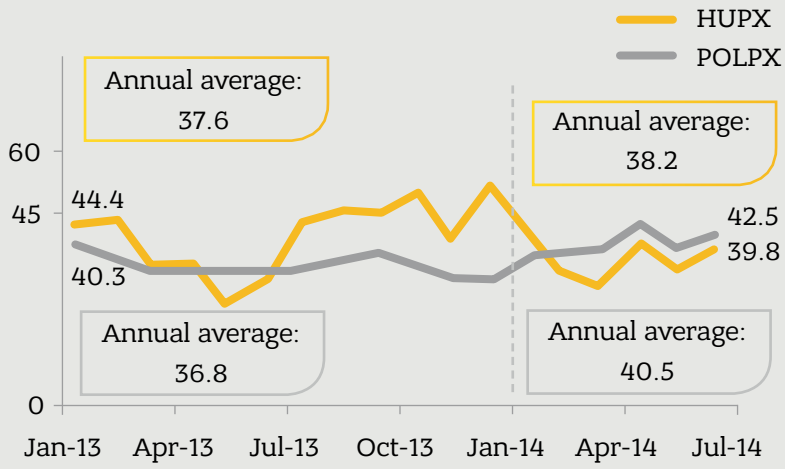
**Overview**

- Consumer and producer price indexes increased in 1H 2014 by 5.8% and 7.0% respectively, salaries grew by 5.9% on average to the corresponding period of the previous year and rail transportation tariff inflation increased to 8.2% YoY.
- Coal prices were under pressure from softening global demand. Annual average API2 index decreased by 6.4% YoY in 1H 2014.
- Annual average prices for electricity in Poland and Hungary increased in 1H 2014 by 10.1% and 1.4% respectively.
- Ukraine annual average electricity tariffs for TPPs* decreased by 7.8% (from 64.4 in 1H 2013 to 59.3 kop/kWh in 1H 2014) mainly due to increased tariffs for renewable energy and NPPs, as well as decrease in HPP generation.
- From 1st of June 2014 electricity tariffs for households were increased by 10-40% depending on consumption volume.

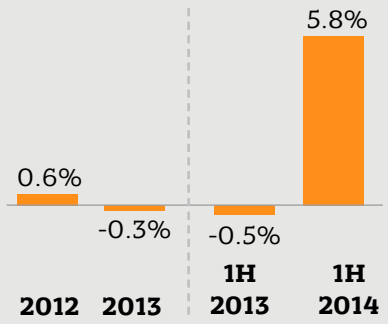
**Price indicator for coal grades G and ASH (API2, USD/t) Steam coal CIF ARA**



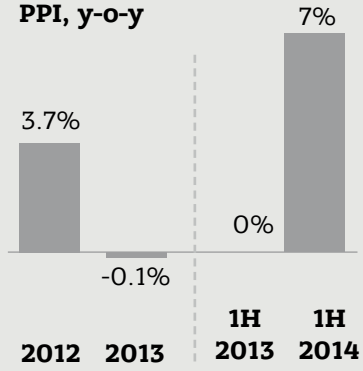

**Spot prices for electricity: Poland (POLPX); Hungary (HUPX), EUR/MWh**




**CPI, y-o-y**




**PPI, y-o-y**




* - including investment markup
Source: Ukrstat; IHS McCloskey's; POLPX; State company Energorynok; State company Coal of Ukraine

# 1H 2014 Business Highlights

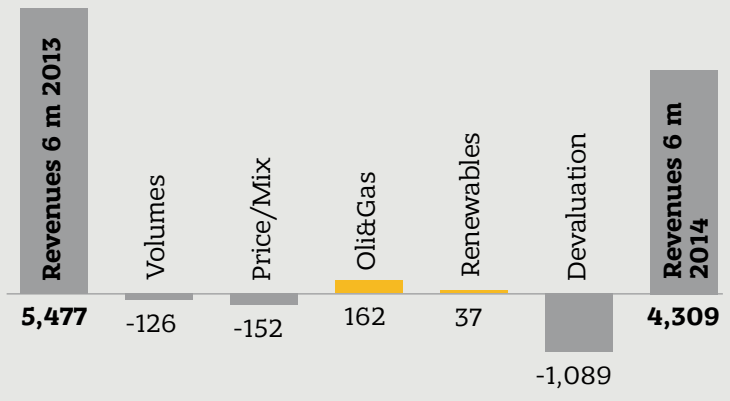
**Revenue increased by 1.14% in reporting currency UAH. In USD terms revenue decreased by USD 1,168 mln (-21.3%) due to UAH devaluation. Main drivers:**

- Decrease in volumes of electricity sales to final customers and sales of electricity abroad by 3.6% and 6.2% respectively was partially offset by increase of coal export volume by 28.8%.
- Decrease of TPP tariffs* by 10% mainly due to increased tariffs for renewable energy and NPPs, as well as decrease in HPP generation.
- Sale of gas from Naftohasvydobuvannya (consolidated in November, 2013).

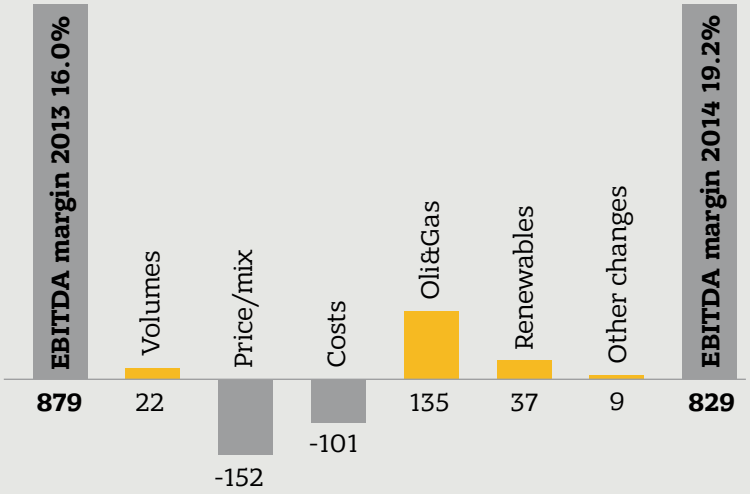
**EBITDA increased by 21% in reporting currency UAH. In USD terms EBITDA decreased by USD 50 mln (-5.7%) due to UAH devaluation. Main drivers:**

- Decrease of TPP tariffs* by 10% mainly due to increased tariffs for renewable energy and NPPs, as well as decrease in HPP generation.
- Costs increased due to increased tariffs for distribution companies by 3% (USD 57 mln) and purchase tariffs for electricity for export by 4%(USD 13 mln), other costs.
- Sale of gas from Naftohasvydobuvannya (consolidated in November, 2013).

**Revenue, USD mln**




**EBITDA, USD mln**




* Including investment markup

# DTEK Is Well Positioned to Face Environment Challenges

| Key business challenges | DTEK's response / Mitigating factors |
|---|---|
| **Unrest in the Donetsk and Luhansk regions*** | • Coal mining: The operations are temporary suspended on one mine (Komsomolets Donbassa) out of 31 DTEK's mines. The operations are expected to be resumed before end of the year.<br>• Generation: Damage of rail facilities lead to difficulties with coal transportation to some TPPs which resulted in lowering electricity generation. The alternative ways for coal delivery were developed by the company. Coal stocks on TPPs are being increased.<br>• Distribution: Every day DTEK's staff is working on repair of damaged power lines. Starting from May, Company brought back light to more than half millions homes. |
| **Macroeconomic situation in Ukraine** | • DTEK services 5.2 million households – a significant part of Ukraine's population – the only segment where electricity consumption continues to grow by over 3% in the 1H 2014.<br>• DTEK is able to offset local demand weakness by export operations, which have recorded an over 3% revenue increase in the 1H 2014. |
| **Hryvnia devaluation** | • UAH devaluation increases value of DTEK's (mostly FX denominated) loan portfolio in reporting currency; on the other hand, it has positive impact on revenues and EBITDA due to FX denominated exports. Thus, leverage** stayed at healthy 2.07 level.<br>• Exports revenues in 1H 2014 amounted to USD 492 mln (+3% YoY growth) provide natural hedge for hard-currency denominated debt service.<br>• Export becomes more attractive while cost of production is denominated mostly in UAH. |
| **Changes in prices/ tariffs** | • In UAH terms effects of decrease of TPPs tariffs by 10%*** were partially offset by 14.7% increase of coal export prices and 11.8% increase of export electricity prices, as well as 26% increase of tariffs for the Botievo Windfarm.<br>• In the second half of 2014 positive effect on our electricity distribution revenues is expected due to households tariff increase form 1st June 2014 (+10-40% increase, depending on consumption volume) and expected TPP tariff increase to offset growing costs of coal. |
| **Liquidity position** | • DTEK continues to focus on cash flow management, including successful operational and capital expenditure optimisation, which allows to keep sufficient cash balance to cover operational volatilities. |

* Business interruptions appeared mainly after the reporting period
** Net Debt/EBITDA
*** Including investment markup



# 02 Operational Review

Energy in action

# Key Operational and Financial Results

| Operational performance | units | 1H 2014 | 1H 2013 | +/- | % |
|---|---|---|---|---|---|
| **COAL MINING AND ENRICHMENT** | | | | | |
| Coal mining | kT | 20,657 | 19,958 | 699 | +3.5% |
| **POWER GENERATION** | | | | | |
| Electricity output (thermal power generation) | mln kWh | 24,279 | 24,156 | 123 | +0.5% |
| Electricity output (wind power generation) | mln kWh | 313 | 140 | 173 | +123.1% |
| Heat generation (Kyivenergo) | k Gcal | 6,261 | 7,428 | -1,167 | -15.7% |
| **ELECTRICITY DISTRIBUTION** | | | | | |
| Electricity transmission | mln kWh | 27,906 | 29,071 | -1,165 | -4.0% |
| **ELECTRICITY AND COAL EXPORT** | | | | | |
| Electricity export | mln kWh | 4,639 | 4,946 | -307 | -6,2% |
| Coal export | kT | 2,704 | 2,100 | 604 | +28.8% |
| **NATURAL GAS OPERATIONS** | | | | | |
| Gas extraction | mln m3 | 345.6 | 241.7* | 103.9 | +43.0% |
| Gas condensate extraction | kT | 12.8 | 8.5* | 4.3 | +50.6% |

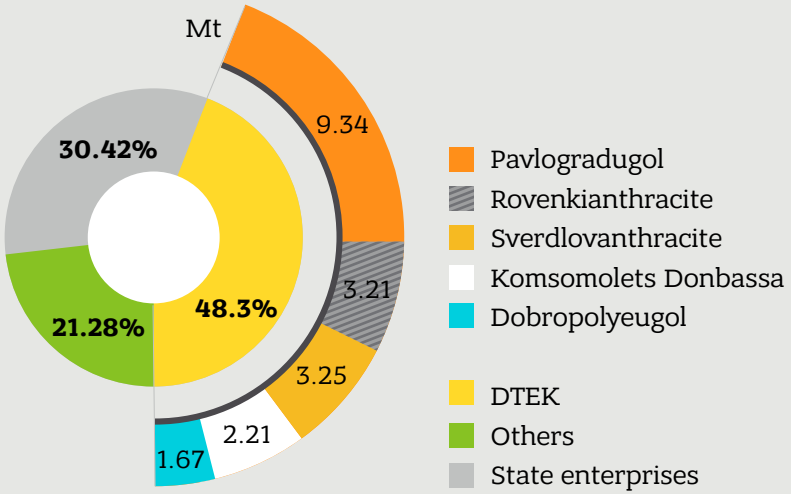
| Financial performance | | 1H 2014 | 1H 2013 | +/- | % |
|---|---|---|---|---|---|
| **Revenues** | USD mln | 4,309[1] | 5,477[2] | -1,168 | -21.3% |
| **EBITDA** | USD mln | 829 | 879 | -50,2 | -5.7% |
| EBITDA margin | % | 19.2% | 16.0% | 3.2 | 19.8% |
| **Net Profit/Loss** | USD mln | -738 | 150 | -887,7 | -5.9X |
| **Free Cashflow (excl. M&A)** | USD mln | -39 | -337 | 298,5 | N/A |
| **Capital Expenditures** | USD mln | 313 | 568 | -255 | -44.9% |

* The data is provided for comparison purpose only. DTEK Naftohasvydobuvannya was acquired in November 2013
(1) This figure includes USD 81 mln of heat tariff compensation (2) This figure includes USD 107 mln of heat tariff compensation
UAH/USD FX rate used: 1H 2013 – 7.99; 1H 2014 – 10.27 (NBU average Jan to June)

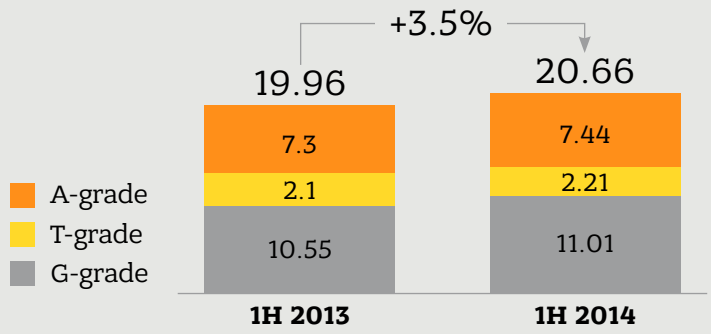
# Coal Mining

- Largest coal producer in the country - increased share in the coal mined in Ukraine from 47.8% (1H 2013) to 48.3% (1H 2014).
- In 1H 2014 Group's coal production went up +3.5% YoY (+0.7 Mt) to 20.7 million tons mainly driven by increase of Pavlogradugol and Obukhivska mines output by 14% (+1.3 Mt).
- The Group maintained the highest labor productivity among major coal producers in Ukraine (73 t/worker/month, +7% increase vs LY). Productivity improvement is based on consistent introduction of modern equipment (longwalls, roadheaders, etc.), modern approach to mine-field development planning, fostering competitive environment among workers, sharing of best practices on operational efficiencies and the project for employees rewarding for continuous improvement.

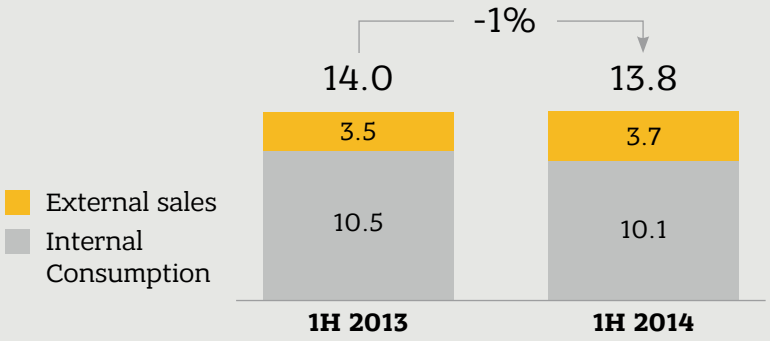
**DTEK's share in Ukrainian coal production (1H 2014)**




**Coal mining (ROM)*, Mt**



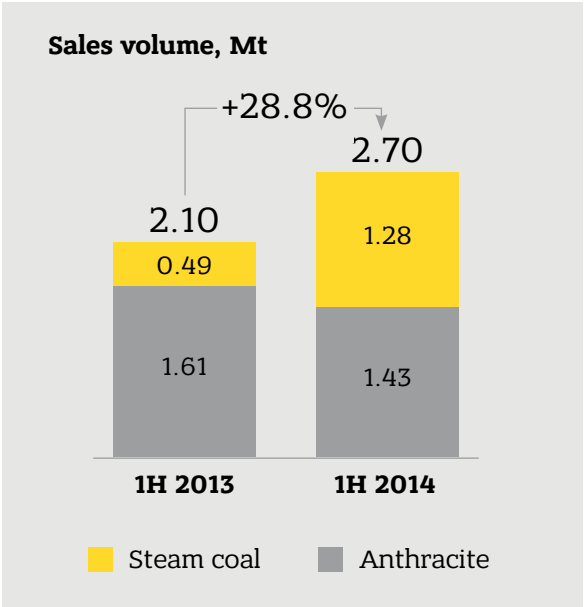

**Coal sales (end product)**, Mt**

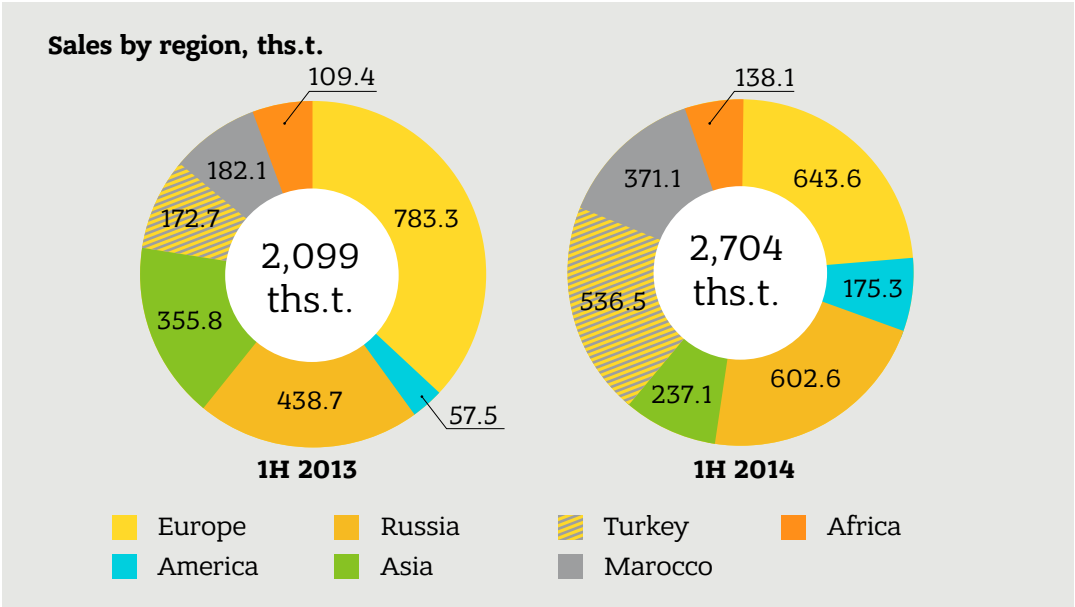



* Volume of coal mining is in tonnes of raw (Run-of-Mine) coal extracted by DTEK from the pits including Obukhivska mine
** Coal sales is in tonnes of enriched coal, which is a marketable end product

# Coal Exports

- DTEK strengthened leadership position, increasing its share in country's coal export volume from 47.9% in 1H 2013 to 54.1% in 1H 2014.
- Key countries for coal exports were: the Russian Federation; Turkey; Morocco; Great Britain; India.
- Group started direct coal supplies to ArcelorMittal Las Truchas (Mexico), part of the world's leading integrated steel and mining company, entered new coal markets in Brazil and Great Britain.
- In 1H 2014 revenues from coal exports increased by 20% vs LY reaching USD 230.7 mln, key drivers:
  - +28.8% YoY volume increase, following exports expansion to non-traditional markets (China, India, South Korea and Mexico) and diversification of customer base with international energy companies (such as EDF, E.On etc.).
  - -3.9% YoY average export prices decrease, driven by softening of the international coal markets as well as adverse change in the export mix (increased share of the cheaper G grade of coal).



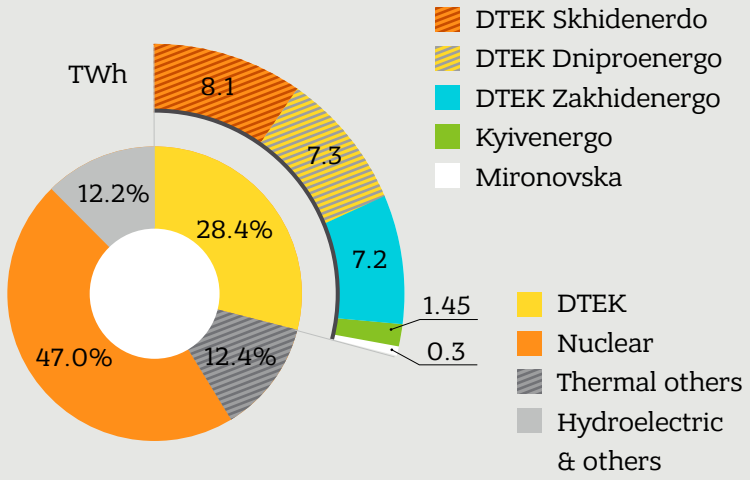




UAH/USD FX rate used: 1H 2013 – 7.99; 1H 2014 – 10.27 (NBU average Jan to June)
Source: DTEK, Ministry of Energy and Coal Industry, Energobiznes

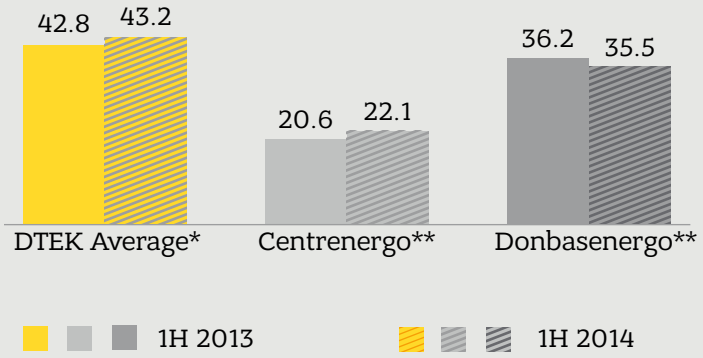
# Thermal Power Generation

- Increased thermal power output by 0.5% (+123 KWh) to 24.3 TWh in 1H 2014 despite consumption decline.
- Improved operating efficiency due to improved capacity management and better coal quality:
  - ICUR increased by 0.9% from 42.8% in 1H 2013 to 43.2% in 1H 2014.
  - Average fuel consumption decreased by 0.3% from 390 in 1H 2013 to 388 g/kWh in 1H 2014.
- Average TPP tariffs (including investment markup) decreased from 66.7 kopecs/KWh in 1H 2013 to 60 kopecs/KWh in 1H 2014 primarily due change in overall power generation mix while tariffs for renewable energy and NPP were increased, as well as decrease in HPP generation and completion of investment projects (funded by investment markup).
- In 2Q 2014, DTEK completed the retrofit of #13 power unit at Luhanska TPP. The retrofit of unit #3 at DTEK Zaporizka TPP and unit #9 at DTEK Kurakhivska TPP are expected to be completed in 4Q 2014 and 1Q 2015 respectfully, this will to reduce costs of production, extend service life, increase capacity and expand the flexibility range.

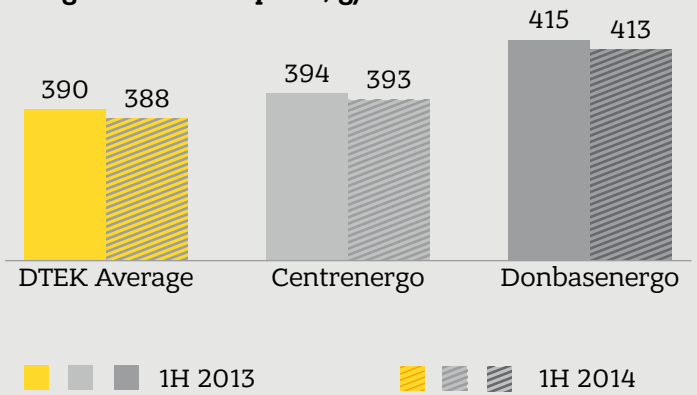
**DTEK's TPP share in Ukraine's power generation (1H 2014)**




**Installed capacity utilisation rate (ICUR), %**




**Average fuel consumption, g/kWh**




* ICUR excluding gas-and-oil fired units and mothballed units
UAH/USD FX rate used: 1H 2013 – 7.99; 1H 2014 – 10.27 (NBU average Jan to June)
** according to reporting provided to Ministry of Energy and Coal Industry

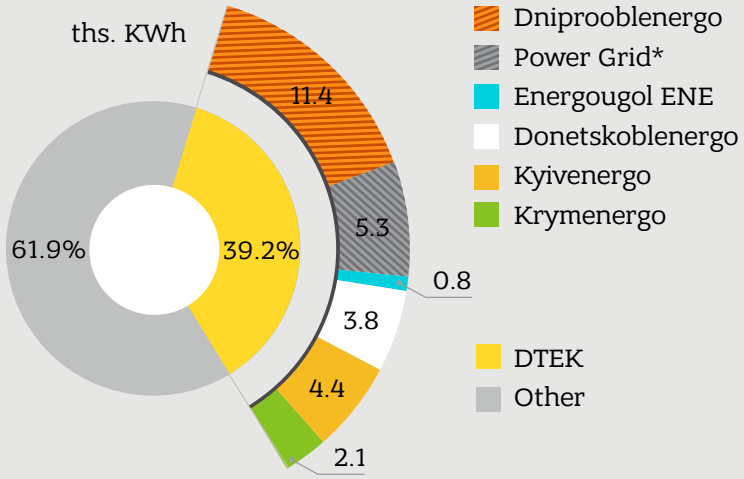
# Electricity Distribution

- Reduced electricity transmission by 4% (-1.16 bln kWh) to 27.9 billion kWh mainly driven by electricity consumption decrease in Ukraine.
- Focused investments on grid losses reduction level to achieve 0.13 pts reduction (from average 6.38% to 6.25%) which is well below Ukraine's industry average losses at 9.22% (1H 2014).
- From 1st July tariffs for households in UAH increased from 10% to 40% (depending on consumption volume) for the first time starting from 2012. Tariff for industrial consumers (settled on monthly basis) also demonstrated growth in UAH equivalent (+12% to 1H 2013).
- Distribution companies tariffs (excluding Kyivenergo) increased by 3% (in UAH) in 1H 2014.

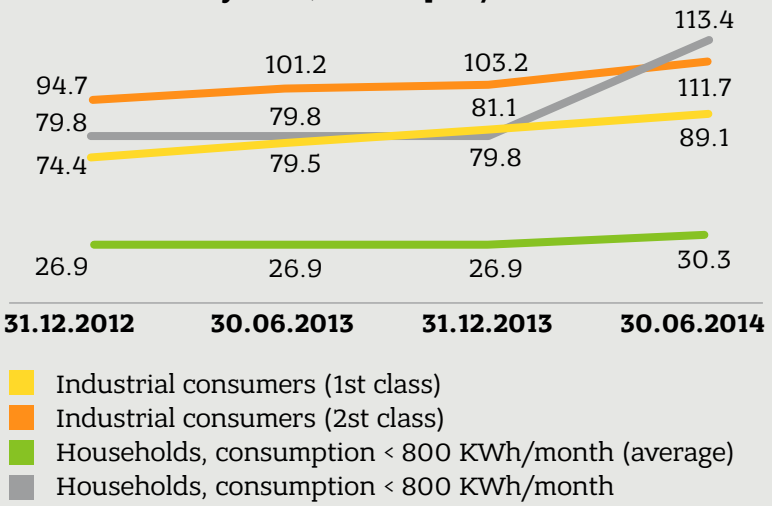
**Krymenergo operations**

- Krymenergo (head office registered in Kyiv) continued to operate in Crimea via its local branch.
- Supply and sales of electricity in Crimea are performed under concluded contracts in line with schedule.

**Share in Ukraine's electricity distribution (1H 2014)**




**Market electricity tariff, UAH kopecs/KWh**

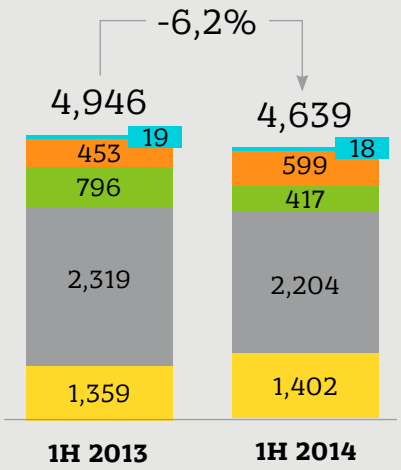



* Servis-Invest - before rebranding
UAH/USD FX rates used: 2012-2013 – 7.99; 30.06.2014 – 11.82

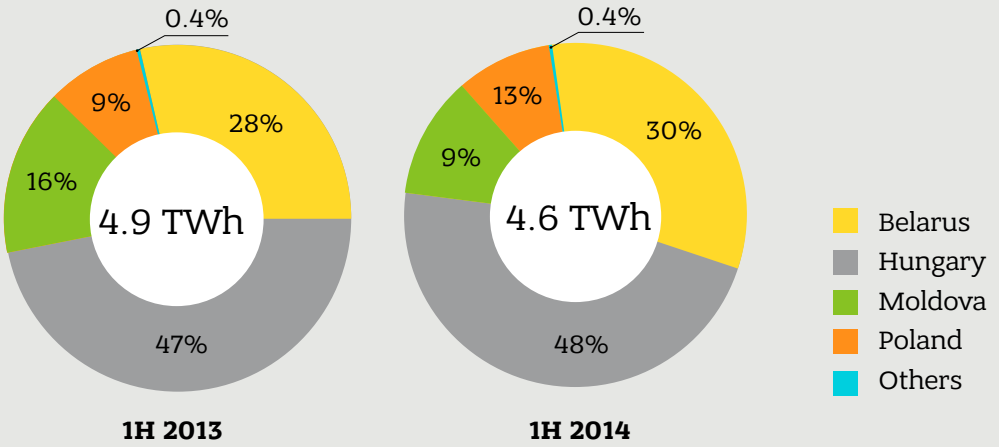
# Electricity Exports

- DTEK maintained dominant position in electricity export in Ukraine in 1H 2014.
- Export volumes decreased by 6.2% from 4.9 TWh (1H 2013) to 4.6 TWh (1H 2014). The main factor for such a decrease was one-off contract concluded with Moldova in 2013 for an additional volume. Excluding this one-off event, export of electricity was stable in 1H 2014.
- The 1H 2014 revenues from exports of electricity were USD 260.8 mln, showing 8.3% YoY reduction due to lower volumes of export.

**Sales volume, mln. KWh**




**Sales by region**

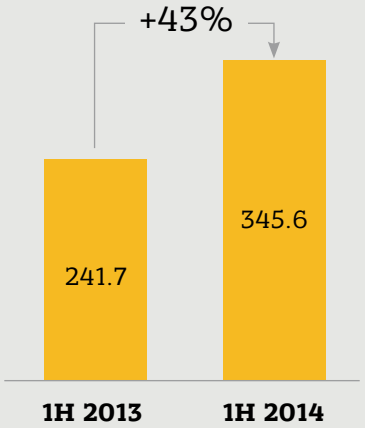



UAH/USD FX rate used: 1H 2013 – 7.99; 1H 2014 – 10.27 (NBU average Jan to June)

# Oil & Gas

- In 1H 2014, Ukraine produced 9.8 bln cubic meters of natural gas, which represents 1.5% YoY increase. During the same period Ukraine imported 14.5 bln cubic meters of natural gas (which was +40% YoY).
- In 1H 2014 DTEK Group consumed 1.34 bln cubic meters of natural gas. In the same period PrJSC Naftogazvydobuvania extracted 345.6 mln cubic meters of natural gas and 12.8 ths tonnes of natural gas condensate.
- The share of PrJSC Naftogazvydobuvania in natural gas extraction performed by private companies in Ukraine amounted to 25% for the 1H 2014 (private sector extraction accounted for 15% of all extraction in Ukraine in this period).
- Key projects – well No. 8 was commissioned in 1H 2014, major workover of wells No. 60 and 4 was completed at Semyrenkivske gas-condensate field. Gas treatment plant "Olefirovka" with 2 bln cubic meters of natural gas per year capacity was brought into operation in the mid September 2014. The investment project on 6 new wells' drilling at Semyrenkivske gas-condensate field was started in 2H 2014.

**Gas extraction, mln m3**




**Naftogasvydobuvannya key performance data**

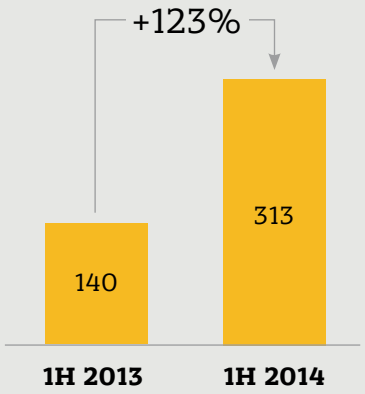
| Operational performance | | 1H 2014 | 1H 2013* | +/- | % |
|---|---|---|---|---|---|
| **Gas extraction** | mln m3 | 345.6 | 241.7 | 103.9 | 43 |
| **Gas condensate extraction** | ths. T | 12.8 | 8.7 | 4.1 | 47 |
| **Meterage drilled** | m | 9 156 | - | 9 156 | - |

* The data is provided for the purposes of comparison. Naftohasvydobuvannya was acquired in November 2013
UAH/USD FX rate used: 1H 2013 – 7.99; 1H 2014 – 10.27 (NBU average Jan to June)

# Renewable Energy

- The Botievo wind farm is Group's first project in renewable energy business segment. The second phase (35 turbines) of this pilot project was completed in Q2 2014. Since 2013, 65 wind turbines were installed with total capacity of 200 MW. The Botievo Wind Farm is among TOP 5 largest wind farms in Central and Eastern Europe.
- Project Capex (for both phases) is about EUR 339 mln (approximately 72% financed via ECA backed long term credit lines).
- Green tariff set at 11.3 € cents/kWh, pegged to Euro and adjusted monthly.
- DTEK's share in total wind power generation in Ukraine increased to 29% in 1H2014 from 18.5% in 1H 2013.

**Botievo Windfarm power generation, mln kWh**




**Botievo Windfarm key performance data**

| Operational performance | | 1H 2014 | 1H 2013 | +/- | % |
|---|---|---|---|---|---|
| **Electricity output** | GW/h | 313 | 140 | 173 | 123 |
| **Commissioned WTG*, YoY** | units | 65 | 30 | 35 | 117 |
| **Capacity Utilization Rate** | % | 37.66 | 35.79 | 2 | 5 |
| **Total capacity, EoY** | MW | 200 | 92 | 108 | 117 |

* WTG - Wind Turbine Generator
UAH/USD FX rate used: 1H 2013 – 7.99; 1H 2014 – 10.27 (NBU average Jan to June)



# 03 Financial Review

Energy in action

# Financial Highlights

### Income statement highlights

| UAH mln | 1H 2014 | 1H 2013 |
|---|---|---|
| **Revenues** | **44,275** | **43,776** |
| Change | 1.14% | |
| **EBITDA** | **8,513** | **7,022** |
| Margin | 19.2% | 16.0% |
| **EBIT** | **4,813** | **3,682** |
| Margin | 10.9 | 8.4% |
| **Net loss/profit** | **-7,582** | **1,197** |
| **Margin** | **-17,1%** | **2,7%** |

| USD mln* | 1H 2014 | 1H 2013 |
|---|---|---|
| **Revenues** | **4,309** | **5,477** |
| Change | -21.3% | |
| **EBITDA** | **829** | **879** |
| Margin | 19.2% | 16.0% |
| **EBIT** | **468** | **461** |
| Margin | 10.9% | 8.4% |
| **Net loss/profit** | **-738** | **150** |
| **Margin** | **-17,1%** | **2,7%** |

### Balance sheet highlights

| UAH mln | 30 June 2014 | 31 Dec 2013 |
|---|---|---|
| Total assets | 96,613 | 95,144 |
| Total liabilities | 73,211 | 60,426 |
| **Net assets** | **23,402** | **34,718** |
| Short-term debt | 12,470 | 4,752 |
| Long-term debt | 26,682 | 22,258 |
| Gross-settled derivatives | 1,416 | 801 |
| **Gross Debt** | **40,568** | **27,811** |
| Cash and cash equivalents | 4,577 | 5,243 |
| **Net debt** | **35,991** | **22,586** |
| **Gross Debt / EBITDA** | **2.33x** | **1.9x** |
| **Net Debt / EBITDA** | **2.07x** | **1.5x** |

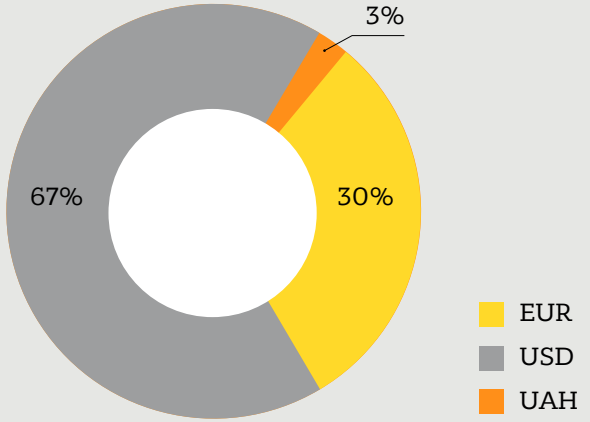
| USD mln* | 30 June 2014 | 31 Dec 2013 |
|---|---|---|
| Total assets | 8,171 | 11,903 |
| Total liabilities | 6,192 | 7,560 |
| **Net assets** | **1,979** | **4,344** |
| Short-term debt | 1,055 | 595 |
| Long-term debt | 2,257 | 2,785 |
| Gross-settled derivatives | 120 | 100 |
| **Gross Debt** | **3,431** | **3,479** |
| Cash and cash equivalents | 387 | 656 |
| **Net debt** | **3,044** | **2,826** |
| **Gross Debt / EBITDA** | **2.33x** | **1.9x** |
| **Net Debt / EBITDA** | **2.07x** | **1.5x** |

* Converted in USD only for presentation purposes
UAH/USD FX rates used:
For Income statement highlights 1H 2013 – 7.99; 1H 2014 – 10.27 (NBU average Jan to June)
For Balance sheet highlights 30.06.2013 – 7.99, 30.06.2014 - 11.82

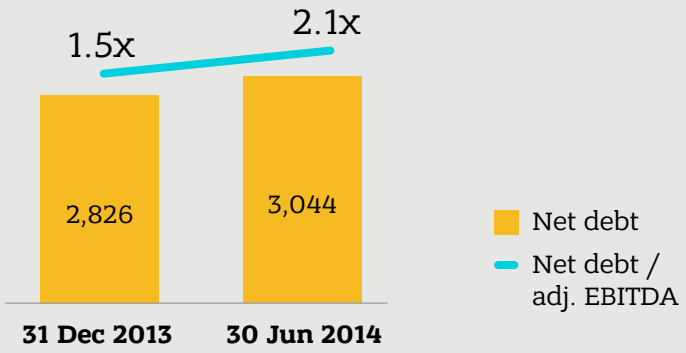
# Debt Structure

- Gross Debt at the end of the period was USD 3,431 mln.
- Borrowings structure:
  - 68% long term / 32% short term loans.
  - 62% fixed rate / 38% floating rate.
- Comfortable maturity of average 3+ years.
- Healthy liquidity position:
  - Cash and cash equivalents of USD 387 mln.
  - Available credit lines of USD 390 mln.

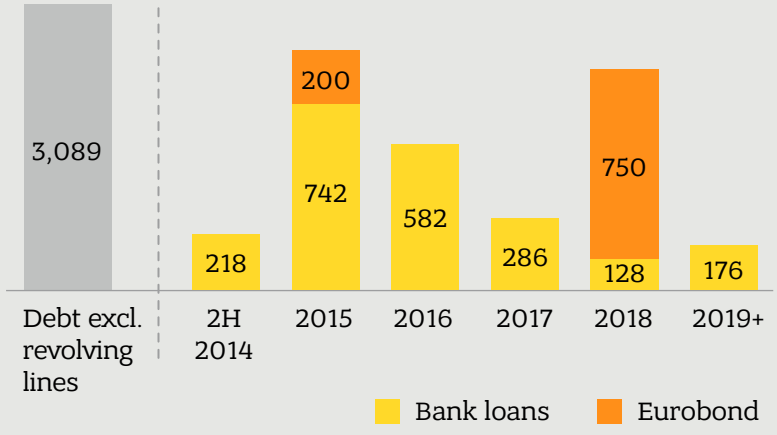
**Total debt composition by currency** as of 30 Jun 2014**




**Net debt (USD mln) and Net Debt / adj. EBITDA (x)**




**Debt maturity profile* as tof 30 Jun 2014, USD mln**




* Borrowings excluding revolving lines, letters of credit and accrued interest (according to actual loan maturities)
** RUB facilities with VTB (RUB 10 bln) and SberBank (USD 500 mln in RUB equivalent) were swapped into USD and included in USD part of the pie chart and RUB facility with VTB (RUB 4 bln) was swapped in EUR and is included in EUR part of the pie
UAH/USD FX rates used: 30.06.2013 – 7.99; 30.06.2014 – 11.82

# 04 Capital Expenditures

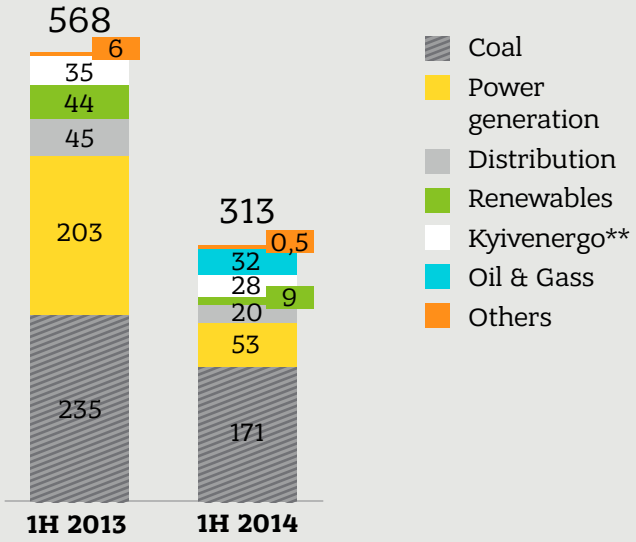


Energy
in action

# Capital Expenditures

- In Power generation, Distribution and Kyivenergo business segments, most of the capital expenditures is compensated via investment markup in the tariffs, the rest of the capital expenditures is discretional and almost entirely contracted in local currency.
- Capital expenses in 1H 2014 were significantly below LY (in USD -255 mln, or by -45%). Main reduction was in coal mining by USD -113 mln (-27% vs LY) and power generation by USD -94 mln (-74% vs LY). Reduction investments in Renewables was due to completion of Botievo wind farm construction.
- 2H 2014 investments include business critical projects only and planned at conservative levels.

**By business segments*, USD mln**




**Key 2014 projects**

| Business Unit | Projects | Completion |
|---|---|---|
| **COAL MINING** | | |
| Pavlogradska CCM | Technical re-equipment of section 2 | 3Q 2014 |
| Yuvileina mine | Construction of air shaft 3 | 4Q 2016 |
| Dobropilska mine | Drilling of the fresh air borehole | 3Q 2014 |
| **POWER GENERATION** | | |
| Zuivska TPP | Retrofit of unit 3 | 3Q 2015 |
| Krivorizka TPP | Retrofit of unit 1 | 2Q 2016 |
| Kurakhovska TPP | Retrofit of unit 9 | 1Q 2015 |
| Zaporizka TPP | Retrofit of unit 3 | 3Q 2014 |
| **KYIVENERGO** | | |
| Kyivenergo | Constructing the substation 35/10 kV Elenovska with a 110 kV line | 4Q 2014 |
| Kyivenergo | Retrofit of open distributing device 330 kV for combined heat-and-power plant #5 | 4Q 2014 |
| **DISTRIBUTION** | | |
| Donetskoblenergo | Reconstruction of Pivdenna-110 substation | 3Q 2015 |

* Starting from 2014 Capex includes: Naftohazvydobuvania
** Kyivenergo includes generation, heat generation and electricity distribution assets
UAH/USD FX rates used: 1H 2013 – 7.99; 1H 2014 – 10.27 (NBU average Jan to June)

# 05 Appendices



Energy
in action

# DTEK - Leading Energy Company in Ukraine



**Coal production**

Coal mining volume: 20.7* Mt

Coal reserves: 1,743 Mt

31 coal mines

13 coal enrichment plants



**Power generation**

Power generation (thermal and wind): 24.6 TWh

Installed capacity: 18.2 GW

10 TPG, 2 CHP plants, 66 power units

1 windfarm, 65 wind turbines



**Electricity distribution**

Electricity transmission: 27.9 TWh

Grid length: 156,600 km

6 distribution companies

5.2 mln households,

134k corporate and other



**Oil&Gas**

Gas extraction: 345.6 mln $m^3$

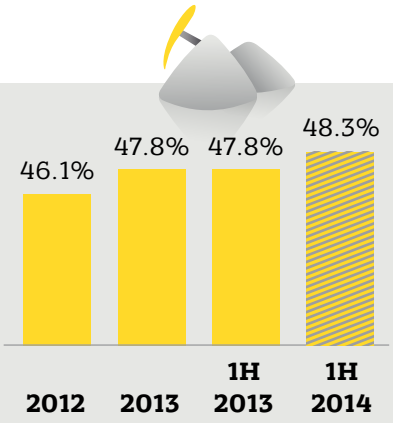
Gas condensate extraction: 12.8 ths.t.

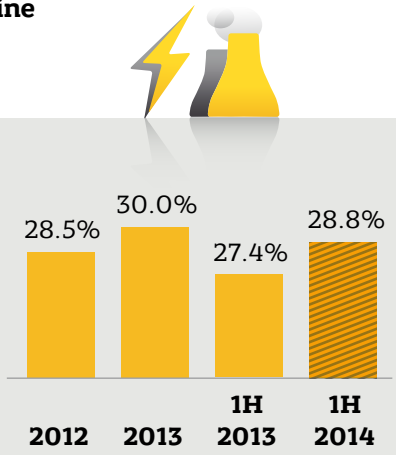
Gas & gas condensate reserves:

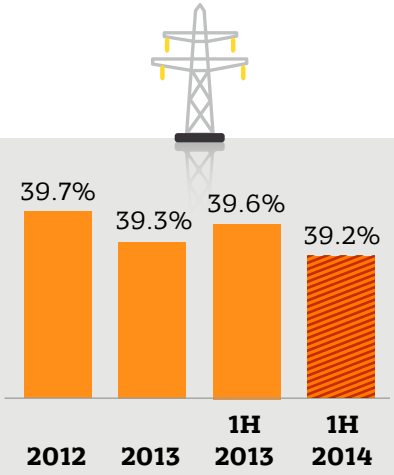
20 mln $m^3$ and 2 mln t.

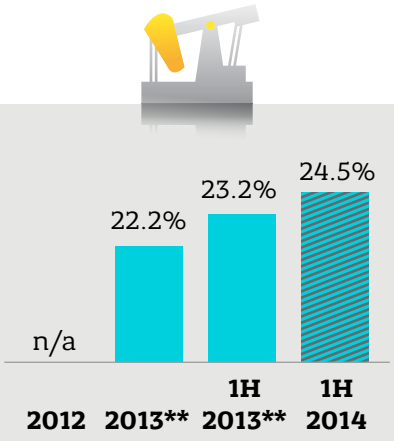
Number of wells: 11

**DTEK proportional share in Ukraine**




Note: Share in mining volume of raw coal

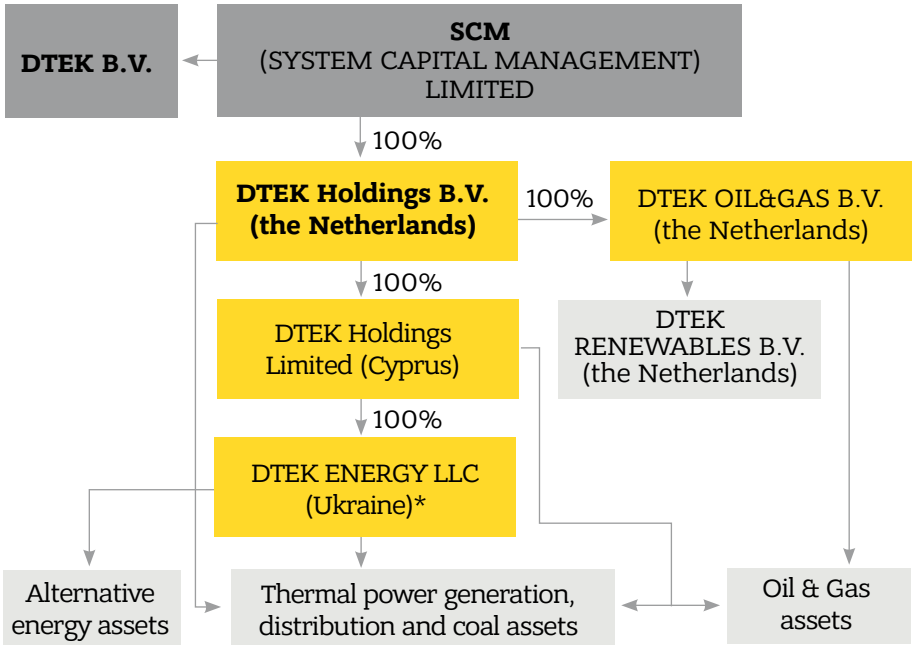
* Including Obukhovska Mine (Russian Federation). Reserves as of 31.12.2013

** Share in gas extraction by private companies in Ukraine. Data for 2013 and 1H 2013 – for comparison purposes only (Naftohasvydobuvammy was acquired in November 2013

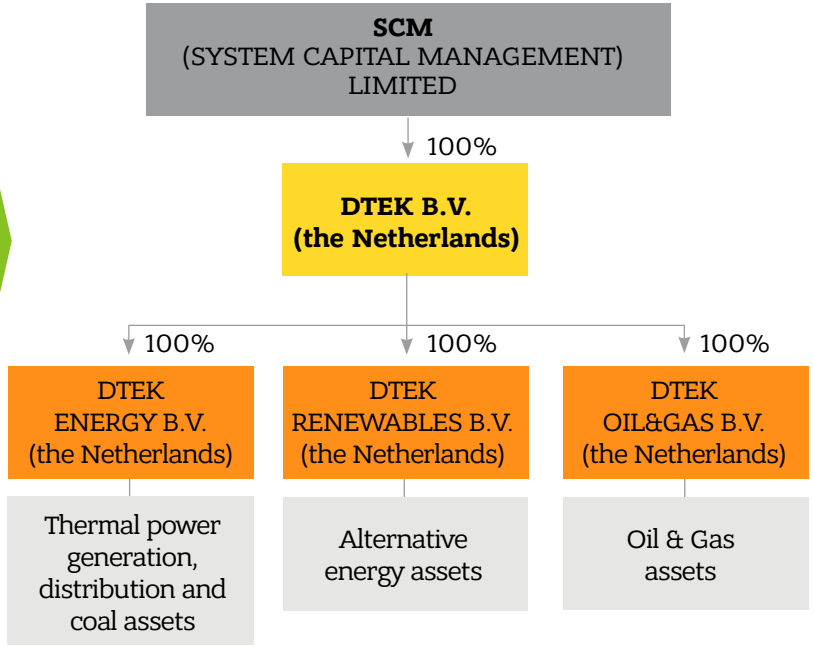
Source: DTEK, Ukrenergo Main Data Processing Centre, NERC

# DTEK Corporate Reorganisation

**Actual Corporate structure**




**Target Corporate structure**




According to strategic plan developed in 2011 the reorganisation of DTEK Group included 2 stages: transition from a three-tier to a two-tier management model (completed) and separation of businesses into three sub holdings (Energy, Oil&Gas, Renewables).

**Main aims of reorganization (2 stage):**

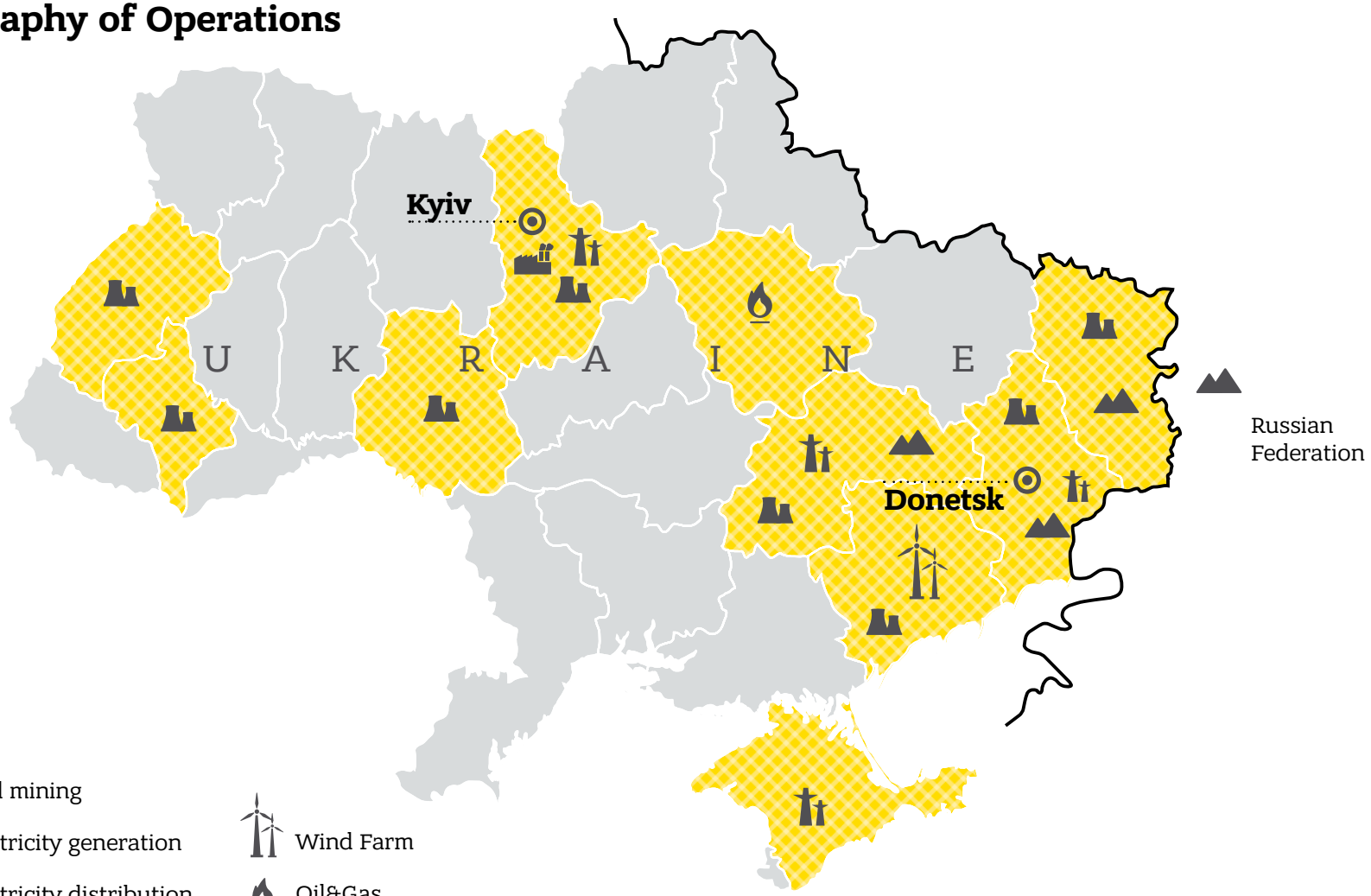
- Improve corporate governance, streamline shareholding structure and increase operational efficiency of three business segments;
- Decrease leverage of DTEK's traditional coal, thermal power generation and distribution business as the alternative energy assets will be transferred to new subholdings with their respective indebtedness;
- Improve investor attractiveness of alternative energy assets and set the base for further development of these business segments.

**Implemented steps during 1H 2014 within DTEK corporate reorganization:**

- Renaming of DTEK Investments B.V. into DTEK OIL&GAS B.V.;
- Consolidation of 100% of shares/votes in DTEK Holdings B.V. by SCM (System Capital Management) Ltd;
- Incorporation of DTEK B.V. as 100% subsidiary of SCM.

*As of 17.07.2014 renamed into DTEK ENERGY LLC (before renaming - DTEK LLC)

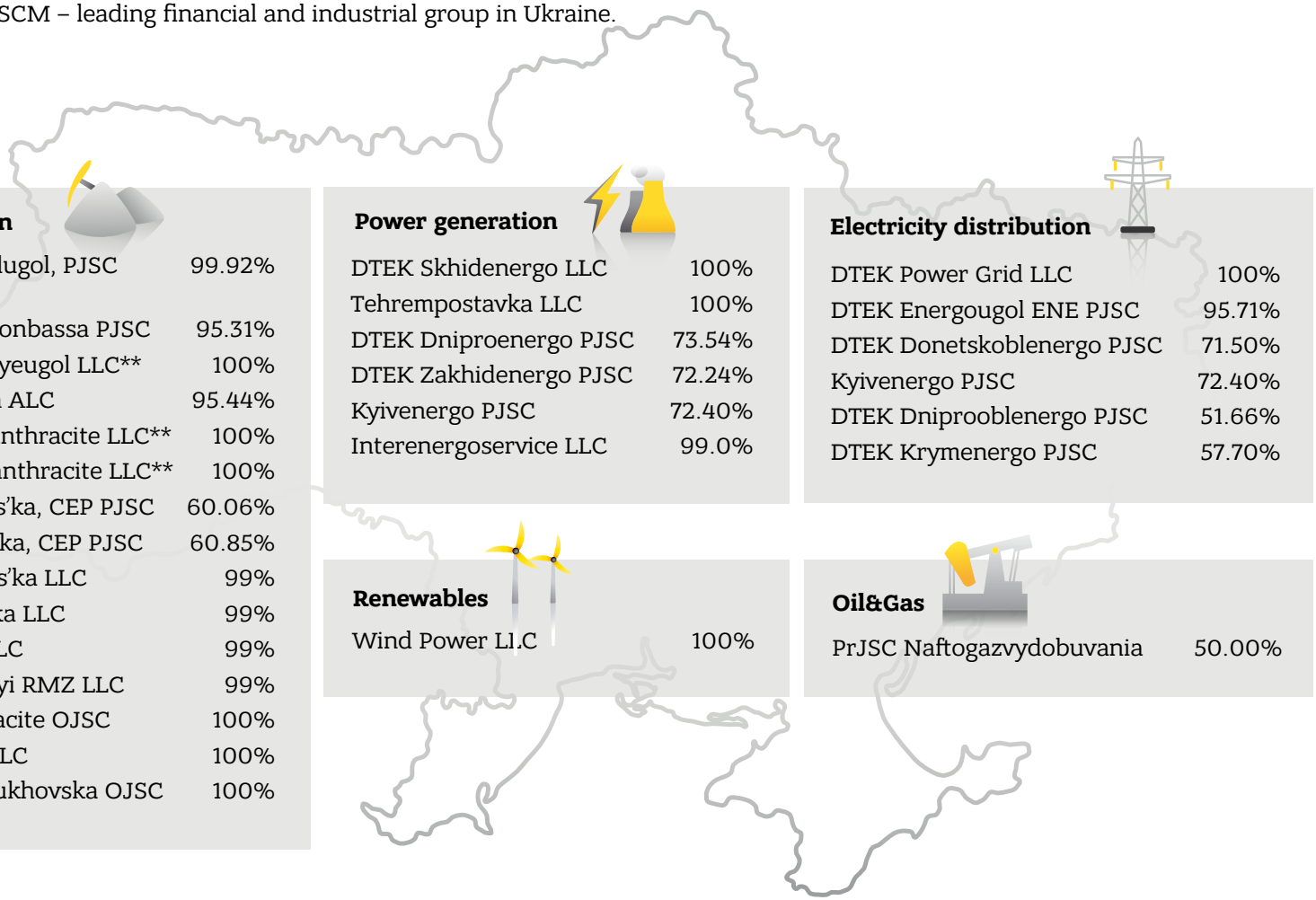
# Geography of Operations



# Ownership Structure*

**Experienced and committed strategic ownership of DTEK**

- Substantial benefit from the experience and strategic vision of the Group's UBO – Mr. Akhmetov.
- DTEK is part of SCM – leading financial and industrial group in Ukraine.



### Coal production

| | |
|---|---|
| DTEK Pavlogradugol, PJSC | 99.92% |
| DTEK Mine Komsomolets Donbassa PJSC | 95.31% |
| DTEK Dobropolyeugol LLC** | 100% |
| Mine Bilozerska ALC | 95.44% |
| DTEK Rovenkyanthracite LLC** | 100% |
| DTEK Sverdlovanthracite LLC** | 100% |
| DTEK Dobropil's'ka, CEP PJSC | 60.06% |
| DTEK Oktyabrs'ka, CEP PJSC | 60.85% |
| CCM Pavlograds'ka LLC | 99% |
| CCM Kurahivs'ka LLC | 99% |
| Mospino CPE LLC | 99% |
| Pershotravenskyi RMZ LLC | 99% |
| Donskoy Anthracite OJSC | 100% |
| Sulinathracite LLC | 100% |
| Mine Office Obukhovska OJSC | 100% |

### Power generation

| | |
|---|---|
| DTEK Skhidenergo LLC | 100% |
| Tehrempostavka LLC | 100% |
| DTEK Dniproenergo PJSC | 73.54% |
| DTEK Zakhidenergo PJSC | 72.24% |
| Kyivenergo PJSC | 72.40% |
| Interenergoservice LLC | 99.0% |

### Electricity distribution

| | |
|---|---|
| DTEK Power Grid LLC | 100% |
| DTEK Energougol ENE PJSC | 95.71% |
| DTEK Donetskoblenergo PJSC | 71.50% |
| Kyivenergo PJSC | 72.40% |
| DTEK Dniprooblenergo PJSC | 51.66% |
| DTEK Krymenergo PJSC | 57.70% |

### Renewables

| | |
|---|---|
| Wind Power LLC | 100% |

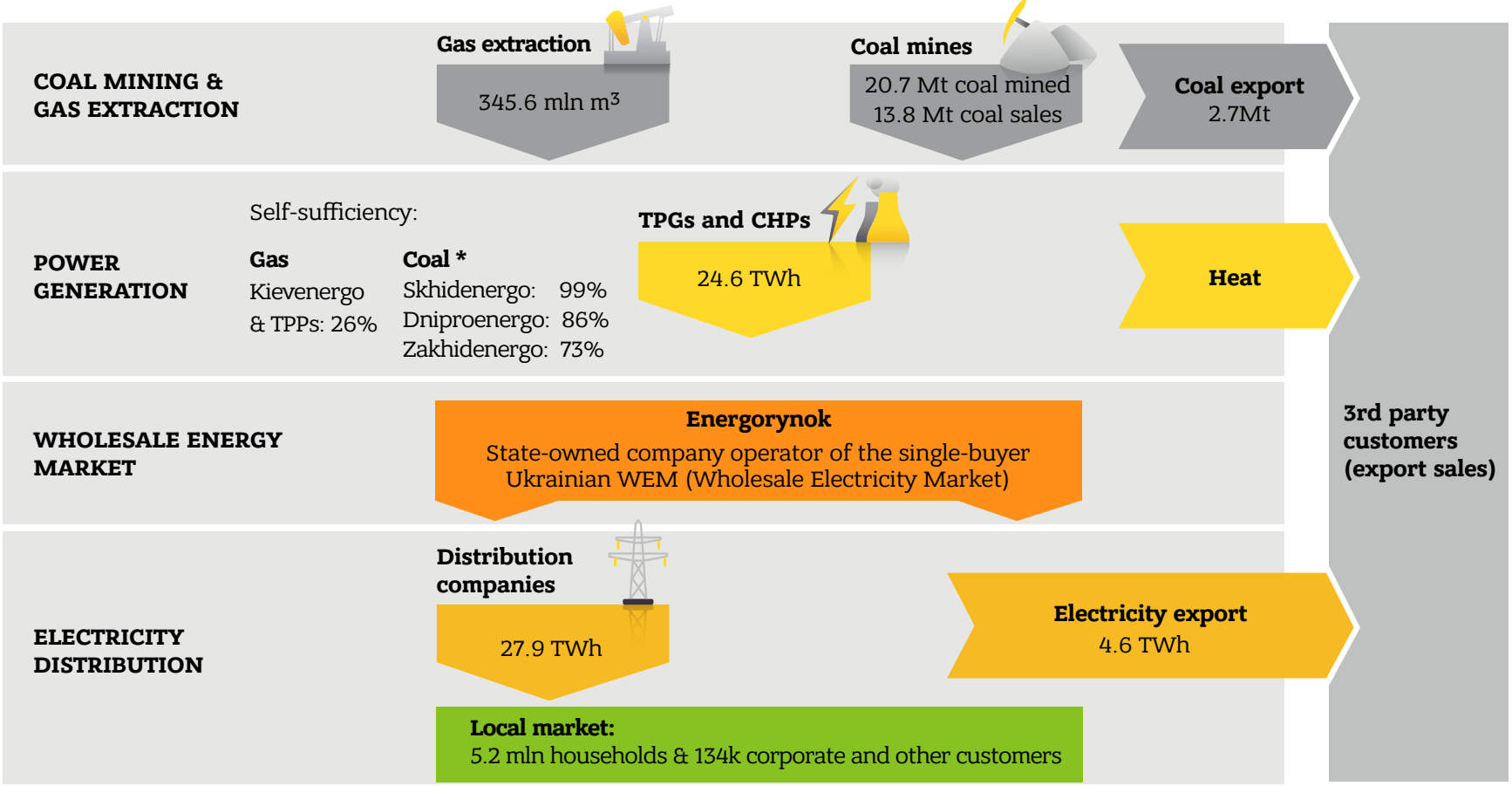
### Oil&Gas

| | |
|---|---|
| PrJSC Naftogazvydobuvania | 50.00% |

* Legal names are given as per constituent documents ** Dobropolyeugol has a 49 year lease on mining assets. Rovenkianthracite and Sverdlovanthracite have 49 year concessions in relation to the mining assets they operate. Ownership data as of June 30, 2014

# Vertical Integration Model

- Electricity is DTEK's core product.
- Selling predominantly to non-cyclical markets, capturing value across entire value chain.
- Coal mining provides for effective hedge for fuel supply and fuel price risks as well as stronger competitive positions.




* Consumption of coal mined by DTEK
Source: DTEK, 1H2014 results

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**Refers to slide 25 (DTEK Corporate Reorganisation): The information on DTEK Group corporate reorganisation is subject to further internal approvals and possible further alterations (including but not limited to any changes related to actions envisaged in terms of DTEK Group corporate reorganisation, order, timing, etc.)**

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